

Report on the

Elmore County Commission

Elmore County, Alabama

October 1, 2008 through September 30, 2009

Filed: March 18, 2011



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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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 for the period October 1, 2008 through September 30, 2009.

Sworn to and subscribed before me this
the 23rd day of February, 20 11.

Cathy A. De
Notary Public

Sworn to and subscribed before me this
the 3rd day of March, 20 11.

Sandra E Shirley
Notary Public

Respectfully submitted,

Matthew Robinson
Examiner of Public Accounts

Chris Newton
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Elmore County Commission
October 1, 2008 through September 30, 2009**

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 15. 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 unqualified 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, 2009.

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

A problem was found in the Commission's internal controls over financial reporting (Exhibit 18) and it is summarized below:

CURRENT FINDING

- ◆ 2009-01 relates to the Commission's failure to properly record Construction/Infrastructure in Progress.

The following officials/employees were invited to an exit conference to discuss the finding and recommendation appearing in this report: Henry Booker, County Administrator; Jeannette Medders, Former County Administrator; Lynn Schoener, Former Assistant County Administrator/Interim County Administrator; County Commissioners: Joe Faulk, Earl Reeves, T. J. Eason, Mickey B. Shaw, David Bowen, Mark Hragyil, and Paul Taylor. The following individuals attended the exit conference, held at the offices of the County Commission: Henry Booker, County Administrator; Commissioners: Earl Reeves, Mark Hragyil, Paul Taylor, David Bowen, and Joe Faulk; and representatives from the Department of Examiners of Public Accounts: Teresa A. Davis, Audit Manager; Chris Newton, Examiner and Matthew Robinson, Examiner. The results of the examination were discussed by telephone with Jeanette Medders, Former County Administrator and Lynn Schoener, Former Assistant County Administrator/Interim County Administrator.

Independent Auditor's Report

Independent Auditor's Report

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, 2009, which collectively comprise the basic financial statements of the Elmore County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Elmore County Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011 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* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 12) and the Schedule of Funding Progress (Exhibit 13) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 14) 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 16, 2011

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Management's Discussion and Analysis
(Required Supplementary Information)

**Elmore County Commission
Management's Discussion and Analysis
Fiscal Year October 1, 2008 through September 30, 2009**

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, 2009. 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, 2009 by \$31,081,398.06. The County's total net assets increased by \$3,687,159.94.
- Total revenue fund for the current fiscal year exceeded expenditures by \$3,687,167.94.
- The General Fund Balance increased \$1,328,895.00 and is attributable to strict budgetary and administrative controls. The fund balance retained is the equivalent of 41.18% 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 \$2,555,721.06. Unrestricted net assets increased from \$4,935,677.16 to \$7,876,137.98 or an increase of 63%. This net asset balance is 38.63% total revenue or 41.45 % of total grants. This cushion gives the county 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 asset balances were essentially unchanged from last year; {\$3,092,104.78 (FY 2008); \$2,695,930.81 (FY 2009)}.

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 assets 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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets 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 and fiduciary are the two categories of fund types used to keep track of specific sources of funding and spending on particular County programs. 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 Fund, the Gasoline Fund, the Public Buildings Roads and Bridges Fund, and the Reappraisal Fund. 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 assets (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 thru 12 which are Budget to Actual comparisons of the governmental major funds of the County. Elmore County adopts an annual appropriated budget for its General, Gasoline, Public Buildings Roads and Bridges, and the Reappraisal Fund. The comparison schedules are presented to demonstrate compliance with the fund budgets.

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 net assets as restated increased by \$3,687,159.94 during the current fiscal year. Management monitors net assets because the variance is a useful indicator of the County's financial position. Elmore County's total assets exceeded total liabilities by \$31,081,398.06 as of the fiscal year ending September 30, 2009.

The following table shows the condensed Statement of Net Assets.

Statement of Net Assets September 30, 2008	Governmental Activities	Statement of Net Assets September 30, 2009	Governmental Activities
Assets		Assets	
Cash and Cash Equivalents	\$ 6,012,872.15	Cash and Cash Equivalents	\$ 5,376,933.91
Investments	2,694,422.51	Investments	6,712,919.17
Prepaid Items	1,617.35	Prepaid Items	965.82
Accounts Receivable, net	1,186,732.71	Accounts Receivable, net	849,924.18
Ad Valorem Taxes Receivable, net	7,245,881.36	Ad Valorem Taxes Receivable, net	7,421,565.46
Capital Assets:		Capital Assets:	
Non Depreciable (Note 5)	541,405.00	NonDepreciable (Note 5)	775,320.42
Depreciable Net (Note 5)	19,608,911.06	Depreciable Net (Note 5)	20,661,221.34
Total Assets	<u>\$37,291,842.14</u>	Total Assets	<u>\$ 41,798,850.30</u>
Liabilities		Liabilities	
Accounts Payable	\$ 841,147.61	Accounts Payable	\$ 511,037.82
Deferred Revenue	7,602,206.44	Deferred Revenue	8,535,142.93
Accrued Wages Payable	406,467.04	Accrued Wages Payable	468,701.74
Accrued Interest Payable	11,682.71	Accrued Interest Payable	6,692.41
Long - Term Liabilities - Current Portion	-	Long - Term Liabilities - Current Portion	-
Capital Lease Payable	295,264.70	Capital Lease Payable	299,183.58
S/T Notes Payable	.00	S/T Notes Payable	.00
Compensated Absences	25,224.79	Compensated Absences	26,866.49
Long - Term Liabilities - Noncurrent Portion		Long - Term Liabilities - Noncurrent Portion	
Capital Leases Payable	927,212.49	Capital Leases Payable	628,028.91
Compensated Absences	227,023.08	Compensated Absences	241,798.36
Total Liabilities	<u>\$ 10,336,228.86</u>	Total Liabilities	<u>\$ 10,717,452.24</u>
Net Assets		Net Assets	
Invested in Capital Assets, net of related Debt	\$ 18,927,831.34	Invested in Capital Assets, net of related Debt	\$ 20,509,329.27
Restricted for Highways and Roads	891,541.99	Restricted for Highways and Roads	458,536.97
Restricted for Other Purposes	2,200,562.79	Restricted for Other Purposes	2,237,393.84
Unrestricted	4,935,677.16	Unrestricted	7,876,137.98
Total Net Assets	<u>\$ 26,955,613.28</u>	Total Net Assets	<u>\$ 31,081,398.06</u>

The largest portion of Elmore County's net assets (66%) are 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. Capital assets more than doubled due to the GASB 34 requirement to add the County's infrastructure assets retroactively. 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 assets in the amount of \$7,876,137.98 may be used to meet the government's ongoing obligations to citizens and creditors, and \$2,695,930.81 of restricted assets may be used to meet specific obligations to citizens and creditors.

Statement of Activities

The following schedule compares the revenues and expenses for the current year. Government activities increase the County's net assets by \$3,687,167.94. The key element in this increase in assets was the decrease in Highway and Road expenditures over revenues {(4,180,688.11) FY 2008; (116,521.17) FY 2009}.

Elmore County Commission
Statement of Activities
For the Year Ended September 30, 2009
Exhibit #2

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$5,203,944.67	\$2,346,305.56	\$147,658.24	-	(2,709,980.87)
Public Safety	5,981,451.83	302,650.00	417,614.97	46,196.64	(5,214,990.22)
Highways and Roads	6,364,880.12	205,657.33	3,592,919.12	2,449,782.50	(116,521.17)
Health	71,585.06	31,033.22	5,620.56		(34,931.28)
Welfare	31,054.34				(31,054.34)
Culture and Recreation	84,234.80				(84,234.80)
Education	84,070.47				(84,070.47)
Interest and Fiscal	41,180.04				(41,180.04)
Total Government Activities	\$17,862,401.33	\$2,885,646.11	4,163,812.89	2,495,979.14	(8,316,963.19)

General Revenues

Taxes:

Property Taxes for General Purposes	\$4,677,766.17
Property Taxes for Specific Purposes	3,180,990.04
General Sales Taxes	966,807.35
Special Sales Taxes	98,090.68
Miscellaneous Taxes	496,222.59
Grants and Contributions Not Restricted for Specific Programs	331,429.91
Gain on Sale of Capital Assets	18,524.96
Investment Earnings	174,572.22
Miscellaneous	2,059,727.21
Total General Revenues	\$12,004,131.13

Change in Net Assets	\$ 3,687,167.94
Net Assets –beginning of year (as restated Note 14)	\$27,394,230.12
Net Assets – end of year	\$31,081,398.06

Of the County's total general revenues of 12,004,131.13, property taxes account for 65% (7,858,756.21) of the total general fund. Total revenues were \$21,549,569.27; general revenues were \$12,004,131.13 or 55.70%.

Elmore County Commission
Statement of Activities
For the Year Ended September 30, 2008
Exhibit #2

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$5,449,357.85	\$2,417,375.89	\$32,156.25	\$0.00	(\$2,999,825.71)
Public Safety	5,908,657.57	202,185.00	655,450.98	76,045.91	(4,974,975.68)
Highways and Roads	8,452,379.08	270,861.98	3,067,088.76	933,740.19	(4,180,688.15)
Health	72,940.62		5,152.18		(67,788.44)
Welfare	31,850.36				(31,850.36)
Culture and Recreation	65,867.29				(65,867.29)
Education	92,159.92				(92,159.92)
Interest and Fiscal Charges	54,369.21				(54,369.21)
Total Governmental Activities	\$20,127,581.90	\$2,890,422.87	\$3,759,848.17	\$1,009,786.10	\$(12,467,524.76)

General Revenues

Taxes:

Property Taxes for General Purposes	\$4,321,243.03
Property Taxes for Specific Purposes	3,094,500.13
General Sales Taxes	780,077.58
Special Sales Taxes	86,675.30
Miscellaneous Taxes	561,457.26
Grants and Contributions Not Restricted for Specific Programs	237,425.62
Gain on Sale of Capital Assets	
Investment Earnings	268,609.82
Miscellaneous	1,798,210.32
Total General Revenues	\$ 11,148,199.06
 Change in Net Assets	 (\$ 1,319,325.70)
 Net Assets –beginning of year (as restated Note 14)	 \$28,274,938.98
 Net Assets – end of year	 \$26,955,613.28

In fiscal year 2009 expenses for all services of the County were \$17,862,401.33. Of this amount 29.13% was spent for general government, 33.49% for public safety, 35.63% for highways and roads, 1.75% 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 \$17,862,401.33 and the combined charges for services plus operating and capital grants received were \$9,595,438.14 leaving a net cost to the County of \$8,316,963.19.

Charges for services amounted to \$2,885,646.11 and combined grants and contributions totaled \$6,659,792.03. 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	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>
General Government	\$ 5,203,944.67	\$2,709,980.87
Public Safety	5,981,451.83	5,214,990.22
Highways and Roads	6,364,880.12	116,521.17
Health	71,585.06	34,931.28
Welfare	31,054.34	31,054.34
Culture and Recreation	84,234.80	84,234.80
Education	84,070.47	84,070.47
Interest and Fiscal Charges	41,180.04	41,180.04
Total Governmental Activities	\$ 17,862,401.33	\$8,316,963.19

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 \$8,291,704.99 to \$10,847,426.05. This increase of \$2,555,721.06 was due to the county capital and contribution of \$2,449,782.00. These funds were not realized in fiscal year 2008, because of the reimbursable nature of there simple work which was done in fiscal year 2008 was reimbursed in fiscal year 2009.

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 or (Decrease)	Ending Fund Balance
General Fund	\$2,974,470.64	\$1,328,895.00	\$4,303,365.64
Gasoline Fund	492,947.04	(217,707.60)	275,239.44
Public Buildings, Road & Bridges Fund***	1,775,312.47	1,568,599.87	3,343,912.34
Reappraisal Fund**	0.00	0.00	0.00
Other Governmental Funds	<u>3,048,974.84</u>	<u>(124,066.21)</u>	<u>2,924,908.63</u>
Totals	\$8,291,704.99	\$2,555,721.06	\$10,847,426.05

**Reappraisal 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 reappropriated.

***Work budgeted in 2008 was completed in fiscal year 2009. Funds were brought forward to complete projects and expended in fiscal year 2009, and reimbursement was realized.

All of the major funds met or exceeded the minimum target except the Gasoline Fund. Reappraisal does not generally accumulate fund balance and therefore should not be included in the target percentage.

The overall Governmental fund balances are at 57.09% 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, 2009. Budgeted revenues increased by 259,070 and expenditures increase by the same amount. Actual revenues were \$449,872.03 higher than the final budgeted revenues and actual expenditures restated were \$1,449,008.97 lower than final budgeted amounts. The net change in the general fund balance on a budgetary basis for the current fiscal year was a \$1,322,542.05 increase. After audit Budget to GAAP adjustments the change was a \$1,328, 895.00 increase. The overall increase to the fund is the result of strict monitoring practices and the Commission's commitment to informed decision making and spending policies.

Gasoline Tax Fund

Exhibit 10 shows change to revenue and expense in the Gas Tax fund for FY 2009. Final Budgeted Revenues increased by \$207,795.00 over original revenues, while expenses, final over original, increased by \$241,695.00. This increase was for a capital expenditure of \$287,875.00.

Actual expense for revenue were \$256,499.59 less than final budget while actual expenses were \$1,214,170.99 less than final budget. The reduction in revenue was from receiving less for the sale of rolling stock than originally anticipated. The reduction in expenses was primarily due to local flooding which caused the Highway Department to change its focus from road repair to emergency repairs to flood damage.

Public Buildings, Roads and Bridges Fund

Exhibit 11 shows changes made in the original Public Buildings, Roads and Bridges Fund budgets for the year ended September 30, 2009. Revenue did not change from original to final budget; however, expenditures decreased by \$89,548.99 from original to final. Actual revenues, as compared to final budget, increased by \$1,586,605.85. This represents reimbursement for projects not substantially completed at the end of fiscal year 2008, and carried forward to fiscal year 2009.

Net change in the fund balance for this fund was increase of \$1,568,599.87. Additionally, there was a Budget to GAAP adjustment of positive \$4,610.24.

Reappraisal Fund

Exhibit 12 shows no changes to the original budget. Actual expenditures for the current operating budget were less than expected and resulted in a fund balance not normally present in the reappraisal fund. The County has an option to refund the distribution or elect to have the next year's allocation reduced by the overage. Elmore County elected to reduce the next year's allocation.

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, 2009.

	Balance 10/01/2008	Additions	Retirements	Balance 9/30/2009
Governmental Activities:				
Capital Assets, not being depreciated				
Land and Improvements - Inexhaustible	\$ 541,405.00	\$		\$ 541,405.00
Construction in Progress		233,915.42		233,915.42
Infrastructure in Progress-Bridges	438,616.84	1,418,424.46	(1,857,041.30)	
Total Capital Assets, not being depreciated	980,021.84	1,652,339.88	(1,857,041.30)	775,320.42
Capital Assets being depreciated:				
Infrastructure- Roads	27,401,522.50			27,401,522.50
Infrastructure - Bridges	5,790,843.98	1,857,041.30		7,647,885.28
Buildings and Improvements	6,657,188.19	546,038.85		7,203,227.04
Equipment and Furniture	5,036,001.22	608,778.84	(128,484.10)	5,516,295.96
Equipment Under Capital Lease	1,593,124.00		(47,850.00)	1,545,274.00
Total Capital Assets being depreciated	46,478,679.89	3,011,858.99	(176,334.10)	49,314,204.78
Less Accumulated Depreciation for:				
Infrastructure- Roads	(19,009,519.47)	(555,692.15)		(19,565,211.62)
Infrastructure- Bridges	(2,045,663.18)	(167,984.15)		(2,213,647.33)
Buildings and Improvements	(2,803,895.76)	(152,404.37)		(2,956,300.13)
Equipment and Furniture	(2,535,145.72)	(739,998.69)	129,957.05	(3,145,187.36)
Equipment Under Capital Lease	(475,544.70)	(323,409.80)	26,317.50	(772,637.00)
Total Accumulated Depreciation	(26,869,768.83)	(1,939,489.16)	156,274.55	(28,652,983.44)
Total Capital Assets, being depreciated, net	19,608,911.06	(1,072,369.83)	(20,059.55)	20,661,221.34
Governmental Activities Capital Assets, net	\$ 20,588,932.90	\$ (2,724,709.71)	\$(1,877,100.85)	\$ 21,436,124.34

Debt Outstanding

Note 10 – Long-Term Debt

In June 2004, the Commission entered into a lease agreement for \$47,850 for surge protection equipment for county-wide computer systems. The payments on the lease are paid by the General Fund. Lease was paid out during the fiscal year.

In February 2007, the Commission entered into a capital lease for \$974,980 at 3.88% interest to purchase new motorgraders for the Road Department. The payments for this capital lease are made from the Gasoline Tax Fund.

In February 2007, the Commission entered into a capital lease for \$570,294 at 3.95% interest to purchase new macktrucks for the Road Department. The payments for this capital lease are made from the Gasoline Tax Fund.

	Debt Outstanding October 1, 2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2009	Amounts Due Within One Year
Governmental Activities Other Liabilities:					
Capital Lease	\$ 1,222,477.19	\$ -	(295,264.70)	\$ 927,212.49	\$299,183.58
Estimated Liability for Compensated Absences	\$252,247.87	16,416.98		\$268,664.85	\$26,866.49
Total Governmental Activities Long-Term Liabilities	\$1,474,725.06	16,416.98	\$(295,264.70)	\$ 1,195,877.34	\$ 326,050.07
	1,474,725.06	16,416.98	\$(295,264.70)	1,195,877.34	\$326,050.07

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.

Economic Factors

The Elmore County Commission's main source of revenue is property tax. With all eyes on the housing market, it is good to know that property values in Elmore County are holding their own. There has been a decrease in the number of new homes being built and revenue related to mortgage and deed filing is down noticeably. Current economic conditions across the country make it difficult to predict with any certainty what the county faces in the immediate future.

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) 567-1156. 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 Assets
September 30, 2009

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 5,376,933.91
Investments	6,712,919.17
Receivables (Note 4)	849,924.18
Ad Valorem Taxes Receivable	7,421,565.46
Prepaid Items	965.82
Capital Assets (Note 5):	
Nondepreciable	775,320.42
Depreciable, Net	20,661,221.34
Total Assets	<u>41,798,850.30</u>
<u>Liabilities</u>	
Payables (Note 8)	511,037.82
Deferred Revenue	8,535,142.93
Accrued Wages Payable	468,701.74
Accrued Interest Payable	6,692.41
Long-Term Liabilities:	
Portion Due and Payable Within One Year:	
Capital Lease Contracts Payable	299,183.58
Compensated Absences	26,866.49
Long-Term Liabilities:	
Portion Due and Payable After One Year:	
Capital Lease Contracts Payable	628,028.91
Compensated Absences	241,798.36
Total Liabilities	<u>10,717,452.24</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	20,509,329.27
Restricted for:	
Highways and Roads	458,536.97
Other Purposes	2,237,393.84
Unrestricted	<u>7,876,137.98</u>
Total Net Assets	<u>\$ 31,081,398.06</u>

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

Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 5,203,944.67	\$ 2,346,305.56	\$ 147,658.24
Public Safety	5,981,451.83	302,650.00	417,614.97
Highways and Roads	6,364,880.12	205,657.33	3,592,919.12
Health	71,585.06	31,033.22	5,620.56
Welfare	31,054.34		
Culture and Recreation	84,234.80		
Education	84,070.47		
Interest and Fiscal Charges	41,180.04		
Total Governmental Activities	<u>\$ 17,862,401.33</u>	<u>\$ 2,885,646.11</u>	<u>\$ 4,163,812.89</u>

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
- Gain on Sale of Capital Assets
- Investment Earnings
- Miscellaneous
- Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 14)

Net Assets - End of Year

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

Net (Expenses) Revenues and Changes in Net Assets Primary Government	
Capital Grants and Contributions	Total Governmental Activities
\$	\$
46,196.64	(2,709,980.87)
2,449,782.50	(5,214,990.22)
	(116,521.17)
	(34,931.28)
	(31,054.34)
	(84,234.80)
	(84,070.47)
	(41,180.04)
<u>\$ 2,495,979.14</u>	<u>(8,316,963.19)</u>

4,677,766.17
3,180,990.04
966,807.35
98,090.68
496,222.59
331,429.91
18,524.96
174,572.22
<u>2,059,727.21</u>
<u>12,004,131.13</u>
3,687,167.94
<u>27,394,230.12</u>
<u>\$ 31,081,398.06</u>

Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,920,378.03	\$ 251,710.41
Investments	2,562,893.15	
Receivables (Note 4)	495,729.72	131,116.01
Ad Valorem Taxes Receivable	4,367,281.86	
Due From Other Funds	201.22	317,813.20
Prepaid Items	965.82	
Total Assets	9,347,449.80	700,639.62
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	189,466.72	237,482.65
Due To Other Funds	7,206.31	75,000.00
Deferred Revenues	4,527,622.87	
Accrued Wages Payable	319,788.26	112,917.53
Total Liabilities	5,044,084.16	425,400.18
<u>Fund Balances</u>		
Reserved for Prepaid Expenses	965.82	
Unreserved, Reported in:		
General Fund	4,302,399.82	
Special Revenue Funds		275,239.44
Total Fund Balances	4,303,365.64	275,239.44
Total Liabilities and Fund Balances	\$ 9,347,449.80	\$ 700,639.62

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 718,144.13	\$ 275,798.38	\$ 2,210,902.96	\$ 5,376,933.91
2,625,026.02		1,525,000.00	6,712,919.17
4,294.52	234.00	218,549.93	849,924.18
2,139,480.57	914,803.03		7,421,565.46
75,000.00		7,206.31	400,220.73
			965.82
<u>5,561,945.24</u>	<u>1,190,835.41</u>	<u>3,961,659.20</u>	<u>20,762,529.27</u>
	1,664.61	82,423.84	511,037.82
	22.88	317,991.54	400,220.73
2,218,032.90	1,161,430.77	628,056.39	8,535,142.93
	27,717.15	8,278.80	468,701.74
<u>2,218,032.90</u>	<u>1,190,835.41</u>	<u>1,036,750.57</u>	<u>9,915,103.22</u>
			965.82
			4,302,399.82
3,343,912.34		2,924,908.63	6,544,060.41
<u>3,343,912.34</u>		<u>2,924,908.63</u>	<u>10,847,426.05</u>
<u>\$ 5,561,945.24</u>	<u>\$ 1,190,835.41</u>	<u>\$ 3,961,659.20</u>	<u>\$ 20,762,529.27</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2009***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 10,847,426.05

Amounts reported for governmental activities in the Statement of Net Assets
(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). 21,436,541.76

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:

	Due and Payable Within One Year	Due and Payable After One Year	
Capital Lease Contracts Payable	\$ 299,183.58	\$ 628,028.91	
Compensated Absences	26,866.49	241,798.36	
Total Long-Term Liabilities	\$ 326,050.07	\$ 869,827.27	(1,195,877.34)

Interest on long-term debt is not accrued in the funds but rather is recognized
as an expenditure when due. (6,692.41)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 31,081,398.06

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, 2009

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 6,222,159.24	\$
Licenses and Permits	110,429.75	
Intergovernmental	1,787,165.37	1,732,025.02
Charges for Services	2,116,722.93	4,978.24
Fines and Forfeits	10,745.00	
Miscellaneous	203,738.74	1,072,792.15
Total Revenues	<u>10,450,961.03</u>	<u>2,809,795.41</u>
<u>Expenditures</u>		
Current:		
General Government	3,519,582.78	326,825.59
Public Safety	5,205,780.98	
Highways and Roads		2,893,676.60
Health	71,502.98	
Welfare	31,054.34	
Culture and Recreation	70,682.84	
Education	84,070.47	
Capital Outlay	131,796.90	219,782.52
Debt Service:		
Principal Retirement	7,389.95	287,874.75
Interest and Fiscal Charges	204.79	45,965.55
Total Expenditures	<u>9,122,066.03</u>	<u>3,774,125.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,328,895.00</u>	<u>(964,329.60)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In		720,000.00
Sale of Capital Assets		26,622.00
Transfers Out		
Total Other Financing Sources (Uses)		<u>746,622.00</u>
Net Change in Fund Balances	1,328,895.00	(217,707.60)
Fund Balances - Beginning of Year	<u>2,974,470.64</u>	<u>492,947.04</u>
Fund Balances - End of Year	<u>\$ 4,303,365.64</u>	<u>\$ 275,239.44</u>

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,292,967.44	\$ 814,846.63	\$ 98,090.68	\$ 9,428,063.99
		207,764.33	318,194.08
1,438,980.21		2,625,256.46	7,583,427.06
		435,005.86	2,556,707.03
			10,745.00
66,443.20	7,699.52	283,233.54	1,633,907.15
<u>3,798,390.85</u>	<u>822,546.15</u>	<u>3,649,350.87</u>	<u>21,531,044.31</u>
	792,129.49	309,226.90	4,947,764.76
10,277.53		478,646.46	5,694,704.97
5,410.99		2,097,808.52	4,996,896.11
			71,502.98
			31,054.34
		4,526.17	75,209.01
			84,070.47
1,568,602.46	30,416.66	808,709.03	2,759,307.57
			295,264.70
			46,170.34
<u>1,584,290.98</u>	<u>822,546.15</u>	<u>3,698,917.08</u>	<u>19,001,945.25</u>
<u>2,214,099.87</u>		<u>(49,566.21)</u>	<u>2,529,099.06</u>
		535,500.00	1,255,500.00
			26,622.00
<u>(645,500.00)</u>		<u>(610,000.00)</u>	<u>(1,255,500.00)</u>
<u>(645,500.00)</u>		<u>(74,500.00)</u>	<u>26,622.00</u>
1,568,599.87		(124,066.21)	2,555,721.06
<u>1,775,312.47</u>		<u>3,048,974.84</u>	<u>8,291,704.99</u>
<u>\$ 3,343,912.34</u>	<u>\$</u>	<u>\$ 2,924,908.63</u>	<u>\$ 10,847,426.05</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, 2009

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 2,555,721.06

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 capital outlay (\$2,759,307.57) exceeded depreciation (\$1,903,601.67) in the current period. 855,705.90

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 assets differs from the change in fund balance by the cost of the capital assets sold.

Sale of Capital Assets	\$	(26,622.00)	
Gain on Disposition of Capital Assets		18,524.96	(8,097.04)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 295,264.70

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

Net Increase in Compensated Absences	\$	(16,416.98)	
Net Decrease in Accrued Interest Payable		4,990.30	
Net Adjustment			(11,426.68)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,687,167.94

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

Statement of Fiduciary Net Assets
September 30, 2009

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 718,499.60	\$ 16,665.18
Investments	65,000.00	
Receivables (Note 4)	135.34	
Total Assets	<u>783,634.94</u>	<u>16,665.18</u>
<u>Liabilities</u>		
Payables (Note 8)		16,665.18
Total Liabilities		<u>\$ 16,665.18</u>
<u>Net Assets</u>		
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 783,634.94</u>	

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

***Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2009***

	Private-Purpose Trust Funds
<u>Additions</u>	
Excess Land Sales	\$ 523,287.65
Fiduciary	9,455.51
Amounts Received from Inmates	321,572.69
Total Additions	<u>854,315.85</u>
<u>Deductions</u>	
Payment to Beneficiaries	687,813.62
Amounts Paid on Behalf of Inmates	309,359.61
Total Deductions	<u>997,173.23</u>
Changes in Net Assets	(142,857.38)
Net Assets - Beginning of Year	<u>926,492.32</u>
Net Assets - End of Year	<u><u>\$ 783,634.94</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

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 assets 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.

Notes to the Financial Statements

For the Year Ended September 30, 2009

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. 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 received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of 7-cent State gasoline tax revenue for the construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **Public Buildings, Roads and Bridges Fund** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditure of property taxes used for reappraisal.

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 the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2009

- ◆ **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.

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 are both restricted and unrestricted net assets 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Notes to the Financial Statements
For the Year Ended September 30, 2009

D. Assets, Liabilities, and Net Assets/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.

2. Receivables

All ad valorem tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

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 government-wide and fund financial statements.

Notes to the Financial Statements
For the Year Ended September 30, 2009

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 applicable governmental and business-type activities columns 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 Commission retroactively reported its major general infrastructure assets (assets that were acquired between October 1, 1980 to September 30, 2002) or that received major renovations, restorations or improvements during that period) as of the fiscal year ending September 30, 2007.

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 applicable governmental activities statement of net assets.

Notes to the Financial Statements
For the Year Ended September 30, 2009

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 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 eighty (80) 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 80 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.

Notes to the Financial Statements

For the Year Ended September 30, 2009

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 Assets/Fund Equity

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ *Invested in Capital Assets, Net of Related Debt* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

- ◆ *Restricted* – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Notes to the Financial Statements
For the Year Ended September 30, 2009

- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of ad valorem taxes which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Public Buildings, Roads and Bridges Fund budgets on a basis of accounting consistent with GAAP with the exception of ad valorem taxes that are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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.

Notes to the Financial Statements

For the Year Ended September 30, 2009

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 Depository 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.

Note 4 – Receivables

On September 30, 2009, receivables for the Commission's individual major funds and other governmental funds and fiduciary funds in the aggregate, are as follows:

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds	Fiduciary Funds
Intergovernmental	\$338,724.06	\$131,116.01	\$	\$234.00	\$214,033.50	\$684,107.57	\$
Sales Tax	152,711.14					152,711.14	
Interest	4,294.52		4,294.52		4,516.43	13,105.47	135.34
Total Receivables	\$495,729.72	\$131,116.01	\$4,294.52	\$234.00	\$218,549.93	\$849,924.18	\$135.34

Notes to the Financial Statements
For the Year Ended September 30, 2009

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, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes Receivable	\$7,329,296.89	\$ 331,161.91
Unearned Appropriations		874,684.13
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$7,329,296.89</u>	<u>\$1,205,846.04</u>

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/2008, as Restated (*)	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 09/30/2009
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements – Inexhaustible	\$ 541,405.00	\$	\$	\$ 541,405.00
Construction in Progress		233,915.42		233,915.42
Infrastructure in Progress – Bridges	438,616.84	1,418,424.46	(1,857,041.30)	
Total Capital Assets, Not Being Depreciated	<u>980,021.84</u>	<u>1,652,339.88</u>	<u>(1,857,041.30)</u>	<u>775,320.42</u>
Capital Assets Being Depreciated:				
Infrastructure – Roads	27,401,522.50			27,401,522.50
Infrastructure – Bridges	5,790,843.98	1,857,041.30		7,647,885.28
Buildings and Improvements	6,657,188.19	546,038.85		7,203,227.04
Equipment and Furniture	5,036,001.22	608,778.84	(128,484.10)	5,516,295.96
Equipment Under Capital Lease	1,593,124.00		(47,850.00)	1,545,274.00
Total Capital Assets Being Depreciated	<u>46,478,679.89</u>	<u>3,011,858.99</u>	<u>(176,334.10)</u>	<u>49,314,204.78</u>
Less Accumulated Depreciation for:				
Infrastructure – Roads	(19,009,519.47)	(555,692.15)		(19,565,211.62)
Infrastructure – Bridges	(2,045,663.18)	(167,984.15)		(2,213,647.33)
Buildings and Improvements	(2,803,895.76)	(152,404.37)		(2,956,300.13)
Equipment and Furniture	(2,535,145.72)	(739,998.69)	129,957.05	(3,145,187.36)
Equipment Under Capital Lease	(475,544.70)	(323,409.80)	26,317.50	(772,637.00)
Total Accumulated Depreciation	<u>(26,869,768.83)</u>	<u>(1,939,489.16)</u>	<u>156,274.55</u>	<u>(28,652,983.44)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,608,911.06</u>	<u>(1,072,369.83)</u>	<u>(20,059.55)</u>	<u>20,661,221.34</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,588,932.90</u>	<u>\$(2,724,709.71)</u>	<u>\$(1,877,100.85)</u>	<u>\$ 21,436,541.76</u>
(*) Infrastructure in Progress (\$438,616.84) was restated to recognize a bridge project from the prior year.				

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 253,700.95
Public Safety	280,409.90
Highway and Roads	1,360,465.03
Culture and Recreation	9,025.80
Total Depreciation Expense - Governmental Activities	<u>\$1,903,601.67</u>

Note 6 – Defined Benefit Pension 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. Vested employees may retire with full benefits at age 60 or after 25 years of service. 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 retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2009

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, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. 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, 2009 was 5.27 percent based on the actuarial valuation performed as of September 30, 2006.

C. Annual Pension Cost

For the year ended September 30, 2009, the Commission's annual pension cost of \$337,324 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, 2008, 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 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 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, 2008 was 20 years.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2009	\$337,324	100%	\$0
09/29/2008	\$228,245	100%	\$0
09/30/2007	\$203,088	100%	\$0

Notes to the Financial Statements

For the Year Ended September 30, 2009

D. Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was 89.5 percent funded. The actuarial accrued liability for benefits was \$12,721,788 and the actuarial value of assets was \$11,381,545, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,340,242. The covered payroll (annual payroll of active employees covered by the plan) was \$6,299,115, and the ratio of the UAAL to the covered payroll was 21.3 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, 2009 amounted to \$72,067.86.

Note 8 – Payables

On September 30, 2009, payables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

	Vendors	Intergovernmental	External Parties	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$117,403.57	\$72,063.15	\$	\$189,466.72
Gasoline Tax Fund	237,482.65			237,482.65
Reappraisal Fund	1,664.61			1,664.61
Other Governmental Funds	82,423.84			82,423.84
Total Governmental Activities	438,974.67	72,063.15		511,037.82
<u>Fiduciary Funds:</u>				
Agency Funds		174.82	16,490.36	16,665.18
Total Fiduciary Funds	\$	\$ 174.82	\$16,490.36	\$ 16,665.18

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,545,274 at September 30, 2009. 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 30th.

Fiscal Year Ending	Governmental Activities
September 30, 2010	\$333,840.30
2011	128,803.56
2012	530,424.53
Total Minimum Lease Payments	993,068.39
Less: Amount Representing Interest	(65,855.90)
Present Value of Net Minimum Lease Payments	<u>\$927,212.49</u>

Note 10 – Long-Term Debt

In June 2004, the Commission entered into a lease agreement for \$47,850 for surge protection equipment for county-wide computer systems. The payments on the lease are paid by the General Fund. This debt was repaid during the audit period.

In February 2007, the Commission entered into a capital lease for \$974,980 at 3.88% interest to purchase new motorgraders for the Road Department. The payments for this capital lease are made from the Gasoline Tax Fund.

In February 2007, the Commission entered into a capital lease for \$570,294 at 3.95% interest to purchase new dump trucks for the Road Department. The payments for this capital lease are made from the Gasoline Tax Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2009

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2009:

	Debt Outstanding October 1, 2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2009	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Other Liabilities:					
Capital Lease Contracts Payable	\$1,222,477.19	\$	\$(295,264.70)	\$ 927,212.49	\$299,183.58
Compensated Absences	252,247.87	16,416.98		268,664.85	26,866.49
Total Other Liabilities	1,474,725.06	16,416.98	(295,264.70)	1,195,877.34	326,050.07
Total Governmental Activities Long-Term Liabilities	\$1,474,725.06	\$16,416.98	\$(295,264.70)	\$1,195,877.34	\$326,050.07

The remaining capital lease liabilities for the governmental activities will be liquidated by the Gasoline Tax Fund.

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	Capital Lease Contracts Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2010	\$299,183.58	\$34,656.72	\$333,840.30
2011	105,900.03	22,903.53	128,803.56
2012	522,128.88	8,295.65	530,424.53
Totals	\$927,212.49	\$65,855.90	\$993,068.39

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.

Notes to the Financial Statements
For the Year Ended September 30, 2009

As of September 30, 2009, the aggregate principal amount payable for the Limited Obligation School Warrants, Series 2005 was \$23,340,000.00.

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.

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. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to \$50,000 per incident with a \$5,000 deductible and unlimited defense costs.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance and employee health 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 may choose between two options. They may choose to 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.

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 13 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2009, were as follows:

	Due From Other Funds				Totals
	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Due To Other Funds:					
General Fund	\$	\$	\$	\$7,206.31	\$ 7,206.31
Gasoline Tax Fund			75,000.00		75,000.00
Reappraisal Fund	22.88				22.88
Other Governmental Funds	178.34	317,813.20			317,991.54
Totals	\$201.22	\$317,813.20	\$75,000.00	\$7,206.31	\$400,220.73

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2009, were as follows:

	Transfers Out		Totals
	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:			
Gasoline Tax Fund	\$500,000.00	\$220,000.00	\$ 720,000.00
Other Governmental Funds	145,500.00	390,000.00	535,500.00
Totals	\$645,500.00	\$610,000.00	\$1,255,500.00

The Commission typically used transfers to fund ongoing operating subsidies.

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 14 – Restatements

The Commission restated net assets to recognize infrastructure not previously reported in capital assets. The impact of the restatements on the fund balances/net assets as previously reported is as follows:

Governmental Activities Net Assets Balance, September 30, 2008, as Previously Reported	\$26,955,613.28
Restatements of Net Assets	438,616.84
Governmental Activities Net Assets Balance, September 30, 2008, as Restated	<u>\$27,394,230.12</u>

Note 15 – Related Organizations

The Elmore County Commission appoints a majority of the members of the Boards to the following agencies: Central Elmore Water and Sewer Authority, E-911 Board, Elmore Water Authority, Elmore Community Hospital, The Ridge Improvement District, and the Elmore County Department of Human Resources. 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.

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Taxes	\$ 6,178,700.00	\$ 6,178,700.00	\$ 6,215,806.29
Licenses and Permits	123,000.00	123,000.00	110,429.75
Intergovernmental	1,053,299.00	1,311,878.00	1,787,165.37
Charges for Services	2,040,700.00	2,040,700.00	2,116,722.93
Fines and Forfeits	2,000.00	2,000.00	10,745.00
Miscellaneous	344,320.00	344,811.00	203,738.74
Total Revenues	<u>9,742,019.00</u>	<u>10,001,089.00</u>	<u>10,444,608.08</u>
<u>Expenditures</u>			
Current:			
General Government	4,604,737.00	4,564,498.00	3,519,582.78
Public Safety	5,420,246.00	5,528,019.00	5,205,780.98
Health	120,832.00	121,323.00	71,502.98
Welfare	41,620.00	41,620.00	31,054.34
Culture and Recreation	32,970.00	32,970.00	70,682.84
Education	91,600.00	91,600.00	84,070.47
Capital Outlay		183,449.00	131,796.90
Debt Services:			
Principal Retirement		7,391.00	7,389.95
Interest and Fiscal Charges		205.00	204.79
Total Expenditures	<u>10,312,005.00</u>	<u>10,571,075.00</u>	<u>9,122,066.03</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(569,986.00)</u>	<u>(569,986.00)</u>	<u>1,322,542.05</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	45,300.00	45,300.00	
Sale of Capital Assets			
Total Other Financing Sources (Uses)	<u>45,300.00</u>	<u>45,300.00</u>	
Net Change in Fund Balances	(524,686.00)	(524,686.00)	1,322,542.05
Fund Balances - Beginning of Year	<u>524,686.00</u>	<u>524,686.00</u>	<u>3,203,173.91</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 4,525,715.96</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 6,352.95	\$ 6,222,159.24
		110,429.75
		1,787,165.37
		2,116,722.93
		10,745.00
		203,738.74
	<u>6,352.95</u>	<u>10,450,961.03</u>
		3,519,582.78
		5,205,780.98
		71,502.98
		31,054.34
		70,682.84
		84,070.47
		131,796.90
		7,389.95
		204.79
		<u>9,122,066.03</u>
	<u>6,352.95</u>	<u>1,328,895.00</u>
		6,352.95
		1,328,895.00
(2)	<u>(228,703.27)</u>	<u>2,974,470.64</u>
	<u>\$ (222,350.32)</u>	<u>\$ 4,303,365.64</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2009***

Explanation of differences:

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

- (1) The Commission budgets ad valorem taxes as it is collected, rather than on the modified accrual basis.

Net Increase in Fund Balance - Budget to GAAP

- (2) 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 Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

\$ 6,352.95

\$ 6,352.95

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Intergovernmental	\$ 1,731,000.00	\$ 1,938,795.00	\$ 1,732,025.02
Charges for Services		65,000.00	4,978.24
Miscellaneous	1,127,500.00	1,062,500.00	1,072,792.15
Total Revenues	<u>2,858,500.00</u>	<u>3,066,295.00</u>	<u>2,809,795.41</u>
<u>Expenditures</u>			
Current:			
General Government	324,317.00	324,723.00	326,825.59
Highways and Roads	4,422,284.00	4,049,232.00	2,893,676.60
Capital Outlay		280,500.00	219,782.52
Debt Service:			
Principal Retirement		287,875.00	287,874.75
Interest and Fiscal Charges		45,966.00	45,965.55
Total Expenditures	<u>4,746,601.00</u>	<u>4,988,296.00</u>	<u>3,774,125.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,888,101.00)</u>	<u>(1,922,001.00)</u>	<u>(964,329.60)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,402,000.00	1,402,000.00	720,000.00
Sale of Capital Assets			26,622.00
Total Other Financing Sources (Uses)	<u>1,402,000.00</u>	<u>1,402,000.00</u>	<u>746,622.00</u>
Net Change in Fund Balances	(486,101.00)	(520,001.00)	(217,707.60)
Fund Balances - Beginning of Year	<u>486,101.00</u>	<u>520,001.00</u>	<u>492,947.04</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 275,239.44</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,732,025.02
	4,978.24
	<u>1,072,792.15</u>
	<u>2,809,795.41</u>
	326,825.59
	2,893,676.60
	219,782.52
	287,874.75
	45,965.55
	<u>3,774,125.01</u>
	<u>(964,329.60)</u>
	720,000.00
	26,622.00
	<u>746,622.00</u>
	(217,707.60)
	<u>492,947.04</u>
<u>\$</u>	<u>\$ 275,239.44</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	\$ 2,135,000.00	\$ 2,135,000.00	\$ 2,288,357.20
Intergovernmental	6,785.00	6,785.00	1,438,980.21
Miscellaneous	70,000.00	70,000.00	66,443.20
Total Revenues	<u>2,211,785.00</u>	<u>2,211,785.00</u>	<u>3,793,780.61</u>
Expenditures			
Current:			
General Government	1,490,423.00	1,110,874.01	
Public Safety	160,000.00		10,277.53
Highways and Roads			5,410.99
Capital Outlay		450,000.00	1,568,602.46
Total Expenditures	<u>1,650,423.00</u>	<u>1,560,874.01</u>	<u>1,584,290.98</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>561,362.00</u>	<u>650,910.99</u>	<u>2,209,489.63</u>
Other Financing Sources (Uses)			
Transfers Out	(561,362.00)	(645,500.00)	(645,500.00)
Total Other Financing Sources (Uses)	<u>(561,362.00)</u>	<u>(645,500.00)</u>	<u>(645,500.00)</u>
Net Change in Fund Balances		5,410.99	1,563,989.63
Fund Balances - Beginning of Year			<u>1,888,734.30</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$ 5,410.99</u>	<u>\$ 3,452,723.93</u>

Explanation of differences:

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

- (1) The Commission budgets ad valorem taxes as it is collected, rather than on the modified accrual basis.

Net Increase in Fund Balance - Budget to GAAP

- (2) 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 Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 4,610.24	\$ 2,292,967.44
		1,438,980.21
		66,443.20
	<u>4,610.24</u>	<u>3,798,390.85</u>
		10,277.53
		5,410.99
		<u>1,568,602.46</u>
		<u>1,584,290.98</u>
	<u>4,610.24</u>	<u>2,214,099.87</u>
		(645,500.00)
		<u>(645,500.00)</u>
	4,610.24	1,568,599.87
(2)	<u>(113,421.83)</u>	<u>1,775,312.47</u>
	<u>\$ (108,811.59)</u>	<u>\$ 3,343,912.34</u>
	<u>\$ 4,610.24</u>	
	<u>\$ 4,610.24</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 845,081.00	\$ 845,081.00	\$ 814,846.63
Miscellaneous	9,200.00	9,200.00	7,699.52
Total Revenues	<u>854,281.00</u>	<u>854,281.00</u>	<u>822,546.15</u>
<u>Expenditures</u>			
Current:			
General Government	1,054,281.00	987,649.00	792,129.49
Capital Outlay		74,500.00	30,416.66
Total Expenditures	<u>1,054,281.00</u>	<u>1,062,149.00</u>	<u>822,546.15</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,000.00)</u>	<u>(207,868.00)</u>	
Net Change in Fund Balances	(200,000.00)	(207,868.00)	
Fund Balances - Beginning of Year	<u>200,000.00</u>	<u>207,868.00</u>	
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
-------------------------------	------------------------------

\$	\$ 814,846.63
	7,699.52
	<u>822,546.15</u>

	792,129.49
	<u>30,416.66</u>
	<u>822,546.15</u>

<u>\$</u>	<u>\$</u>
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Schedule of Funding Progress
For the Year Ended September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2008	\$11,381,545	\$12,721,788	\$1,340,242	89.5%	\$6,299,115	21.3%
09/30/2007	\$11,254,510	\$11,614,259	\$ 359,749	96.9%	\$5,709,263	6.3%
09/30/2006**	\$10,625,494	\$10,706,669	\$ 81,175	99.2%	\$5,303,493	1.5%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

** Reflects changes in actuarial assumptions.

Supplementary Information

***Schedule of Expenditures of Federal Awards
October 1, 2008 through September 30, 2009***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of the Interior</u>		
<u>Direct Program</u>		
Payments in Lieu of Taxes	15.226	N.A.
<u>U. S. Department of Justice</u>		
<u>Passed Through State of Alabama Department of Economic and Community Affairs</u>		
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	08-JF-C3-005
Violence Against Women Formula Grants	16.588	08-WF-LE-003
Edward Byrne Memorial Justice Assistance Grant Program	16.738	08-DJ-01-005
Total U. S. Department of Justice		
<u>General Services Administration</u>		
<u>Passed Through State of Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property	39.003	N.A.
<u>Department of Health and Human Services</u>		
<u>Passed Through the City of Montgomery</u>		
Public Health Emergency Preparedness	93.069	9SNS
<u>Passed Through Alabama County Commission Association</u>		
Centers for Disease Control and Prevention Investigation and Technical Assistance	93.283	N.A.
Total Department of Health and Human Services		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Disaster Grants - Public Assistance (M)	97.036	N.A.
Hazard Mitigation Grant	97.039	HMGP-1605-0096
Hazard Mitigation Grant	97.039	HMGP-1605-0173
Sub-Total Hazard Mitigation Grant		
Emergency Management Performance Grants	97.042	9EMF
<u>Passed Through Alabama Department of Homeland Security</u>		
Homeland Security Grant Program	97.067	8CCL
Homeland Security Grant Program	97.067	8SHL
Sub-Total Homeland Security Grant Program (M)		
Buffer Zone Protection Program (M)	97.078	8BZP
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2008-09/30/2009	\$ 2,428.00	\$ 2,428.00	\$ 2,428.00	\$ 2,428.00
10/01/2008-09/30/2009	37,755.80	37,755.80	37,755.80	37,755.80
09/01/2008-08/31/2009	181,000.01	135,749.88	126,892.38	126,892.38
10/01/2008-09/30/2009	149,999.98	74,999.98	74,999.98	74,999.98
	<u>368,755.79</u>	<u>248,505.66</u>	<u>239,648.16</u>	<u>239,648.16</u>
10/01/2008-09/30/2009			236.29	236.29
10/01/2008-09/30/2009	1,600.00	1,600.00	1,600.00	1,600.00
10/01/2008-09/30/2009	4,000.00	4,000.00	4,000.00	4,000.00
	<u>5,600.00</u>	<u>5,600.00</u>	<u>5,600.00</u>	<u>5,600.00</u>
06/03/2009-12/03/2010	1,291,888.88	968,916.66	317,813.20	317,813.20
10/31/2007-03/15/2009	227,050.00	133,001.00	3,500.00	3,500.00
04/10/2008-07/31/2009	21,742.00	17,579.00	17,579.00	17,579.00
	<u>248,792.00</u>	<u>150,580.00</u>	<u>21,079.00</u>	<u>21,079.00</u>
10/01/2008-09/30/2009	67,196.85	67,196.85	67,196.85	67,196.85
10/10/2008-06/30/2010	14,000.00	14,000.00	12,329.66	12,329.66
10/10/2008-06/30/2010	28,326.17	28,326.10	28,326.17	28,326.17
	<u>42,326.17</u>	<u>42,326.10</u>	<u>40,655.83</u>	<u>40,655.83</u>
03/18/2009-09/01/2010	193,000.00	193,000.00	45,350.97	45,350.97
	<u>1,843,203.90</u>	<u>1,422,019.61</u>	<u>492,095.85</u>	<u>492,095.85</u>
	\$ 2,219,987.69	\$ 1,678,553.27	\$ 740,008.30	\$ 740,008.30

***Schedule of Expenditures of Federal Awards
October 1, 2008 through September 30, 2009***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
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Sub-Total Brought Forward

Other Federal Assistance
U. S. Department of Justice
Direct Program

Drug Enforcement Grant	N.A.	N.A.
Federal Drug Forfeiture Funds	N.A.	N.A.
Total Other Federal Assistance		

Total Expenditures of Federal Awards

(M) = Major Program
 N.A. = Not Applicable

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		
	\$ 2,219,987.69	\$ 1,678,553.27	\$ 740,008.30	\$ 740,008.30
10/01/2008-09/30/2009	15,223.50	15,223.50	15,223.50	15,223.50
10/01/2008-09/30/2009	46,211.80	46,211.80	5,855.01	5,855.01
	61,435.30	61,435.30	21,078.51	21,078.51
	\$ 2,281,422.99	\$ 1,739,988.57	\$ 761,086.81	\$ 761,086.81

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2009***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Elmore County Commission 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.

Additional Information

Commission Members and Administrative Personnel
October 1, 2008 through September 30, 2009

Commission Members		Address	Term Expires
Hon. Earl Reeves	Chairman	4455 Coosada Parkway Coosada, AL 36020	2012
Hon. T. J. Eason	Commissioner	923 Kowaliga Road Eclectic, AL 36024	2008
Hon. Mickey B. Shaw	Commissioner	648 Osborne Lane Tallassee, AL 36078	2008
Hon. Don Whorton	Commissioner	2150 Grier Road Wetumpka, AL 36092	2008
Hon. Joe Faulk	Commissioner	P. O. Box 1162 Millbrook, AL 36054	2012
Hon. Mark Hragyil	Commissioner	4465 Laurel Creek Road Wetumpka, AL 36092	2012
Hon. Paul Taylor	Commissioner	620 Taylor Road Tallassee, AL 36078	2012
Hon. David Bowen	Commissioner	50 Shokula Lane Wetumpka, AL 36092	2012

Administrative Personnel

Ms. Jeanette Medders	Administrator	35 Ingram Road Eclectic, AL 36024	August 26, 2009
Ms. Lynn M. Schoener	Interim Administrator	5591 Joy-ger Drive Millbrook, AL 36054	June 14, 2010

***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***

We have audited 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, 2009, which collectively comprise the Elmore County Commission's basic financial statements and have issued our report thereon dated February 16, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elmore County Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Elmore County Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elmore County Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

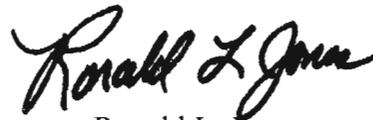
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider 2009-1 to be a material weakness.

***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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elmore County Commission's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, members of the Elmore County Commission, the County Administrator, and other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 16, 2011

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Elmore County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Elmore County Commission's management. Our responsibility is to express an opinion on the Elmore County Commission's compliance based on our audit.

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. Our audit does not provide a legal determination of the Elmore County Commission's compliance with those requirements.

In our opinion, the Elmore County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Elmore County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Elmore County Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

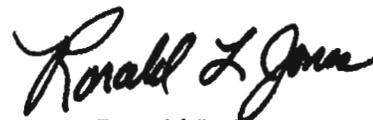
***Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Elmore County Commission, the County Administrator and other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 16, 2011

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes 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 that are not considered to be material weakness(es)? Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance
97.067	Homeland Security Grant Program
97.078	Buffer Zone Protection 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, 2009

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2009-1	Internal Control	<p><u>Audit Finding:</u> The Commission failed to properly record Construction/Infrastructure in Progress resulting in the following problems:</p> <ul style="list-style-type: none"> ◆ The Commission recorded Construction in Progress in the amount of \$233,915.42 on the fund level financial statements instead of recording capital outlay expenditures. Audit adjustments were made to properly reflect these transactions. ◆ The Commission restated fund balance in the Public Buildings, Roads and Bridges Fund in the amount of \$438,616.84 for a bridge project instead of recognizing Infrastructure in Progress in the prior year. Audit adjustments were made to properly restate Net Assets for Infrastructure in Progress. <p><u>Recommendation:</u> The Commission should properly record capital outlay expenditures to properly reflect Construction/Infrastructure in Progress on the financial statements.</p>	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	



Auditee Response/Corrective Action Plan



Elmore County Commission

100 East Commerce Street, Suite 207 • Wetumpka, Alabama 36092
Phone (334) 514-5841 • Facsimile (334) 514-5842 • www.elmoreco.org

March 1, 2011

Earl Reeves

Chairman

Ms. Teresa W. Durrett, Director
County Audit Division

Mark Hragyil

District 1

Department of Examiners of Public Accounts
50 North Ripley Street; Room 3201
Montgomery, Alabama 36104-3833

Paul C. Taylor

District 2

Re: FY 2009 Audit

Dear Ms. Durrett:

David Bowen

District 3

As required by the Office of management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit 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 Questioned Costs for the year ended September 30, 2009.

Joe Faulk

District 4

Finding #2009-1: The Commission failed to properly record Construction/Infrastructure in Process resulting in the following problems:

The commission recorded Construction in Progress in the amount of \$233,915.42 on the fund level financial statements instead of recording capital outlay expenditures. Audit Adjustments were made to properly reflect these transactions.

The commission restated fund balance in the Public Buildings, Roads and Bridges Fund in the amount of \$438,816.84 for a bridge project instead of recognizing Infrastructure in Progress in the prior year. Audit adjustments were made to properly restate Net Assets for Infrastructure in Progress.

Response to Finding #2009-1: We no longer record expenditures in a Construction in Process item. Payments are now recorded as Capital Outlay Expenditures at the fund level.

Sincerely,


Earl Reeves
Chairman