

Report on the

# Elmore County Commission

Elmore County, Alabama

October 1, 2012 through September 30, 2013

Filed: March 20, 2015



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

State of Alabama  
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Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Elmore County Commission, Elmore County, Alabama, for the period October 1, 2012 through September 30, 2013.

Sworn to and subscribed before me this  
the 17 day of Feb., 2015.

Kyptal Sumler My Commission Expires  
Notary Public February 19, 2018

Sworn to and subscribed before me this  
the 20 day of February, 2015.

Leana R. Jones  
Notary Public

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Respectfully submitted,

Dixie Broadwater

Dixie Broadwater  
Examiner of Public Accounts

Brooke Phillips

Brooke Phillips  
Examiner of Public Accounts



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Elmore County Commission  
October 1, 2012 through September 30, 2013**

The Elmore County Commission (the "Commission") is governed by a five-member body elected by the citizens of Elmore County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Elmore County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2013.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and is summarized below.

**CURRENT FINDING**

- ◆ 2013-001 relates to the failure of the Commission to properly bond all Commissioners.

A finding presented in the prior audit has not been resolved and it is summarized below.

**UNRESOLVED PRIOR FINDING**

- ◆ 2012-001 relates to the Commission's failure to comply with the Public Works Law.

A problem was found with the Commission's internal controls over compliance for its federal assistance programs (Exhibit 16) and it is summarized below:

- ◆ 2013-002 relates to noncompliance with OMB Circular A-87 related to the Commission's Violence Against Women Formula Grant.

The following officials/administrative personnel were invited to an exit conference to discuss the results of the audit: Lynda Feaga, County Administrator; and County Commissioners: Joe Faulk, Mark Hragyil, Stephanie Daniels Smoke, James Taylor and David Bowen; and former County Commissioners Earl Reeves and Cecil Daugherty. The following individuals attended the exit conference, held at the offices of the County Commission: County Commissioners: David Bowen, Stephanie Daniels Smoke, James "Trey" Taylor, and Mark Hragyil; former County Commissioner Earl Reeves; and representatives of the Department of Examiners of Public Accounts: Teresa D. Dekle, Audit Manager, Dixie Broadwater, Examiner and Brooke Phillips, Examiner. The results of the audit were discussed by telephone with County Commissioner Joe Faulk.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2013***

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Ref. No.	Finding/Noncompliance
2013-001	<p><b><u>Finding:</u></b> The <i>Code of Alabama 1975</i>, Section 11-2-20, requires the bond for each county official to be one-half of one percent of the amount budgeted in the current county budget for activities conducted by or under the direction of the individual county official, but the bond amount for any county official shall not exceed fifty thousand dollars (\$50,000). The Commission failed to ensure all Commissioners were bonded according to the <i>Code of Alabama 1975</i>, Section 11-2-20.</p> <p><b><u>Recommendation:</u></b> The Commission should comply with all aspects of the <i>Code of Alabama 1975</i>, Section 11-2-20.</p>
2012-001	<p><b><u>Finding:</u></b> The <i>Code of Alabama 1975</i>, Section 39, contains provisions of law pertaining to public works. Public works contracts in excess of \$50,000.00 are required to be awarded by sealed bid. The Commission was unable to provide documentation of public works bids related to a contract in the amount of \$341,621.00 for the construction of an addition to the Commission's storage facility.</p> <p><b><u>Recommendation:</u></b> The Commission should comply with all aspects of the public works law including portions as defined in the <i>Code of Alabama 1975</i>, Section 39-1-1 through 39-8-8.</p>

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*Independent Auditor's Report*

## **Independent Auditor's Report**

To: Members of the Elmore County Commission and County Administrator

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's government as listed in the table of contents as Exhibits 1 through 8.

### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 10); and the Schedule of Funding Progress – Defined Benefit Pension Plan (Exhibit 11) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elmore County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the Elmore County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elmore County Commission's internal control over financial reporting and compliance.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 10, 2015

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*Management's Discussion and Analysis  
(Required Supplementary Information)*

**Elmore County Commission  
Management's Discussion and Analysis  
Fiscal Year October 1, 2012 through September 30, 2013**

The Elmore County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the County. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the County to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Elmore County Commission for the fiscal year ended September 30, 2013. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. The MD&A is part of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments* issued June 1999.

**Financial Highlights**

- Elmore County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2013 by \$32,090,475. The County's total net position increased by \$839,147.
- Total revenues for the current fiscal year exceeded expenditures by \$ 839,147.
- The General Fund Balance decreased \$341,577. The fund balance retained is the equivalent of 54.95% of the annual general fund revenues. Since the County receives the majority of its property tax revenue in December, this cushion assures that the County has funds to operate through the collection period.
- Overall fund balance increased by \$1,088,322. Unrestricted net position decreased from \$8,883,220 to \$8,528,448 or a decrease of 4%. The County maintains a sufficient cushion to ensure excellent borrowing capability should the need arise. Restricted fund balances represent amounts legally restricted for specific purposes and therefore are not available for the general purposes of the County. Restricted net position balances increased by \$1,429,909; {\$2,961,644 (FY 2012); \$4,391,553 (FY 2013)}.

**Overview of the Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of the following components:

- Government-wide financial statements
- Fund financial statements
- Fiduciary funds statements
- Notes to the financial statements

This report also contains additional information that is relevant to the County's financial position.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with an overview of the County's finances, in a manner similar to those used by the private-sector businesses. The statement of net position includes all of the County's assets and liabilities. Current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To properly evaluate the overall health of the County you may need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings and other facilities.

The statement of activities presents information focused on both gross and net costs and shows how the County's net position changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of cost of various governmental services and/or subsidy to various business-type activities. The governmental activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreational, and education. The funding of these activities comes primarily from property taxes, charges for services, state share revenues (i.e. gasoline taxes) and other miscellaneous revenues.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements more familiar. Fund financial statements provide more detailed information about the County's funds, focusing on its Major funds rather than the County as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elmore County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types used to keep track of specific sources of funding and spending on particular County programs. Elmore County does not have any proprietary funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between governmental funds and governmental activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

Elmore County maintains many funds that are governmental funds. Separate information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Reappraisal Funds. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

### **Fiduciary Funds Statements**

Fiduciary funds are funds in which the County is the trustee, or fiduciary, of assets that belong to others. The County is responsible for ensuring that these assets are used only for their intended purposes and are reported and presented correctly in these funds. All the County's fiduciary activities are reported in a separate statement of fiduciary net position (Exhibits 7 and 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the County to finance its operations.

### **Notes to the Financial Statements**

Notes to the financial statements, provided in this report, offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

### **Required Supplementary Information**

Required supplementary information is expressed in Exhibits 9 and 10 which are Budget to Actual comparisons of the governmental major funds of the County. Elmore County adopts an annual appropriated budget for its General and Reappraisal Funds. The comparison schedules are presented to demonstrate compliance with the fund budgets. Exhibit 11 is the Schedule of Funding Progress relates to the actuarial report provided by the Retirement Systems of Alabama.

### **Additional Information**

Infrastructure assets: with the implementation of Government Accounting Standards Board (GASB) Statement 34, the County now reports and depreciates general capital assets. The County has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The infrastructure portion related to general governmental activities as stated in GASB Statement 34 requires that these assets (infrastructure-roads and bridges) be valued and reported within the Governmental column of the Government-wide Statement. All infrastructure assets have been added retroactively to the County's general capital assets in compliance with GASB 34.

### **Government-Wide Financial Analysis**

The County's net position increased by \$839,147 during the current fiscal year. Management monitors net position because the variance is a useful indicator of the County's financial position. Elmore County's total assets exceeded total liabilities by \$32,090,475 as of the fiscal year ending September 30, 2013. This decrease was related largely to rising prices of goods and services, causing expenses to grow faster than revenues, which is indicative of the general economy.

The following table shows the condensed Statement of Net Position.

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2012</b>
<b><u>Assets and Liabilities</u></b>		
Current Assets	\$ 22,522,995.58	\$ 20,961,668.19
Capital Assets, Net	21,155,729.22	20,892,214.51
<b>Total Assets</b>	<b>43,678,724.80</b>	<b>41,853,882.70</b>
Current Liabilities	9,451,013.03	8,971,817.49
Long-term Liabilities	2,137,236.30	1,630,737.58
<b>Total Liabilities</b>	<b>11,588,249.33</b>	<b>10,602,555.07</b>
<b><u>Net Position:</u></b>		
Net Investment in Capital Assets	19,170,473.37	19,406,462.85
Restricted	4,391,553.48	2,961,644.03
Unrestricted	8,528,448.62	8,883,220.75
<b>Total Net Position</b>	<b>\$ 32,090,475.47</b>	<b>\$ 31,251,327.63</b>

The largest portion of Elmore County's net position (59%) is in its capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. The County uses these capital assets to provide services to citizens. While the County's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of unrestricted net position in the amount of 8,528,448 may be used to meet the government's ongoing obligations to citizens and creditors, and \$4,391,553 of restricted position may be used to meet specific obligations to citizens and creditors.

**Statement of Activities**

The following schedule compares the revenues and expenses for FY 2013 and 2012, respectively. Government activities increased the County's net position by \$839,147.

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2012</b>
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 3,642,846.26	\$ 3,334,556.16
Operating Grants & Contributions	5,226,318.61	5,475,125.76
Capital Grants & Contributions	386,143.80	1,038,745.52
<u>General Revenues</u>		
Property Taxes for General Purposes	4,063,707.93	4,070,340.36
Property Taxes for Specific Purposes	3,168,786.41	2,870,774.17
General Sales Tax	1,215,502.93	1,024,002.00
Special Sales Tax	889,700.01	831,150.85
Miscellaneous Taxes	987,307.73	985,019.42
Grants and Contributions Not Restricted for Specific Programs	1,340,594.97	664,029.22
Investment Earnings	53,190.00	144,709.54
Miscellaneous	1,020,813.39	754,789.44
<b>Total Revenues</b>	21,994,912.04	21,193,242.44
<b>Expenses</b>		
<u>Program Activities</u>		
General Government	5,577,001.75	5,848,306.44
Public Safety	8,143,695.61	8,242,847.63
Highways and Roads	7,104,401.67	6,882,818.88
Sanitation		373,483.50
Health	126,045.61	113,868.12
Welfare	35,606.63	33,157.17
Culture and Recreation	35,256.77	30,196.12
Education	95,460.28	71,982.45
Interest and Fiscal Charges	38,295.87	33,525.16
<b>Total Expenditures</b>	21,155,764.19	21,630,185.47
<b>Increase(Decrease) in Net Position</b>	839,147.84	(436,943.03)
<b>Net Position - Beginning</b>	31,251,327.63	31,688,270.66
<b>Net Position - Ending</b>	\$ 32,090,475.47	\$ 31,251,327.63

In fiscal year 2013 expenses for all services of the County were \$21,155,764. Of this amount 26% was spent for general government, 38% for public safety, 34% for highways and roads, 2% on the remaining categories listed above.

**Net Cost of Services**

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing that total by the revenue generated from the specific function or program. For the current year, the total cost of governmental services was \$21,155,764 and the combined charges for services plus operating and capital grants received were \$9,255,308 leaving a net cost to the County of \$11,900,456.

Charges for services amounted to \$3,642,846 and combined grants and contributions totaled \$5,612,462. The charges for services are payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

Function/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 5,577,001.75	\$ 2,743,387.24	\$ 5,848,306.44	\$ 2,680,463.33
Public Safety	8,143,695.61	6,200,682.44	8,242,847.63	6,256,850.70
Highways and Roads	7,104,401.67	2,775,742.45	6,882,818.88	2,599,974.26
Sanitation			373,483.50	32,126.02
Health	126,045.61	126,045.61	113,868.12	113,868.12
Welfare	35,606.63	28,362.29	33,157.17	8,474.55
Culture and Recreation	35,256.77	(107,520.66)	30,196.12	(15,506.56)
Education	95,460.28	95,460.28	71,982.45	71,982.45
Interest	38,295.88	38,295.88	33,525.16	33,525.16
<b>Total Governmental</b>	<b>\$ 21,155,764.20</b>	<b>\$ 11,900,455.53</b>	<b>\$ 21,630,185.47</b>	<b>\$ 11,781,758.03</b>

**Financial Analysis of Fund**

The financial performance of the County as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year increased from \$12,254,511 to \$13,342,844. This increase of \$1,088,332 was due to decreased expenditures.

For Elmore County, a target fund balance for most operational funds is a floor (absolute minimum) of fifteen percent, 15%, of annual expenditures to a preferred target of thirty percent, 30%, of annual expenditures. This is a very acceptable range due to the county’s dependability on property taxes, normally a reliable and predictable revenue source.

The following table provides a summary of the changes in fund balances of the County’s major funds as well as the combined Other Governmental Funds (After Budget to GAAP adjustments):

Fund	Beginning Fund Balance	Net Increase of (Decrease)	Ending Fund Balance
General Fund	\$ 9,292,867.92	\$ (341,577.23)	\$ 8,951,290.69
Other Governmental Funds	2,961,644.03	1,429,909.45	4,391,553.48
<b>Totals</b>	<b>\$ 12,254,511.95</b>	<b>\$ 1,088,332.22</b>	<b>\$ 13,342,844.17</b>

\*With the implementation of GASB 54, the General Fund’s beginning fund balance was restated to include the Jail and Judicial Complex Fund; Gasoline Tax Fund; Public Buildings, Roads and Bridges Fund; Severed Materials Fund; and the Environmental Fund.

\*\*The Reappraisal Fund does not carry a fund balance unless specific approval is given from the state to accumulate funds for a specific project. Any unexpended funds are returned and re-appropriated.

The General Fund met or exceeded the minimum target. The Reappraisal Fund does not generally accumulate fund balance and therefore should not be included in the target percentage.

The overall Governmental fund balances are at 62% of annual expenditures providing the county with reserves and some flexibility in addressing certain capital needs. In addition the budget cushion gives the County an excellent credit rating if the need for financing arises.

### **Budgetary Highlights - Major Funds**

#### **General Fund**

Exhibit 9 shows changes made in the original general fund budgets for fiscal year ended September 30, 2013. Budgeted revenues increased by \$47,000 and expenditures increased by \$333,747. Actual revenues were \$361,892 lower than the final budgeted revenues and actual expenditures were \$1,756,809 lower than final budgeted amounts. The net change in the general fund balance on a budgetary basis for the current fiscal year was a \$713,977 decrease. After audit Budget to GAAP adjustments the change was a \$341,577 decrease.

#### **Reappraisal Fund**

Exhibit 10 shows that original to final budgeted revenues and expenditures increased by \$137,500. The actual total revenues and total expenditures ended at \$1,203,389 and \$1,208,289 respectively with a financing source of 4,900 for a net zero fund balance.

Actual revenues and expenses were the \$169,756 and \$164,856 less than final budgeted revenues and expenses respectively.

**Capital Assets**

Capital Assets – Depreciation of assets other than land and construction in progress projects is now recorded on an annual basis using the straight-line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2013.

	Balance 10/01/2012	Additions	Deletions	Balance 9/30/2013
<b><u>Governmental Activities:</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 542,791.60	\$	\$	\$ 542,791.60
Construction in Progress		583,750.59		583,750.59
Total Capital Assets, Not Being Depreciated	542,791.60	583,750.59		1,126,542.19
Capital Assets Being Depreciated:				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	9,201,748.69	136,500.00		9,338,248.69
Equipment and Furniture	7,978,839.73	1,043,388.85	(391,021.35)	8,631,207.23
Assets Under Capital Lease	28,384.76			28,384.76
Total Capital Assets Being Depreciated	52,258,380.96	1,179,888.85	(391,021.35)	53,047,248.46
Less Accumulated Depreciation for:				
Bridges	(2,787,238.81)	(191,197.16)		(2,978,435.97)
Roads	(20,802,540.79)	(227,696.52)		(21,030,237.31)
Buildings and Improvements	(3,540,117.53)	(217,782.20)		(3,757,899.73)
Equipment and Furniture	(4,764,868.54)	(815,030.88)	348,280.33	(5,231,619.09)
Assets Under Capital Lease	(14,192.38)	(5,676.95)		(19,869.33)
Total Accumulated Depreciation	(31,908,958.05)	(1,457,383.71)	348,280.33	(33,018,061.43)
Total Capital Assets Being Depreciated, Net	20,349,422.91	(277,494.86)	(42,741.02)	20,029,187.03
Total Governmental Activities Capital Assets, Net	\$ 20,892,214.51	\$ 306,255.73	\$ (42,741.02)	\$ 21,155,729.22

**Debt Outstanding**

**Long-Term Debt**

On April 18, 2013 the Commission entered into a General Obligation Warrant for up to \$10,000,000 at 2.17% interest. The interest payments for these warrants are made from the Capital Improvement Fund.

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase jail locks, control boards and speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund (Unreserved).

On March 4, 2011, the Commission entered into a notes payable agreement for \$956,788 at 2.41% interest rate to purchase four motor graders and for \$372,372 at 2.28% for the purchase of three Max Tri-axle trucks for the Road Department. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 22, 2010, the Commission entered in to a capital lease agreement for \$28,384 at 7.37% interest to purchase a plotter for the Road Department. The payments for the capital lease are made from the Gasoline Tax Fund.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2013:

	Debt		Debt		Amounts
	Outstanding	Issued/	Repaid/	Outstanding	Due w ithin
	10/1/2012	Increased	Decreased	9/30/2013	One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 1,470,758.26	\$	\$ (229,559.27)	\$ 1,241,198.99	\$ 221,084.06
General Obligation Warrant		734,987.76		734,987.76	
Subtotal	1,470,758.26	734,987.76	(229,559.27)	1,976,186.75	221,084.06
<b>Other Liabilities:</b>					
Capital Lease Contracts Payable	14,993.40		(5,924.30)	9,069.10	5,829.12
Compensated Absences	407,481.45	13,511.47		420,992.92	42,099.29
Total Other Liabilities	422,474.85	13,511.47	(5,924.30)	430,062.02	47,928.41
Total Governmental Activities					
Long-Term Liabilities	\$ 1,893,233.11	\$ 748,499.23	\$ (235,483.57)	\$ 2,406,248.77	\$ 269,012.47

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission’s governmental funds. In the past, approximately 51% has been paid by the General Fund, 45% by the Gasoline Tax Fund and 4% by the Reappraisal Fund.

**Economic Factors**

Elmore County’s single largest source of revenue is property tax, over the past several years the property values (and an accompanying decrease in billed property taxes) have steadily decreased. This decrease in revenues has impacted Elmore County to the point where operating levels required by our growing county have been met by using sources of revenue which have traditionally been added to the fund balance annually.

Initial indications for FY 2013 are that while the economy slowly begins to recover, property values will remain lower than expected. Thus, causing anticipated tax receipts to remain sluggish and in line with receipts for 2010.

While the rate of devaluation has decreased and even shown signs of leveling out, property values remain at the 2010 levels. New housing and commercial construction continue to experience the effects of the recession. Conventional wisdom is that the rates of new construction may not match previous rates for the remainder of this decade.

### **Financial Information Contact**

The County's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the County Administrator at 100 E. Commerce Street, Room 207B, Wetumpka, Alabama 36092, (334) 512-0600. The office is located on the second floor of the historic courthouse in downtown Wetumpka.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2013***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 8,800,191.60
Investments	4,798,660.95
Receivables (Note 4)	1,520,239.69
Ad Valorem Taxes Receivable	7,401,983.67
Prepaid Items	1,919.67
Capital Assets (Note 5):	
Nondepreciable	1,126,542.19
Depreciable, Net	20,029,187.03
Total Assets	<u>43,678,724.80</u>
<b><u>Liabilities</u></b>	
Payables (Note 8)	989,466.35
Deferred Revenue	7,938,660.67
Accrued Wages Payable	252,024.39
Accrued Interest Payable	1,849.15
Long-Term Liabilities:	
Portions Due Within One Year:	
Notes Payable	221,084.06
Capital Lease Contracts Payable	5,829.12
Compensated Absences	42,099.29
Long-Term Liabilities:	
Portions Due and Payable After One Year:	
Notes Payable	1,020,114.93
Warrants Payable	734,987.76
Capital Lease Contracts Payable	3,239.98
Compensated Absences	378,893.63
Total Liabilities	<u>11,588,249.33</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	19,170,473.37
Restricted for:	
Road Projects	3,093,807.11
Improvements	799,515.65
Other Purposes	498,230.72
Unrestricted	<u>8,528,448.62</u>
Total Net Position	<u>\$ 32,090,475.47</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Activities***  
***For the Year Ended September 30, 2013***

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b><u>Primary Government</u></b>			
<b><u>Governmental Activities</u></b>			
General Government	\$ 5,577,001.75	\$ 2,287,271.61	\$ 160,199.10
Public Safety	8,143,695.61	382,127.46	1,560,885.71
Highways and Roads	7,104,401.67	973,447.19	3,355,212.03
Health	126,045.61		
Welfare	35,606.63		7,244.34
Culture and Recreation	35,256.77		142,777.43
Education	95,460.28		
Interest and Fiscal Charges	38,295.88		
Total Governmental Activities	\$ 21,155,764.20	\$ 3,642,846.26	\$ 5,226,318.61

**General Revenues**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- General Sales Tax
- Special Sales Tax
- Miscellaneous Taxes

Grants and Contributions Not Restricted  
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 386,143.80	\$ (2,743,387.24)
	(6,200,682.44)
	(2,775,742.45)
	(126,045.61)
	(28,362.29)
	107,520.66
	(95,460.28)
	(38,295.88)
<u>\$ 386,143.80</u>	<u>(11,900,455.53)</u>

4,063,707.93
3,168,786.41
1,215,502.93
889,700.01
987,307.73
1,340,594.97
53,190.00
1,020,813.39
<u>12,739,603.37</u>
839,147.84
31,251,327.63
<u>\$ 32,090,475.47</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2013***

	<b>General Fund</b>	<b>Reappraisal Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 4,559,798.74	\$ 470,547.94
Investments	4,223,660.95	
Receivables (Note 4)	1,285,424.26	18,124.25
Ad Valorem Taxes Receivable	6,394,033.38	1,007,950.29
Due From Other Funds	61,963.33	
Prepaid Expenses	1,919.67	
Total Assets	<u>16,526,800.33</u>	<u>1,496,622.48</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 8)	585,088.57	188,208.67
Due to Other Funds	106,539.42	2,448.52
Deferred Revenue	6,647,511.62	1,291,149.05
Accrued Wages and Benefits Payable	236,370.03	14,816.24
Total Liabilities	<u>7,575,509.64</u>	<u>1,496,622.48</u>
<b><u>Fund Balances</u></b>		
Nonspendable	1,919.67	
Restricted		
Unassigned	8,949,371.02	
Total Fund Balances	<u>8,951,290.69</u>	
Total Liabilities and Fund Balances	<u>\$ 16,526,800.33</u>	<u>\$ 1,496,622.48</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,769,844.92	\$ 8,800,191.60
575,000.00	4,798,660.95
216,691.18	1,520,239.69
	7,401,983.67
106,539.42	168,502.75
	1,919.67
<u>4,668,075.52</u>	<u>22,691,498.33</u>

216,169.11	989,466.35
59,514.81	168,502.75
	7,938,660.67
838.12	252,024.39
<u>276,522.04</u>	<u>9,348,654.16</u>

	1,919.67
4,391,553.48	4,391,553.48
	8,949,371.02
<u>4,391,553.48</u>	<u>13,342,844.17</u>
<u>\$ 4,668,075.52</u>	<u>\$ 22,691,498.33</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2013***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 13,342,844.17

Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources, and therefore  
are not reported as assets in governmental funds (Note 5). 21,155,729.22

Certain liabilities are not due and payable in the current period and therefore are not  
reported as liabilities in the funds. These liabilities at year-end consist of:

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Notes Payable	\$ 221,084.06	\$ 1,020,114.93	
Warrants Payable		734,987.76	
Capital Lease Contracts Payable	5,829.12	3,239.98	
Liability for Compensated Absences	42,099.29	378,893.63	
Total Long-Term Liabilities	\$ 269,012.47	\$ 2,137,236.30	(2,406,248.77)

Interest on long-term debt is not accrued in funds but rather is recognized as  
an expenditure when due. (1,849.15)

Total Net Position Governmental Activities - (Exhibit 1) \$ 32,090,475.47

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2013***

	General Fund	Reappraisal Fund
<b><u>Revenues</u></b>		
Taxes	\$ 9,025,232.66	\$ 1,178,222.05
Licenses and Permits	98,968.15	
Intergovernmental	3,204,072.98	
Charges for Services	2,299,499.01	
Fines and Forfeits	871.50	
Miscellaneous	1,661,358.08	25,167.58
Total Revenues	<u>16,290,002.38</u>	<u>1,203,389.63</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	4,093,463.33	1,003,539.63
Public Safety	7,094,385.62	
Highways and Roads	4,297,943.70	
Health	126,045.61	
Welfare	35,606.63	
Culture and Recreation	26,230.99	
Education	95,460.28	
Capital Outlay	899,925.85	204,750.00
Debt Service:		
Principal Retirement	235,483.57	
Interest and Fiscal Charges	35,937.36	
Total Expenditures	<u>16,940,482.94</u>	<u>1,208,289.63</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(650,480.56)</u>	<u>(4,900.00)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	200,500.00	
Sale of Capital Assets	108,403.33	4,900.00
Debt Issued		
Transfers Out		
Total Other Financing Sources (Uses)	<u>308,903.33</u>	<u>4,900.00</u>
Net Changes in Fund Balances	(341,577.23)	
Fund Balances - Beginning of Year	<u>9,292,867.92</u>	
Fund Balances - End of Year	<u>\$ 8,951,290.69</u>	<u>\$</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 121,550.30	\$ 10,325,005.01
2,040.60	101,008.75
3,838,292.41	7,042,365.39
190,677.78	2,490,176.79
	871.50
213,267.63	1,899,793.29
<u>4,365,828.72</u>	<u>21,859,220.73</u>
236,954.58	5,333,957.54
728,079.54	7,822,465.16
1,908,863.23	6,206,806.93
	126,045.61
	35,606.63
	26,230.99
	95,460.28
593,834.59	1,698,510.44
	235,483.57
2,675.09	38,612.45
<u>3,470,407.03</u>	<u>21,619,179.60</u>
<u>895,421.69</u>	<u>240,041.13</u>
20,529.98	221,029.98
	113,303.33
734,987.76	734,987.76
(221,029.98)	(221,029.98)
<u>534,487.76</u>	<u>848,291.09</u>
1,429,909.45	1,088,332.22
<u>2,961,644.03</u>	<u>12,254,511.95</u>
<u>\$ 4,391,553.48</u>	<u>\$ 13,342,844.17</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2013***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,088,332.22

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation	\$ (1,457,383.71)	
Capital Outlay	<u>1,698,510.44</u>	241,126.73

In the Statement of Activities, only the gain on the sale of capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the changes in net position differs from the change in fund balance by the cost of the capital assets sold.

Sale of Capital Assets	\$ (113,303.33)	
Gain/(Loss) on Disposition of Capital Assets	<u>70,562.31</u>	(42,741.02)

The issuance of debt is reported as other financing sources in governmental funds and thus contributes to the change in fund balance. However, in the Statement of Net Position issuing debt increases long term liabilities and does not affect the Statement of Activities. (734,987.76)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 235,483.57

Some items reported in the Statement of Activities do not require the use of current fiscal resources and therefore are not reported as an expenditure in governmental funds. These items consist of:

Net Increase in Estimated Liability for Compensated Absences	\$ (13,511.47)	
Net Decrease in Accrued Interest Payable	<u>316.57</u>	
Net Adjustment		(13,194.90)

In the Statement of Activities, donation of capital assets is recorded as revenue whereas in the governmental funds, it is not recorded. 65,129.00

Change in Net Position of Governmental Activities (Exhibit 2) \$ 839,147.84

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Fiduciary Net Position***  
***September 30, 2013***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 820,711.41	\$ 131,907.84
Due from External Agencies		40,370.19
Total Assets	<u>820,711.41</u>	<u>172,278.03</u>
<b><u>Liabilities</u></b>		
Payables (Note 8)	<u>1,168.13</u>	172,278.03
Total Liabilities	<u>1,168.13</u>	<u>\$ 172,278.03</u>
<b><u>Net Position</u></b>		
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 819,543.28</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2013***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Excess from Land Sales	\$ 436,225.36
Fiduciary Fund	15,810.23
Amounts Received from Inmates	325,823.58
Total Additions	<u>777,859.17</u>
<b><u>Deductions</u></b>	
Payments to Beneficiaries	684,601.41
Amounts Paid on Behalf of Inmates	326,259.55
Total Deductions	<u>1,010,860.96</u>
Changes in Net Position	(233,001.79)
Net Position - Beginning of the Year	<u>1,052,545.07</u>
Net Position - End of Year	<u><u>\$ 819,543.28</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Elmore County Commission (the “Commission”), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **A. Reporting Entity**

The Elmore County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### *Fund Financial Statements*

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of 7-cent State gasoline tax revenues for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of debt when gasoline tax revenues have been pledged.
- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the property reappraisal program. This fund is used to account for the expenditures related to the county's reappraisal program.

The Commission reports the following fund type in the Other Governmental Funds' column:

#### *Governmental Fund Type*

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Commission reports the following fiduciary fund types:

#### *Fiduciary Fund Types*

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**D. Assets, Liabilities, and Net Position/Fund Balances**

**1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. Investments are reported at fair value, with the exception of certificates of deposit, which are reported at cost.

**2. Receivables**

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 5,000	40 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Equipment Under Capital Lease	\$ 5,000	5 – 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

**5. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. In the fund financial statements, the face amount of debt is reported as other financing sources.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**6. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

**Annual Leave**

All unclassified and full-time classified employees will earn vacation leave with pay in accordance with these guidelines. Leave year: the vacation leave year will run from January 1 through December 31 of each year. Accrual of vacation leave: all eligible employees will earn vacation leave according to the schedule below:

Continuous Years of Service Completed	Per Pay Period
0-1 Year	1.53 Hours
Over One Year to Ten Years	3.07 Hours
Over Ten Years to Twenty Years	4.62 Hours
Over Twenty Years	6.16 Hours

Proration of vacation leave credit will be accrued each pay period by an eligible employee in which he/she is eligible to earn vacation leave. Use of vacation leave: vacation leave is considered to be a benefit to an employee and he/she is expected to take the earned leave each year. However, an employee may carry over a total of no more than one hundred twenty (120) hours of vacation leave. Any hours over this total shall be forfeited by the employee at the close of the leave year unless unusual circumstances prevent the employee from taking leave. In such incidences, approval can be given by the Commission to carry over more than 120 hours. The use of vacation leave will be approved at the discretion of the employee's appointing authority, in accordance with guidelines to be established by the appointing authority. Vacation leave will be approved in advance of each absence, except in unusual circumstances. Failure to comply with this requirement may result in an absence being treated as unauthorized leave. Probationary employees shall accrue vacation leave; however, they shall not be authorized to use vacation leave until they have successfully completed the probationary period. Vacation leave will not be advanced to any employee. Upon separation from county service, an individual will be paid for any accrued vacation leave. Probationary employees that are terminated during the probationary period shall not be paid for accrued vacation leave.

Employees resigning voluntarily or retiring and who give reasonable notice of their intention to resign will receive any annual leave credit earned as of the date of resignation. All earned annual leave of the employees who die while employed shall be paid in cash to the spouse or estate of said employee.

Permanent part-time or temporary part-time employees shall not receive annual leave.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### *Sick Leave*

Sick leave is a benefit provided unclassified and full-time classified employees. It is provided to ensure that eligible employees who are unable to work due to illness or injury do not feel compelled to do so for financial reasons. Accrual of sick leave: unclassified and full-time classified employees will earn sick leave credit at the rate of 3.7 hours per pay period for a total of ninety-six (96) hours of sick leave per year. However, employees will not be authorized to use any sick leave until they have successfully completed the probationary period. Eligible employees may not accrue more than 1200 hours sick leave credit. A probationary employee will accrue sick leave credits but shall not be authorized to use them until he/she has completed the probationary period. Separation: no employee will be paid for unused sick leave when he/she separates from county service. However, employees that retire from county service may transfer accrued, unused sick leave to retirement credit.

Upon separation from county service, all sick leave is cancelled and is not transferable to annual leave. Since sick pay is not payable upon separation, no liability is accrued on the financial statements.

#### *Compensatory Leave*

All full-time hourly classified and probationary employees shall be eligible to earn compensatory time for hours work in excess of 40 (86 bi-weekly for law enforcement and corrections) hours per week. Employees that are compensated on a salary basis are not eligible for compensatory time. Compensatory time will be calculated on a time and one-half basis for hours actually worked over 40 (86 bi-weekly for law enforcement and corrections) per week. Work must be performed at the employee's regular work station as evidenced by clocking in and clocking out to qualify for compensatory time. Work performed at home will not be considered in calculation of compensatory time.

#### *7. Net Position/Fund Equity*

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ *Net Investment in Capital Assets* – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories.

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available for multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, and lastly assigned fund balance.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### *Note 2 – Stewardship, Compliance, and Accountability*

##### *Budgets*

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

#### *Note 3 – Deposits and Investments*

##### *Deposits*

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

**Note 4 – Receivables**

On September 30, 2013, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	Governmental Funds			Total Governmental Funds
	General Fund	Reappraisal Fund	Other Governmental Funds	
Accounts Receivable	\$ 398,665.06	\$18,124.25	\$	\$ 416,789.31
Due from External Agencies	1,898.07			1,898.07
Intergovernmental	807,700.72		208,014.47	1,015,715.19
Sales Tax	76,887.31		8,543.04	85,430.35
Interest	273.10		133.67	406.77
Total Receivables	<u>\$1,285,424.26</u>	<u>\$18,124.25</u>	<u>\$216,691.18</u>	<u>\$1,520,239.69</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2013, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$7,294,701.89	\$
Ad Valorem Motor Vehicle Taxes		360,760.02
Grants Received but Unearned at September 30, 2013		283,198.76
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$7,294,701.89</u>	<u>\$643,958.78</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2013**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/01/2012	Additions	Deletions	Balance 09/30/2013
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 542,791.60	\$	\$	\$ 542,791.60
Construction in Progress		583,750.59		583,750.59
Total Capital Assets, Not Being Depreciated	<u>542,791.60</u>	<u>583,750.59</u>		<u>1,126,542.19</u>
<b>Capital Assets Being Depreciated:</b>				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	9,201,748.69	136,500.00		9,338,248.69
Equipment and Furniture	7,978,839.73	1,043,388.85	(391,021.35)	8,631,207.23
Assets Under Capital Lease	28,384.76			28,384.76
Total Capital Assets Being Depreciated	<u>52,258,380.96</u>	<u>1,179,888.85</u>	<u>(391,021.35)</u>	<u>53,047,248.46</u>
<b>Less Accumulated Depreciation for:</b>				
Bridges	(2,787,238.81)	(191,197.16)		(2,978,435.97)
Roads	(20,802,540.79)	(227,696.52)		(21,030,237.31)
Buildings and Improvements	(3,540,117.53)	(217,782.20)		(3,757,899.73)
Equipment and Furniture	(4,764,868.54)	(815,030.88)	348,280.33	(5,231,619.09)
Assets Under Capital Lease	(14,192.38)	(5,676.95)		(19,869.33)
Total Accumulated Depreciation	<u>(31,908,958.05)</u>	<u>(1,457,383.71)</u>	<u>348,280.33</u>	<u>(33,018,061.43)</u>
Total Capital Assets Being Depreciated, Net	<u>20,349,422.91</u>	<u>(277,494.86)</u>	<u>(42,741.02)</u>	<u>20,029,187.03</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 20,892,214.51</u>	<u>\$ 306,255.73</u>	<u>\$ (42,741.02)</u>	<u>\$ 21,155,729.22</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 229,532.74
Public Safety	321,230.45
Highways and Roads	897,594.74
Culture and Recreation	9,025.78
Total Depreciation Expense - Governmental Activities	<u>\$1,457,383.71</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### Note 6 – Defined Benefit Plan

##### A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. Benefits vest after 10 years of creditable service.

The provisions of Act Number 2012-377, Acts of Alabama, established a new defined benefit plan tier, Tier 2, for employees hired on or after January 1, 2013. Employees who were hired prior to January 1, 2013 are considered to be Tier 1 employees.

Vested Tier 1 employees may retire with full benefits at age 60 or after 25 years of service. Vested Tier 2 employees may retire after completing at least 10 years of service at the age of 62. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method Tier 1 retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service, whereas Tier 2 retirees are allowed 1.65% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (Special Privileges at Retirement) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

**B. Funding Policy**

Tier 1 regular employees and full-time law enforcement officers of the Commission are required by statute to contribute 5 percent and 6 percent respectively of their salary to the Employees' Retirement System (RSA). For Tier 2 employees and full-time law enforcement officers the contribution rate is 6 percent and 7 percent respectively of their salary. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2013 was 6.19 percent for Tier 1 employees and 3.89 percent for Tier 2 employees, based on the actuarial valuation performed as of September 30, 2010.

**C. Annual Pension Cost**

For the year ended September 30, 2013, the Commission's annual pension cost of \$450,193 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2012, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2012, the most recent actuarial valuation date, was 18 years.

The following is three-year trend information for the Commission:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	\$450,193	100%	\$0
9/30/2012	\$421,632	100%	\$0
9/30/2011	\$483,716	100%	\$0

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### **D. Funding Status and Funding Progress**

As of September 30, 2012, the most recent actuarial valuation date, the plan was 81.9 percent funded. The actuarial accrued liability for benefits was \$14,721,828 and the actuarial value of assets was \$12,061,614, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,660,214. The covered payroll (annual payroll of active employees covered by the plan) was \$6,668,433 and the ratio of the UAAL to the covered payroll was 39.9 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **Note 7 – Contingent Liabilities**

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Elmore County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2013 amounted to \$93,653.61.

#### **Note 8 – Payables**

On September 30, 2013, payables for the Commission's individual major funds and other governmental funds and fiduciary funds in the aggregate are as follows:

	Vendors	Intergovernmental	External Parties	Total Payables
<b><u>Governmental Activities:</u></b>				
General Fund	\$344,481.88	\$200,236.50	\$40,370.19	\$585,088.57
Reappraisal Fund	188,208.67			188,208.67
Other Governmental Funds	199,936.18	16,232.93		216,169.11
Total Governmental Activities	<u>732,626.73</u>	<u>216,469.43</u>	<u>40,370.19</u>	<u>989,466.35</u>
<b><u>Fiduciary Funds:</u></b>				
Private-Purpose Trust Funds			1,168.13	1,168.13
Agency Funds	171,548.09		729.94	172,278.03
Total Fiduciary Funds	<u>\$171,548.09</u>	<u>\$</u>	<u>\$ 1,898.07</u>	<u>\$173,446.16</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### Note 9 – Lease Obligations

##### Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$28,384.76 at September 30, 2013. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately in the notes to the financial statements. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2014	\$6,237.55
2015	3,291.55
Total Minimum Lease Payments	9,529.10
Less: Amount Representing Interest	(460.00)
Present Value of Net Minimum Lease Payments	\$9,069.10

#### Note 10 – Long-Term Debt

On April 18, 2013, the Commission entered into General Obligation Warrants, Series 2013, for up to \$10,000,000 at 2.17% interest. The interest payments for these notes payable are made from the Capital Improvement Fund. The General Obligation Warrants, Series 2013, were issued for the purpose of financing the county's construction projects on capital assets.

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase jail locks, control boards and speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund (Unreserved).

On March 4, 2011, the Commission entered into a notes payable agreement for \$956,788 at 2.41% interest rate to purchase four motor graders and for \$372,372 at 2.28% for the purchase of three Max Tri-axle trucks for the Road Department. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 22, 2010, the Commission entered in to a capital lease agreement for \$28,384 at 7.37% interest to purchase a plotter for the Road Department. The payments for the capital lease are made from the Gasoline Tax Fund.

## Notes to the Financial Statements

### For the Year Ended September 30, 2013

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2013:

	Debt Outstanding 10/01/2012	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2013	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Warrant, Series 2013	\$	\$734,987.76	\$	\$ 734,987.76	\$
Notes Payable:					
Jail Locks and Control Boards	378,145.70		(53,461.44)	324,684.26	54,832.42
Max TriAxle Trucks	265,078.69		(79,801.54)	185,277.15	75,288.37
Motor Graders	827,533.87		(96,296.29)	731,237.58	90,963.27
Total Notes Payable	1,470,758.26		(229,559.27)	1,241,198.99	221,084.06
Other Liabilities:					
Capital Lease Contracts Payable	14,993.40		(5,924.30)	9,069.10	5,829.12
Compensated Absences	407,481.45	13,511.47		420,992.92	42,099.29
Total Other Liabilities	422,474.85	13,511.47	(5,924.30)	430,062.02	47,928.41
Total Governmental Activities Long-Term Liabilities	\$1,893,233.11	\$748,499.23	\$(235,483.57)	\$2,406,248.77	\$269,012.47

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 51% has been paid by the General Fund, 46% by the Gasoline Tax Fund, and 3% by the Reappraisal Fund.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	Notes Payable		General Obligation Warrants Payable		Capital Lease Contracts Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2014	\$ 221,084.06	\$27,979.18	\$	\$191,390.76	\$5,829.12	\$408.43	\$ 446,691.55
2015	226,441.37	22,258.05		191,390.76	3,239.10	51.57	443,381.73
2016	637,727.55	10,999.83		191,390.76			840,118.14
2017	59,159.48	3,266.68		191,390.76			253,816.92
2018	96,786.53	2,054.74	734,987.76	111,644.61			945,473.64
Totals	\$1,241,198.99	\$66,558.48	\$734,987.76	\$877,207.65	\$9,069.10	\$460.00	\$2,929,481.98

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2013*

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#### **Note 11 – Conduit Debt Obligations**

The Commission has issued Limited Obligation School Warrants, Series 2005 to provide financial assistance to the Elmore County Board of Education. These warrants are limited obligations of the Commission and are payable solely from the funding agreement payments made by the Elmore County Board of Education. The warrants do not constitute a debt or pledge of the faith and credit of the Commission and accordingly, have not been reported in the accompanying financial statements. Upon repayment of the warrants, ownership of the acquired property transfers to the Elmore County Board of Education.

On October 1, 2012, the Elmore County Board of Education issued \$19,240,000.00 in Capital Outlay School Refunding Warrants with interest rates of 1.4 to 3.0 percent to advance refund \$17,090,000.00 of outstanding Funding Agreement Debt with the Elmore County Commission with interest rates of 4.0 to 5.0 percent. The net proceeds of \$18,926,831.00 (after payment of \$313,169.00 in underwriting fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Funding Agreement Debt. As a result, that portion of the Funding Agreement Debt is considered to be defeased and the liability for those warrants has been removed. Even though the principal of the new debt is \$2,150,000.00 more than the old issue, the interest savings of \$3,708,216.56 more than offsets the increased principal. As a result of the advance refunding, the Board reduced its total debt service requirements by \$1,558,216.56, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,317,220.05.

As of September 30, 2013, the aggregate principal amount payable for the Limited Obligation School Warrants, Series 2005 was \$2,585,000.

#### **Note 12 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

**Note 13 – Interfund Transactions**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2013, were as follows:

	<u>Due From Other Funds</u>		Totals
	General Fund	Other Governmental Funds	
<u>Due To Other Funds</u>			
General Fund	\$	\$106,539.42	\$106,539.42
Reappraisal Fund	2,448.52		2,448.52
Other Governmental Funds	59,514.81		59,514.81
Total Governmental Funds	<u>\$61,963.33</u>	<u>\$106,539.42</u>	<u>\$168,502.75</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2013, were as follows:

	Transfers In		Totals
	General Fund	Other Governmental Funds	
<b>Transfers Out:</b>			
<b>Governmental Funds:</b>			
Other Governmental Funds	\$200,500.00	\$20,529.00	\$221,029.00
Total Governmental Funds	<u>\$200,500.00</u>	<u>\$20,529.00</u>	<u>\$221,029.00</u>

The Commission typically used transfers to fund ongoing operating subsidies.

**Note 14 – Related Organizations**

The Elmore County Commission appoints a majority of the members of the board to several agencies. The Commission, however, is not financially accountable for these organizations because it does not impose its will and does not have a financial benefit or burden relationship with the organizations. These organizations are not considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission. The following is a list of the related organizations:

- ◆ Central Elmore Water and Sewer Authority
- ◆ E-911 Board
- ◆ Elmore Water Authority
- ◆ Elmore Community Hospital
- ◆ Horseshoe Bend Regional Library
- ◆ The Ridge Improvement District
- ◆ The Elmore County Department of Human Resources
- ◆ Elmore County Economic Development Authority
- ◆ Elmore County Impact Crater Commission
- ◆ Montgomery Area Mental Health Authority
- ◆ Elmore County Public Building Authority
- ◆ Elmore County Public Education Cooperative District
- ◆ Crenshaw Park Board
- ◆ Elmore/Autauga Community Action
- ◆ Southeast Alabama EMS Inc.
- ◆ MPO Citizens Advisory Committee

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2013***

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**Note 15 – Aggregated Fund Balance Amounts and Classification**

The components of nonspendable, restricted, committed, and assigned fund balances aggregated on the face of the financial statements are as follows:

	General Fund	Other Governmental Funds	Totals
Nonspendable:			
Prepaid Expenses	\$ 1,919.67	\$	\$ 1,919.67
Total Nonspendable	<u>1,919.67</u>		<u>1,919.67</u>
Restricted for:			
Highways, Roads, and Bridges		3,093,807.11	3,093,807.11
Improvements		799,515.65	799,515.65
Local Officials		447,965.72	447,965.72
Other Purposes		50,265.00	50,265.00
Total Restricted		<u>4,391,553.48</u>	<u>4,391,553.48</u>
Unassigned	8,949,371.02		8,949,371.02
Total Fund Balances	<u>\$8,951,290.69</u>	<u>\$4,391,553.48</u>	<u>\$13,342,844.17</u>

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2013***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b><u>Revenues</u></b>			
Taxes	\$ 6,401,382.00	\$ 6,401,382.00	\$ 6,743,013.06
Licenses and Permits	98,100.00	98,100.00	98,968.15
Intergovernmental	2,018,777.00	2,065,777.00	1,077,709.98
Charges for Services	2,031,500.00	2,031,500.00	2,292,272.08
Fines and Forfeits	5,000.00	5,000.00	871.50
Miscellaneous	480,083.00	480,083.00	507,114.79
Total Revenues	<u>11,034,842.00</u>	<u>11,081,842.00</u>	<u>10,719,949.56</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	4,615,185.00	4,599,813.00	3,785,874.59
Public Safety	7,533,606.00	7,662,281.00	7,068,905.58
Highways and Roads			
Health	125,920.00	126,580.00	126,045.61
Welfare	35,775.00	35,775.00	35,606.63
Culture and Recreation	49,065.00	49,065.00	26,230.99
Education	96,100.00	96,100.00	95,460.28
Capital Outlay	289,500.00	550,511.00	246,390.36
Debt Service:			
Principal Retirement	62,088.00	53,461.00	53,461.44
Interest on Fiscal Charges	62,764.00	30,164.00	8,964.72
Total Expenditures	<u>12,870,003.00</u>	<u>13,203,750.00</u>	<u>11,446,940.20</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,835,161.00)</u>	<u>(2,121,908.00)</u>	<u>(726,990.64)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	74,200.00	74,200.00	
Sale of Capital Assets	400,000.00	400,000.00	13,012.88
Debt Issued	5,000.00	5,000.00	
Total Other Financing Sources (Uses)	<u>479,200.00</u>	<u>479,200.00</u>	<u>13,012.88</u>
Net Changes in Fund Balances	(1,355,961.00)	(1,642,708.00)	(713,977.76)
Fund Balances - Beginning of Year	<u>3,073,031.06</u>	<u>3,203,197.51</u>	<u>4,704,403.72</u>
Fund Balances - End of Year	<u>\$ 1,717,070.06</u>	<u>\$ 1,560,489.51</u>	<u>\$ 3,990,425.96</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 2,282,219.60	\$ 9,025,232.66
		98,968.15
(1)	2,126,363.00	3,204,072.98
(1)	7,226.93	2,299,499.01
		871.50
(1)	1,154,243.29	1,661,358.08
	<u>5,570,052.82</u>	<u>16,290,002.38</u>
(2)	307,588.74	4,093,463.33
(2)	25,480.04	7,094,385.62
(2)	4,297,943.70	4,297,943.70
		126,045.61
		35,606.63
		26,230.99
		95,460.28
(2)	653,535.49	899,925.85
(2)	182,022.13	235,483.57
(2)	26,972.64	35,937.36
	<u>5,493,542.74</u>	<u>16,940,482.94</u>
	<u>76,510.08</u>	<u>(650,480.56)</u>
(3)	200,500.00	200,500.00
	95,390.45	108,403.33
	<u>295,890.45</u>	<u>308,903.33</u>
	372,400.53	(341,577.23)
(4)	<u>4,588,464.20</u>	<u>9,292,867.92</u>
	<u>\$ 4,960,864.73</u>	<u>\$ 8,951,290.69</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2013***

**Explanation of differences between Actual Amounts  
Budgetary Basis and Actual Amounts GAAP Basis:**

With the exception of the following, the Commission budgets on the modified accrual basis of accounting:

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately:

(1) Revenues		
Jail Complex Fund	\$	45.03
Gasoline Tax Fund		2,647,827.57
Public Buildings, Roads and Bridges Fund		2,530,765.60
Mineral Severance Tax Fund		88,168.68
Environmental Fund		<u>303,245.94</u>
(2) Expenditures		
Gasoline Tax Fund		3,995,623.13
Public Buildings, Roads and Bridges Fund		1,272,394.33
Environmental Fund		<u>225,525.28</u>
(3) Other Financing Sources/(Uses), Net		
Gasoline Tax Fund	\$	<u>295,890.45</u>

Net Increase in Fund Balance - Budget to GAAP

- (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because of the cumulative effect of transactions such as those described above.

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\$ 5,570,052.82

(5,493,542.74)

295,890.45

\$ 372,400.53

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2013***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 1,229,646.00	\$ 1,367,146.00	\$ 1,178,222.05
Miscellaneous	6,000.00	6,000.00	25,167.58
Total Revenues	<u>1,235,646.00</u>	<u>1,373,146.00</u>	<u>1,203,389.63</u>
<b>Expenditures</b>			
Current:			
General Government	1,126,702.00	1,156,172.00	1,003,539.63
Capital Outlay	108,944.00	216,974.00	204,750.00
Total Expenditures	<u>1,235,646.00</u>	<u>1,373,146.00</u>	<u>1,208,289.63</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>(4,900.00)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets			<u>4,900.00</u>
Total Other Financing Sources (Uses)			<u>4,900.00</u>
Net Changes in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,178,222.05
	25,167.58
	<u>1,203,389.63</u>
	1,003,539.63
	<u>204,750.00</u>
	<u>1,208,289.63</u>
	(4,900.00)
	4,900.00
	<u>4,900.00</u>
<u>\$</u>	<u>\$</u>

***Schedule of Funding Progress***  
***For the Year Ended September 30, 2013***

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) <sup>1</sup>	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2012 <sup>2</sup>	\$12,061,614	\$14,721,828	\$2,660,214	81.90%	\$6,668,433	39.90%
9/30/2011 <sup>3</sup>	\$11,701,352	\$15,463,827	\$3,762,475	75.70%	\$7,473,026	50.30%
9/30/2010 <sup>4</sup>	\$11,549,986	\$14,697,907	\$3,147,921	78.60%	\$7,049,741	44.70%

<sup>1</sup> Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

<sup>2</sup> Reflects change to interest smoothing methodology.

<sup>3</sup> Reflects changes in actuarial assumptions.

<sup>4</sup> Reflects the impact of Act Number 2011-27, Acts of Alabama, which closes the DROP program to new applicants after March 24, 2011.

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of the Interior</u></b>		
<b><u>Direct Program</u></b>		
Payments in Lieu of Taxes	15.226	N.A.
<b><u>U. S. Department of Justice</u></b>		
<b><u>Direct Program</u></b>		
Equitable Sharing Program	16.922	N.A.
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Violence Against Women Formula Grants (M)	16.588	12-WF-LE-001
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-DJ-01-019
Total U. S. Department of Justice		
<b><u>General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	N.A
<b><u>U. S. Department of Homeland Security</u></b>		
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1971-DR-AL
Hazard Mitigation Grant	97.039	DR-1971-330
Hazard Mitigation Grant	97.039	DR-1971-403
Hazard Mitigation Grant	97.039	DR-1866-0012
Hazard Mitigation Grant	97.039	DR-1971-130
Hazard Mitigation Grant	97.039	DR-1971-150
Hazard Mitigation Grant	97.039	DR-1971-265
Sub-Total Hazard Mitigation Grant (M)		
Emergency Management Performance Grants	97.042	2EMF
Emergency Management Performance Grants	97.042	2EMS
Emergency Management Performance Grants	97.042	3EMF
Sub-Total Emergency Management Performance Grants		
<b><u>Passed Through Alabama Department of Homeland Security</u></b>		
Homeland Security Grant Program (M)	97.067	01CL
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2012-09/30/2013	\$ 2,495.00	\$ 2,495.00	\$ 2,495.00	\$ 2,495.00
10/01/2012-09/30/2013	29,094.85	29,094.85	29,094.85	29,094.85
09/01/2012-12/31/2013	262,225.26	196,668.39	161,666.79	161,666.79
10/01/2012-09/30/2013	74,288.16	55,716.12	55,716.12	55,716.12
	<u>365,608.27</u>	<u>281,479.36</u>	<u>246,477.76</u>	<u>246,477.76</u>
10/01/2012-09/30/2013			472.74	472.74
10/01/2012-09/30/2013	104,683.74	104,683.74	104,683.74	104,683.74
06/30/2012-07/29/2015	26,065.00	19,549.00	14,846.19	14,846.19
12/05/2012-12/04/2015	45,103.00	33,827.00	9,112.50	9,112.50
03/29/2012-03/28/2015	39,465.00	28,000.00	7,375.00	7,375.00
03/27/2012-03/26/2015	289,433.00	194,528.00	84,000.00	84,000.00
03/01/2012-02/28/2015	319,426.00	211,936.00	46,750.00	46,750.00
04/16/2012-04/15/2015	66,705.00	42,832.00	24,000.00	24,000.00
	<u>786,197.00</u>	<u>530,672.00</u>	<u>186,083.69</u>	<u>186,083.69</u>
10/01/2011-05/31/2013	51,091.00	47,805.00	4,780.50	4,780.50
10/01/2012-09/30/2013	12,000.00	12,000.00	12,000.00	12,000.00
10/01/2012-12/31/2013	52,713.00	49,407.00	49,407.00	49,407.00
	<u>115,804.00</u>	<u>109,212.00</u>	<u>66,187.50</u>	<u>66,187.50</u>
02/01/2013-03/15/2013	24,000.00	24,000.00	24,000.00	24,000.00
	<u>1,030,684.74</u>	<u>768,567.74</u>	<u>380,954.93</u>	<u>380,954.93</u>
	\$ 1,398,788.01	\$ 1,052,542.10	\$ 630,400.43	\$ 630,400.43

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>Other Federal Assistance</u> <u>U. S. Department of Justice</u> <u>Direct Program</u></b>		
Drug Enforcement Grants	N.A.	N.A.
Total Other Federal Assistance		
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Noncash Assistance

N.A. = Not Applicable or Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,398,788.01	\$ 1,052,542.10	\$ 630,400.43	\$ 630,400.43
10/01/2012-09/30/2013	98,634.74	98,634.74	98,634.74	98,634.74
	98,634.74	98,634.74	98,634.74	98,634.74
	<u>\$ 1,497,422.75</u>	<u>\$ 1,151,176.84</u>	<u>\$ 729,035.17</u>	<u>\$ 729,035.17</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2013***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Elmore County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2012 through September 30, 2013***

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**Commission Members** **Term Expires**

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Hon. Joe Faulk	Chairman	2016
Hon. Mark Hragyil	Commissioner District 1	2016
Hon. Cecil Daugherty	Commissioner District 2	2012
Hon. James Taylor	Commissioner District 2	2016
Hon. David Bowen	Commissioner District 3	2016
Hon. Earl Reeves	Commissioner District 5	2012
Hon. Stephanie Daniels Smoke	Commissioner District 5	2016

**Administrative Personnel**

Lynda Feaga	Administrator	2013
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Independent Auditor's Report**

To: Members of the Elmore County Commission and County Administrator

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Elmore County Commission's basic financial statements and have issued our report thereon dated February 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Elmore County Commission's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elmore County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elmore County Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Elmore County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards*** and which are described in the accompanying Schedule of State and Local Compliance and Other Findings as items 2012-001 and 2013-001.

## **Elmore County Commission's Response to Findings**

The Elmore County Commission's response to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. The Elmore County Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any purpose.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 10, 2015

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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by  
OMB Circular A-133***

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***Independent Auditor's Report***

To: Members of the Elmore County Commission and County Administrator

***Report on Compliance for Each Major Federal Program***

We have audited the Elmore County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Elmore County Commission's major federal programs for the year ended September 30, 2013. The Elmore County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Elmore County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Elmore County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Elmore County Commission's compliance.

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133***

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## ***Opinion on Each Major Federal Program***

In our opinion, the Elmore County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on each major program is not modified with respect to these matters.

The Elmore County Commission's response to the noncompliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Elmore County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on Internal Control Over Compliance***

Management of the Elmore County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Elmore County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elmore County Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by  
OMB Circular A-133***

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Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned costs as item 2013-002, that we consider to be a significant deficiency.

The Elmore County Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Elmore County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 10, 2015

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2013***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unmodified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes      X   No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes      X   No  
 Significant deficiency(ies) identified?   X   Yes    \_\_\_\_\_ None reported  
 Type of auditor's report issued on compliance for major programs: Unmodified  
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   X   Yes    \_\_\_\_\_ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
16.588	Violence Against Women Formula Grants
97.039	Hazard Mitigation Grant
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2013***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2013-002	16.588	U. S. Department of Justice; Passed Through Alabama Department of Economic Affairs; Violence Against Women Formula Grants: October 1, 2012 through September 30, 2013	<p><b><u>Finding:</u></b> According to OMB Circular A-87, employees that work, in whole or in part, on a single federal award or cost objective must keep periodic certifications that indicate the employee worked solely, or in part, on that program and for the period covered by the certification. The Commission did not maintain time and effort reports for employees that worked on the Violence Against Women Formula Grant.</p> <p><b><u>Recommendation:</u></b> The Commission should prepare and maintain time and effort reports for employees that work on the Violence Against Women Formula Grants.</p>	

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*Auditee Response/Corrective Action Plan*



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# Elmore County Commission

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100 East Commerce Street, Suite 207 • Wetumpka, Alabama 36092  
Phone (334) 514-5841 • Facsimile (334) 567-1109 • www.elmoreco.org

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**David Bowen**  
Chairman

**Mark Hragyil**  
District 1

**James (Trey)  
Taylor**  
District 2

**Joe Faulk**  
District 4

**Stephanie  
Daniels Smoke**  
District 5

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## Corrective Action Plan

### For the Year Ended September 30, 2013

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As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, Section .315(c), the **Elmore County Commission** has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questions Costs for the year ended September 30, 2013.

#### Finding

Ref.  
No.

#### Corrective Action Plan Details

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**2013-002**      **Finding:** According to OMB Circular A-87, employees that work, in whole or in part, on a single federal award or cost objective must keep periodic certifications that indicate the employee worked solely, or in part, on that program and for the period covered by the certification. The Commission did not maintain time and effort reports for employees that worked, in whole or in part, on the Violence Against Women Formula Grant.

**Response:** "Newly revised LETS Form 93 (revised 8/15/2013) submitted by Mr. Murphy to me at the time of his monitoring visit will be used to further clarify time and attendance percentages by individuals assigned to the above project." This initiative has been implemented as of December 3, 2013 by Beverly Stone.



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**Other Matters in Schedule of State and Local Compliance and Other  
Findings**  
**For the Year Ended September 30, 2013**

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**2013-001 Finding:** The Code of Alabama 1975, Section 11-2-20, requires the bond for each county official to be one-half of one percent of the amount budgeted in the current county budget for activities conducted by or under the direction of the individual county official, but the bond amount for any county official shall not exceed fifty thousand dollars (\$50,000). The Commission failed to ensure all Commissioners were bonded according to the Code of Alabama 1975, Section 11-220.

**Response:** A review of each Commissioner's official bond will take place on an annual basis to confirm no changes need to be made regarding the bond amount or length of term. This review process has been implemented as of September 30, 2014 by Grace McDuffie, the County Administrator.

**2012-001 Finding:** The Code of Alabama 1975, Section 39, contains provisions of law pertaining to public works. Public works contracts in excess of \$50,000.00 are required to be awarded by sealed bid. The Commission was unable to provide documentation of public works bids related to a contract in the amount of \$341,621.00 for the construction of an addition to the Commission's storage facility.

**Response:** A full review of the bid process was conducted and adjustments were made in order to correct any weaknesses. This review process has been implemented as of November 30, 2014 by Grace McDuffie, the County Administrator.