

Report on the

Tuscaloosa County Commission

Tuscaloosa County, Alabama

October 1, 2011 through September 30, 2012

Filed: December 13, 2013



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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 Tuscaloosa County Commission, Tuscaloosa County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this
the 14 day of November, 2013.

Robert Asmians
Notary Public

Sworn to and subscribed before me this
the 14 day of November, 2013.

Robert Asmians
Notary Public

Respectfully submitted,

Bradley Colburn
Examiner of Public Accounts

Josh Taylor
Examiner of Public Accounts

rb

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Department of
Examiners of Public Accounts

SUMMARY

**Tuscaloosa County Commission
October 1, 2011 through September 30, 2012**

The Tuscaloosa County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Tuscaloosa County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 16. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, and health and welfare services to the citizens of Tuscaloosa 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 program. 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, 2012.

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

The following instances of noncompliance with state and local laws and regulations and other matters were found during the audit as shown on the Schedule of State and Local Compliance and Other Findings:

- ◆ 2012-01 relates to the Tuscaloosa County Community Corrections Program not collecting fees in accordance with the *Code of Alabama 1975*.
- ◆ 2012-02 relates to the Tuscaloosa County Commission having a deficit fund balance in the Road and Bridge Fund.

A problem was found with the Commission's internal controls over financial reporting (Exhibit 19) and it is summarized below:

- ◆ 2010-01 relates to internal control weaknesses in the Tuscaloosa County Community Corrections Program.

The following officials/administrative personnel were invited to an exit conference to discuss the results of this report: Administrator of the County Commission: Melvin Vines; Chief Financial Officer of the County Commission: William Lamb; Commission Chairman: Hardy McCollum; and County Commissioners: Reginald Murray, Bobby Miller, Gary Youngblood, and Don Wallace. The following individuals attended the exit conference, held at the offices of the County Commission: Melvin Vines, Administrator; William Lamb, Chief Financial Officer; Commission Chairman: Hardy McCollum; and County Commissioners: Reginald Murray and Bobby Miller. Also in attendance were representatives of the Department of Examiners of Public Accounts: David Howell, Audit Manager, Bradley Colburn, Examiner, and Josh Taylor, Examiner. An exit conference was held via telephone with Commissioner Don Wallace.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2012

Ref. No.	Finding/Noncompliance		
2012-01	<p><u>Finding:</u> Individuals convicted of alcohol and drug related offenses may be referred to a court referral program for assessment, referral and treatment under the <i>Code of Alabama 1975</i>, Section 12-23-2. Assessment, monitoring and drug fees are established and regulated by the Administrative Office of Courts under the authority of the <i>Code of Alabama 1975</i>, Section 12-23-1 through 19. Additionally, participants must pay for assessment, monitoring and drug testing unless the Judge rules them to be indigent. Testing of the Tuscaloosa County Commission's Community Corrections Program revealed instances where Court Referral Officers deemed certain defendants to be indigent and waived fees without a judge's approval.</p> <p><u>Recommendation:</u> Procedures should be implemented to ensure proper collection of fees.</p>		
2012-02	<p><u>Finding:</u> Deficit fund balances result when the Commission expends more funds than it has in available resources. The <i>Code of Alabama 1975</i>, Section 11-8-10, provides that a County Commission should issue no warrant unless funds are available for payment. The following fund had deficit fund balance at September 30, 2012.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Road and Bridge Fund</td> <td style="padding: 5px; text-align: right;">\$2,003,170.20</td> </tr> </table> <p><u>Recommendation:</u> The Commission should take proper measures to eliminate and prevent deficit fund balances.</p>	Road and Bridge Fund	\$2,003,170.20
Road and Bridge Fund	\$2,003,170.20		

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 Tuscaloosa County Commission, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Tuscaloosa County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Tuscaloosa 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 Tuscaloosa County Commission, as of September 30, 2012, and the respective changes in financial position, 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 November 12, 2013, on our consideration of the Tuscaloosa 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 11) and the Schedules of Funding Progress (Exhibits 12 and 13) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscaloosa County Commission's basic financial statements. The accompanying Schedule of Revenues and Expenditures – Community Corrections Program (Exhibit 14) as required by the Alabama Department of Corrections and the Schedule of Expenditures of Federal Awards (Exhibit 15) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures – Community Corrections Program and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

November 12, 2013

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Management's Discussion and Analysis
(Required Supplementary Information)

Management's Discussion and Analysis Tuscaloosa County Commission

As management of the Tuscaloosa County Commission, we offer readers of the Tuscaloosa County Commission's financial statements this narrative overview and analysis of the financial activities of the Tuscaloosa County Commission for the fiscal year ended September 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

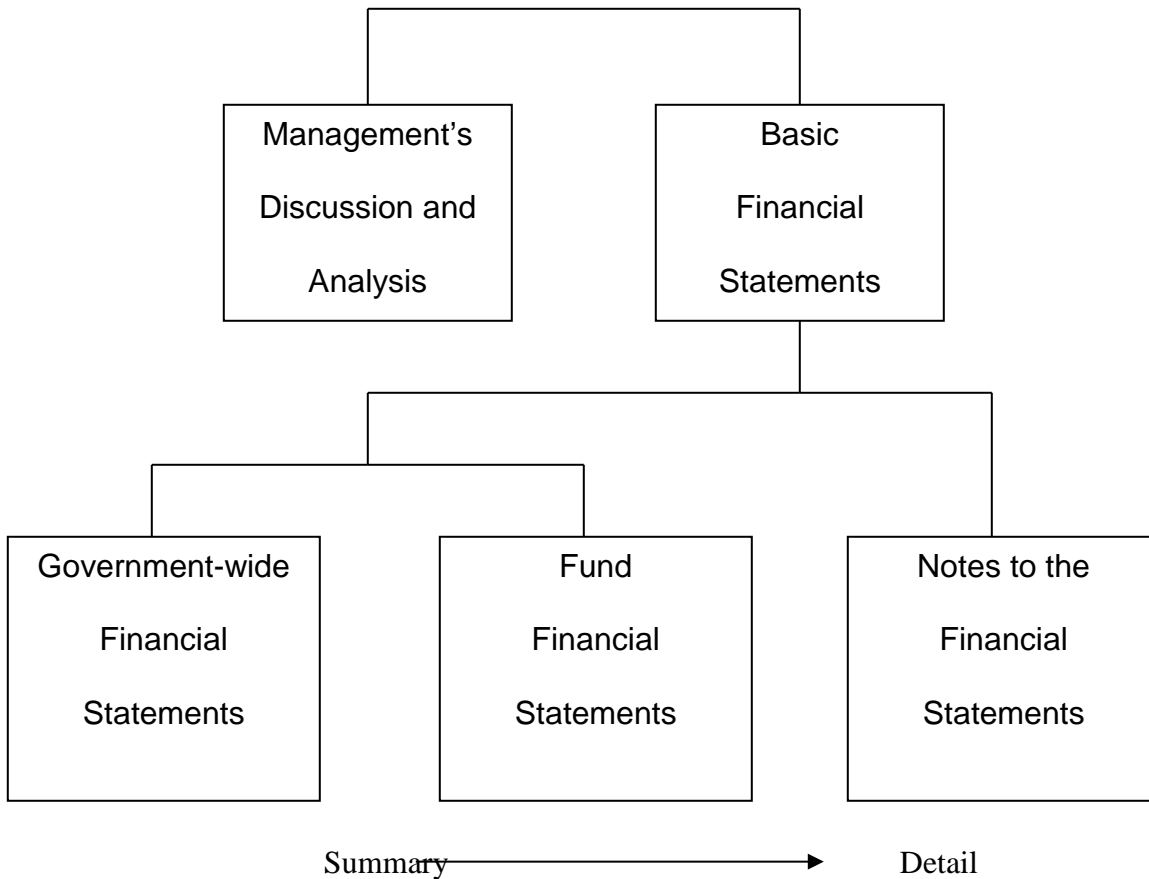
- The assets of the Tuscaloosa County Commission exceeded its liabilities at the close of the fiscal year by \$116,711,837.55 (*net assets*).
- As of the close of the current fiscal year, the Tuscaloosa County Commission's governmental funds reported combined ending fund balances of \$54,954,202.40. Of this amount \$39,010,147.69 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$42,066,437.56.
- Tuscaloosa County Commission currently has no long term debt.
- Tuscaloosa County Commission maintained its AA+ (Standard & Poor's - upgraded), Aa2 (Moody's) bond rating for the 11th consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Tuscaloosa County Commission's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Tuscaloosa County Commission.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Required supplementary information is provided to show details about the County's major governmental funds' budget information as required by the General Statutes and by the Governmental Accounting Standards Board.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. 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. The Tuscaloosa County Commission, like all other governmental entities in Alabama, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget resolution. All of the funds of the Tuscaloosa County Commission can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Tuscaloosa County Commission has thirteen fiduciary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Tuscaloosa County Commission exceeded liabilities by \$116,711,837.55 as of September 30, 2012.

For the year ending September 30, 2012, Tuscaloosa County's net assets are presented in figure 2 as follows:

Tuscaloosa County's Net Assets
Figure 2

	Governmental Activities 2012	Governmental Activities 2011
Current and other assets	\$86,612,241	\$91,770,560
Capital Assets, net	\$79,312,065	\$79,182,095
Total Assets	<u>\$165,924,306</u>	<u>\$170,952,654</u>
Long-term liabilities outstanding	\$17,554,430	\$14,448,322
Other liabilities	\$31,658,038	\$29,320,364
Total liabilities	<u>\$49,212,469</u>	<u>\$43,768,686</u>
Net assets:		
Invested in capital assets, net of related debt	\$79,312,066	\$79,182,095
Restricted	\$6,941,357	\$5,809,302
Unrestricted	\$30,458,415	\$42,192,572
Total net assets	<u>\$ 116,711,838</u>	<u>\$ 127,183,969</u>

One aspect of the County's financial operations that positively influenced the total unrestricted governmental net assets was the continued low cost of debt due to the County's high bond rating and relative small amount of debt.

Tuscaloosa County's changes in net assets are presented in figure 3 as follows:

Tuscaloosa County Changes in Net Assets
Figure 3

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$8,736,930	\$11,365,695
Operating grants and contributions	\$10,501,076	\$9,091,323
Capital grants and contributions		\$1,853,771
General revenues:		
Property taxes	\$25,831,709	\$24,924,688
Other taxes	\$23,060,205	\$21,632,199
Grants and contributions not restricted to specific programs	\$2,624,107	\$3,556,815
Other	<u>\$8,451,359</u>	<u>\$6,433,697</u>
Total revenues	<u>\$79,205,386</u>	<u>\$78,858,188</u>
Expenses:		
General government	\$29,041,346	\$25,001,228
Public safety	\$28,140,713	\$26,944,880
Highways and Roads	\$27,394,889	\$21,208,335
Sanitation	\$428,689	\$356,309
Health	\$533,706	\$513,222
Welfare	\$173,136	\$181,285
Culture and Recreation	\$3,784,631	\$3,783,242
Education	\$180,407	\$180,680
Miscellaneous	\$0	\$0
Interest on Long-Term Debt	\$0	\$0
Total expenses	<u>\$89,677,517</u>	<u>\$78,169,182</u>
Decrease in Net assets	(\$10,472,131)	\$689,006
Net assets, October 1	<u>\$127,183,969</u>	<u>\$126,494,963</u>
Net assets, September 30	<u><u>\$116,711,838</u></u>	<u><u>\$127,183,969</u></u>

Financial Analysis of the County's Funds

As noted earlier, Tuscaloosa County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Tuscaloosa County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Tuscaloosa County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Tuscaloosa County. At the end of the current fiscal year, total fund balance of the General Fund was \$51,069,135.58, a decrease of \$6,087,635.46. The primary factor contributing to this decrease is the reducing of reserves for capital outlays primarily for construction projects.

Other major funds of the County are the Road and Bridge Fund and the Reappraisal Fund. The Road and Bridge Fund's purpose is to account for the expenditures of funds earmarked for the building and maintenance of the County's roads and bridges. The fund balance of the Road and Bridge Fund decreased \$2,274,633.60 during the year. This was primarily due to infrastructure upgrades. The Reappraisal Fund accounts for expenditures related to the Commission's property reappraisal program. The Reappraisal Fund expenditures equals its revenues.

At September 30, 2012, the governmental funds of Tuscaloosa County reported a combined fund balance of \$54,954,202.40.

Capital Asset and Debt Administration

Capital Assets. Tuscaloosa County's capital assets for its governmental activities as of September 30, 2012, totals \$79,312,065.51 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased new equipment for the Public Safety Department
- Purchased new vehicles for County motor pool
- Disposed of old equipment in the Public Safety Department
- Addition of construction in progress on Infrastructure

A breakdown of Tuscaloosa County Capital Assets is presented in figure 4 as follows:

Tuscaloosa County's Capital Assets

Figure 4

TUSCALOOSA COUNTY'S CAPITAL ASSETS

	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
Land	\$ 2,749,305	\$ 2,710,755
Buildings and improvements	\$39,018,826	\$39,018,826
Improvements other than buildings	\$5,651,321	\$5,002,247
Equipment and Furniture	\$17,172,254	\$16,500,664
Infrastructure	\$174,213,708	\$172,080,920
Data Processing Equipment	\$2,521,763	\$2,513,319
Vehicles and motorized equipment	\$10,748,790	\$10,017,979
Construction in progress	<u>\$3,275,045</u>	<u>\$2,618,937</u>
Less: Accumulated Depreciation	(\$176,038,947)	(\$171,281,552)
Total	<u><u>\$79,312,066</u></u>	<u><u>\$79,182,095</u></u>

Additional information on the County's capital assets can be found in note 6 of the Basic Financial Statements.

Long-term Debt. As of September 30, 2012, Tuscaloosa County had no bonded debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County had new jobs and capital invested this year.
- New manufacturing jobs announced totaled 1114.
- New private capital announced totaled \$1,359.89 million.

Budget Information

The Tuscaloosa County Commission adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the management of the County, and the decisions of the County Commission about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget resolution and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statements shows three columns: 1) the original budget as adopted by the Commission; 2) the final budget as amended by the Commission; and 3) the actual resources, charges to appropriations, and ending balances in each fund on a budgetary basis of accounting. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of each budgetary statement.

Governmental Activities: Taxes (benefiting from the economic growth) are expected to lead the increase in revenue projections by 3.0 percent. The County will use these increases in revenues to finance programs currently in place.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to William M. Lamb, the Chief Financial Officer of, Tuscaloosa County Commission, P.O. Box 20113, Tuscaloosa, AL 35402.

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Basic Financial Statements

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Statement of Net Assets
September 30, 2012

	Governmental Activities
<u>Assets</u>	
Cash	\$ 55,478,906.90
Investments	3,741,935.82
Receivables (Note 4)	3,467,523.68
Ad Valorem Taxes Receivable	23,806,988.04
Inventories	116,886.23
Capital Assets (Note 6):	
Nondepreciable	6,024,350.13
Depreciable, Net	73,287,715.38
Total Assets	<u>165,924,306.18</u>
<u>Liabilities</u>	
Payables (Note 11)	4,507,484.25
Deferred Revenue	25,335,307.46
Accrued Wages Payable	1,218,256.55
Health Claims Payable	117,128.01
Worker's Compensation Claims Payable	479,862.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	152,758.71
Portion Due or Payable After One Year:	
Compensated Absences	4,747,674.65
Net Other Postemployment Benefit Obligation	12,653,997.00
Total Liabilities	<u>49,212,468.63</u>
<u>Net Assets</u>	
Invested in Capital Assets	79,312,065.51
Restricted for Other Purposes	6,941,356.69
Unrestricted	<u>30,458,415.35</u>
Total Net Assets	<u>\$ 116,711,837.55</u>

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

Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 29,041,346.33	\$ 6,127,023.07	\$ 1,737,113.49
Public Safety	28,140,712.99	2,609,906.54	2,871,536.74
Highways and Roads	27,394,889.09		5,663,812.35
Sanitation	428,688.79		14,821.65
Health	533,706.30		65,574.76
Welfare	173,135.87		5,928.66
Culture and Recreation	3,784,630.74		136,047.18
Education	180,406.54		6,240.70
Total Governmental Activities	<u>\$ 89,677,516.65</u>	<u>\$ 8,736,929.61</u>	<u>\$ 10,501,075.53</u>

General Revenues:

Taxes:

Property Taxes for General Purposes
Property Taxes for Specific Purposes
General Sales Tax
County Gasoline Sales Tax
Miscellaneous Taxes

Grants and Contributions Not Restricted
for Specific Purposes

Interest Earned

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u> <u>Total Governmental Activities</u>
\$	(21,177,209.77)
	(22,659,269.71)
	(21,731,076.74)
	(413,867.14)
	(468,131.54)
	(167,207.21)
	(3,648,583.56)
	(174,165.84)
<u>\$</u>	<u>(70,439,511.51)</u>

22,738,098.91
3,093,609.71
10,200,000.00
10,273,077.37
2,587,127.82
2,624,107.30
464,636.61
7,986,722.48
<u>59,967,380.20</u>
(10,472,131.31)
<u>127,183,968.86</u>
<u>\$ 116,711,837.55</u>

Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Road and Bridge Fund
<u>Assets</u>		
Cash	\$ 46,694,230.48	\$ 1,634,863.26
Investments	3,741,935.82	
Receivable (Note 4)	2,973,983.59	292,563.55
Ad Valorem Taxes Receivable	13,602,921.87	6,662,672.17
Interfund Receivables	959,952.27	176,594.45
Inventories		116,886.23
Total Assets	<u>67,973,024.03</u>	<u>8,883,579.66</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 11)	777,838.96	2,830,449.71
Interfund Payables	307,246.70	721,392.56
Deferred Revenue	14,370,374.71	7,038,564.11
Accrued Wages Payable	851,438.07	296,343.48
Health Claims Payable	117,128.01	
Worker's Compensation Claims Payable	479,862.00	
Total Liabilities	<u>16,903,888.45</u>	<u>10,886,749.86</u>
<u>Fund Balances</u>		
Nonspendable:		
Inventory		116,886.23
Noncurrent Receivables	458,857.18	
Restricted for:		
Public Safety		
Highways and Roads		936,233.44
Other Purposes		
Assigned to:		
Community Projects	3,011,979.00	
Worker's Compensation Insurance	2,046,733.81	
Employees' Health Insurance	891,667.94	
General Liability Insurance	2,452,158.60	
Courthouse Renovation	141,301.49	
Unassigned	42,066,437.56	(3,056,289.87)
Total Fund Balances	<u>51,069,135.58</u>	<u>(2,003,170.20)</u>
Total Liabilities and Fund Balances	<u>\$ 67,973,024.03</u>	<u>\$ 8,883,579.66</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 992,187.25	\$ 6,157,625.91	\$ 55,478,906.90
		3,741,935.82
	200,976.54	3,467,523.68
3,541,394.00		23,806,988.04
	296,409.73	1,432,956.45
		116,886.23
<u>4,533,581.25</u>	<u>6,655,012.18</u>	<u>88,045,197.12</u>
833,457.08	65,738.50	4,507,484.25
88,255.17	316,062.02	1,432,956.45
3,541,394.00	384,974.64	25,335,307.46
70,475.00		1,218,256.55
		117,128.01
		479,862.00
<u>4,533,581.25</u>	<u>766,775.16</u>	<u>33,090,994.72</u>
		116,886.23
		458,857.18
	3,354,925.07	3,354,925.07
	472,726.50	1,408,959.94
	2,060,585.45	2,060,585.45
		3,011,979.00
		2,046,733.81
		891,667.94
		2,452,158.60
		141,301.49
		39,010,147.69
	<u>5,888,237.02</u>	<u>54,954,202.40</u>
<u>\$ 4,533,581.25</u>	<u>\$ 6,655,012.18</u>	<u>\$ 88,045,197.12</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2012***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 54,954,202.40

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. 79,312,065.51

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

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Compensated Absences	\$ 152,758.71	\$ 4,747,674.65	
Net OPEB Obligation		12,653,997.00	
Total Liabilities	\$ 152,758.71	\$ 17,401,671.65	(17,554,430.36)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 116,711,837.55

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, 2012

	General Fund	Road and Bridge Fund
<u>Revenues</u>		
Taxes	\$ 37,751,493.73	\$ 8,376,504.96
Licenses and Permits	690,600.49	366,295.16
Intergovernmental	5,564,686.92	4,132,863.61
Charges for Services	6,357,495.35	6,152.21
Miscellaneous	6,731,114.40	103,608.63
Total Revenues	<u>57,095,390.89</u>	<u>12,985,424.57</u>
<u>Expenditures</u>		
Current:		
General Government	20,699,631.03	
Public Safety	22,915,807.06	
Highways and Roads		21,597,039.17
Sanitation	428,688.79	
Health	533,706.30	
Welfare	173,135.87	
Culture and Recreation	3,784,630.74	
Education	180,406.54	
Capital Outlay	1,558,638.52	914,928.00
Total Expenditures	<u>50,274,644.85</u>	<u>22,511,967.17</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,820,746.04</u>	<u>(9,526,542.60)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In		6,801,909.00
Sale of Capital Assets	13,015.00	
Transfers Out	(12,921,396.50)	
Total Other Financing Sources (Uses)	<u>(12,908,381.50)</u>	<u>6,801,909.00</u>
Net Change in Fund Balances	(6,087,635.46)	(2,724,633.60)
Fund Balances - Beginning of Year	<u>57,156,771.04</u>	<u>721,463.40</u>
Fund Balances - End of Year	<u>\$ 51,069,135.58</u>	<u>\$ (2,003,170.20)</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,763,915.12	\$	\$ 48,891,913.81
	329,927.88	1,386,823.53
	3,480,544.12	13,178,094.65
	887,486.15	7,251,133.71
15,268.01	1,647,428.60	8,497,419.64
2,779,183.13	6,345,386.75	79,205,385.34
2,703,424.13	2,982,117.29	26,385,172.45
	2,449,691.23	25,365,498.29
	2,430,100.00	24,027,139.17
		428,688.79
		533,706.30
		173,135.87
		3,784,630.74
		180,406.54
76,424.00	3,286,689.87	5,836,680.39
2,779,848.13	11,148,598.39	86,715,058.54
(665.00)	(4,803,211.64)	(7,509,673.20)
	6,119,487.50	12,921,396.50
665.00		13,680.00
		(12,921,396.50)
665.00	6,119,487.50	13,680.00
	1,316,275.86	(7,495,993.20)
	4,571,961.16	62,450,195.60
\$	\$ 5,888,237.02	\$ 54,954,202.40

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, 2012

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (7,495,993.20)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$5,836,680.39) differ from depreciation expense (\$5,499,536.26) in the current period. 337,144.13

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balances by the book value of the assets sold.

Proceeds from the sale of Capital Assets	\$ (13,680.00)	
Loss on the Sale of Capital Assets	(193,493.42)	(207,173.42)

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:

Decrease in Compensated Absences	\$ 69,067.18	
Increase in Other Postemployment Benefit Obligation	(3,175,176.00)	
Total		(3,106,108.82)

Change in Net Assets of Governmental Activities (Exhibit 2)	<u><u>\$ (10,472,131.31)</u></u>
-------------------------------------------------------------	----------------------------------

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

Statement of Fiduciary Net Assets
September 30, 2012

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 5,852,131.12	\$ 3,219,105.67
Total Assets	<u>5,852,131.12</u>	<u>3,219,105.67</u>
<u>Liabilities</u>		
Accounts Payable	55,510.06	
Payable to External Parties	1,300,011.94	3,219,105.67
Total Liabilities	<u>1,355,522.00</u>	<u>\$ 3,219,105.67</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	<u>\$ 4,496,609.12</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, 2012***

	Private-Purpose Trust Funds
<u>Additions</u>	
Interest	\$ 446.69
Fiduciary Fund Receipts	2,363,925.34
Total Additions	<u>2,364,372.03</u>
<u>Deductions</u>	
Fiduciary Fund Disbursement	1,564,869.91
Total Deductions	<u>1,564,869.91</u>
Changes in Net Assets	799,502.12
Net Assets - Beginning of Year	<u>3,697,107.00</u>
Net Assets - End of Year	<u>\$ 4,496,609.12</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, 2012

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Tuscaloosa 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 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 segment 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, 2012

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental 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. Also, accounted for in the general fund are workers' compensation benefits and employee health insurance to self-insure the Commission against liability claims.
- ◆ **Road and Bridge Fund** – This fund is used to account for the County's share of the following taxes, licenses and fees: 7-cent per gallon gasoline tax, motor vehicle and truck licenses and fees and drivers' license revenue. This fund also accounts for the County's Road and Bridge ad valorem tax. These revenues are expended for building and maintaining of public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures related to the County's reappraisal program.

The Commission reports the following fund types in the other governmental funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Capital Projects Fund** – This fund is used to account for and report funds that are assigned to expenditure for capital outlay, including the acquisition, construction or renovation of capital facilities and other capital assets.

Notes to the Financial Statements

For the Year Ended September 30, 2012

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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, claims and judgments, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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.

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

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, based on quoted market prices, except for certificates of deposit which are reported at cost.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2012

Receivables from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Vehicles	\$ 5,000	10 years
Infrastructure – Roads and Bridges	\$250,000	40 years
Data Processing Equipment	\$ 5,000	10 years
Improvements Other Than Buildings	None	15 years

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

5. Long-Term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities.

6. Compensated Absences

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

Annual Leave

Annual leave is accrued according to an employee's length of service. Annual leave earned but not used during the year may be accumulated or sold back to the County at their regular rate of pay up to a maximum of two (2) weeks per year of leave time. There is no limit on the number of hours an employee may accrue. Accumulated leave is payable to the employee upon retirement with pay or, in the case of death, while actively employed, to the employee's estate.

An employee earns 10 days of leave in the first year. In year two through five, an employee earns 15 days per year. In years six through nine, an employee earns 16 days per year. Beginning in year ten, an employee's annual leave earned increases by one day per year to a maximum of 30 days earned per year. Accrued annual leave at September 30, 2012, is reported in the governmental activities.

7. Net Assets/Fund Equity

Net assets are reported on the government-wide 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.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Fund balance is reported in governmental funds in the fund financial statements. Under GASB Statement Number 54, fund balance is composed of the following:

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note 2 – Stewardship, Compliance, and Accountability

A. 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, Road and Bridge Fund and Reappraisal Fund, with the exception of certain ad valorem taxes that are budgeted only to the extent expected to be received rather than on a modified accrual basis and for salaries and benefits that are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds budget on a basis consistent with GAAP. All annual appropriations laps 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.

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2012, the following governmental fund had a deficit fund balance:

Road and Bridge Fund	<u>\$2,003,170.20</u>
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Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 3 – Deposits and Investments

Deposits and Investments

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The Commission invests 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, 2012, receivables for the Commission's major and nonmajor funds in the aggregate are as follows:

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
Receivables:				
Sales Tax	\$1,644,132.63	\$	\$	\$1,644,132.63
Tobacco Tax	56,586.88			56,586.88
One Cent Gas Tax		72,431.07		72,431.07
Intergovernmental	1,273,264.08	220,132.48	200,976.54	1,694,373.10
Total Receivables	<u>\$2,973,983.59</u>	<u>\$292,563.55</u>	<u>\$200,976.54</u>	<u>\$3,467,523.68</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 5 – Deferred Revenues

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, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes – Property	\$23,806,988.04	\$
Motor Vehicle Ad Valorem Taxes		1,143,344.78
Federal Forfeiture Funds		384,974.64
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$23,806,988.04</u>	<u>\$1,528,319.42</u>

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/01/2011	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2012
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,710,755.00	\$ 38,550.00	\$	\$ 2,749,305.00
Construction in Progress	2,618,936.93	1,305,182.34	(649,074.14)	3,275,045.13
Total Capital Assets, Not Being Depreciated	<u>5,329,691.93</u>	<u>1,343,732.34</u>	<u>(649,074.14)</u>	<u>6,024,350.13</u>
Capital Assets Being Depreciated:				
Infrastructure	172,080,920.00	2,132,788.05		174,213,708.05
Buildings	39,018,826.00			39,018,826.00
Improvements	5,002,247.00	649,074.14		5,651,321.14
Equipment and Furniture	16,500,663.80	1,351,686.00	(680,096.25)	17,172,253.55
Data Processing Equipment	2,513,319.29	37,262.00	(28,817.83)	2,521,763.46
Vehicles	10,017,979.03	971,212.00	(240,400.84)	10,748,790.19
Total Capital Assets Being Depreciated	<u>245,133,955.12</u>	<u>5,142,022.19</u>	<u>(949,314.92)</u>	<u>249,326,662.39</u>
Less Accumulated Depreciation for:				
Infrastructure	(135,031,108.51)	(1,381,896.81)		(136,413,005.32)
Buildings	(18,882,544.68)	(1,401,024.73)		(20,283,569.41)
Improvements	(1,281,809.68)	(327,488.40)		(1,609,298.08)
Equipment and Furniture	(8,894,729.71)	(1,388,514.97)	513,894.85	(9,769,349.83)
Data Processing Equipment	(2,241,191.06)	(100,195.63)	28,089.88	(2,313,296.81)
Vehicles	(4,950,168.61)	(900,415.72)	200,156.77	(5,650,427.56)
Total Accumulated Depreciation	<u>(171,281,552.25)</u>	<u>(5,499,536.26)</u>	<u>742,141.50</u>	<u>(176,038,947.01)</u>
Total Capital Assets Being Depreciated, Net	<u>73,852,402.87</u>	<u>(357,514.07)</u>	<u>(207,173.42)</u>	<u>73,287,715.38</u>
Governmental Activities Capital Assets, Net	<u>\$ 79,182,094.80</u>	<u>\$ 986,218.27</u>	<u>\$(856,247.56)</u>	<u>\$ 79,312,065.51</u>
(*) Additions/Reclassifications and Deletions/Reclassifications include \$649,074.14 reclassified from Construction in Progress To Improvements.				

Notes to the Financial Statements
For the Year Ended September 30, 2012

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$1,612,888.11
Public Safety	1,253,631.45
Highways and Roads	2,633,016.70
Total Depreciation Expense – Governmental Activities	<u>\$5,499,536.26</u>

Note 7 – 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. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide allowance to a designated beneficiary after the member’s death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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.

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

B. Funding Policy

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, 2012 was 10.71 percent based on the actuarial valuation performed as of September 30, 2009.

C. Annual Pension Cost

For the year ended September 30, 2012, the Commission's annual pension cost of \$2,286,286.94 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, 2011, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2011 was 30 years.

Notes to the Financial Statements
For the Year Ended September 30, 2012

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
09/30/2012	\$2,286,287	100%	\$0
09/30/2011	\$2,328,366	100%	\$0
09/30/2010	\$2,217,911	100%	\$0

D. Funded Status and Funding Progress

As of September 30, 2011, the most recent actuarial valuation date, the plan was 59.0 percent funded. The actuarial accrued liability for benefits was \$78,821,925 and the actuarial value of assets was \$46,519,107, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,302,818. The covered payroll (annual payroll of active employees covered by the plan) was \$21,792,374, and the ratio of the UAAL to the covered payroll was 148.2 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 8 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Commission is self-insured with regard to other postemployment benefits. The Commission pays an agency to administer the plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2012. The Commission does not anticipate setting up a trust fund to fund its postemployment medical plan.

The Commission contributes 100% of the cost of current-year premiums for eligible retirees' medical insurance premiums for single coverage only (dependents are not included). For fiscal year 2012, the Commission contributed \$875,700 to cover approximately 205 participants. Plan members receiving benefits contribute 0% for single coverage costs.

Notes to the Financial Statements
For the Year Ended September 30, 2012

C. Annual OPEB Cost

For fiscal year ending September 30, 2012, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$4,050,876.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2012	\$4,050,876	21.62%	\$12,653,997
09/30/2011	\$4,050,876	21.62%	\$ 9,478,821
09/30/2010	\$3,901,541	17.92%	\$ 6,303,645

D. Funded Status and Funding Progress

The funding status of the plan as of October 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$38,066,822
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$38,066,822
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$21,752,099
UAAL as a Percentage of Covered Payroll	175.00%

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to the Financial Statements
For the Year Ended September 30, 2012

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term vitality in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial cost method used was the unit credit method. The actuarial assumptions included a four (4) percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of eight (8) percent initially, reduced by decrements to an ultimate rate of five (5) percent for 2016 and later years. It was assumed that 100 percent of future retirees would elect medical coverage. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty (30) years.

Note 9 – Construction and Other Significant Commitments

As of September 30, 2012, the Commission’s General Fund was obligated under the following significant construction contracts:

	Total Amount Paid	Total Contract Amount
Renovation of the Tuscaloosa County Courthouse, Phase III	\$3,275,045.13	\$3,416,346.62
Faucett Brothers Park Activity Center	\$6,938,648.90	\$9,867,800.00
PARA Tennis Facility	\$ 0.00	\$1,000,000.00

Note 10 – 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 Tuscaloosa 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, 2012, amounted to \$82,926.07.

Notes to the Financial Statements
For the Year Ended September 30, 2012

On September 1, 2000, the Commission entered into a Credit Guaranty Agreement to pay, in the event of default, all principal, interest and other debt service amounts on the Tuscaloosa County Park and Recreation Authority's (PARA) Revenue Bonds Series 2000. At September 30, 2012, the principal amount of \$2,093,618.33 in revenue bonds was outstanding. PARA is primarily responsible for repayment of interest and principal on these bonds.

The Commission is a defendant in various lawsuits. Uncertainty exists as to the number of plaintiffs and the size of any potential awards; therefore the potential liability to the Commission cannot be reasonably estimated.

Note 11 – Payables

On September 30, 2012, payables for the Commission's individual major funds and other governmental funds in the aggregate are as follows:

	Vendors	Intergovernmental	Employee Benefits	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$ 766,276.95	\$	\$11,562.01	\$ 777,838.96
Road and Bridge Fund	2,830,449.71			2,830,449.71
Reappraisal Fund	35,787.20	797,669.88		833,457.08
Other Governmental Funds	65,738.50			65,738.50
Total Governmental Activities	<u>\$3,698,252.36</u>	<u>\$797,669.88</u>	<u>\$11,562.01</u>	<u>\$4,507,484.25</u>

Note 12 – Long-Term Debt

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2012:

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Other Liabilities:</u>					
Estimated Liability for Compensated Absences	\$ 4,969,500.54	\$	\$(69,067.18)	\$ 4,900,433.36	\$152,758.71
Net Other Postemployment Benefit Obligation	9,478,821.00	3,175,176.00		12,653,997.00	
Total Other Liabilities	<u>14,448,321.54</u>	<u>3,175,176.00</u>	<u>(69,067.18)</u>	<u>17,554,430.36</u>	<u>152,758.71</u>
Total Governmental Activities Long-Term Liabilities	<u>\$14,448,321.54</u>	<u>\$3,175,176.00</u>	<u>\$(69,067.18)</u>	<u>\$17,554,430.36</u>	<u>\$152,758.71</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 13 – 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 is self-insured with regard to worker's compensation insurance, employees' health insurance, and general liability insurance coverages. The Commission purchases commercial insurance for its other risks of loss, including property, vehicle and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's Compensation Insurance – The Commission is self-insured with regard to worker's compensation coverage. The Commission retains the risk of loss of \$500,000 per occurrence, has a specific limit of indemnity of \$1,000,000 per occurrence, and also has an aggregate limit of indemnity of \$3,000,000 for the liability period. The Commission purchases insurance for claims in excess of the specific and aggregate limits. An estimate of the claims liability is reported in the General Fund. These liabilities are based on estimates utilizing historical loss experience and current trends on a case-by-case review, as determined by an actuarial valuation. A liability analysis is performed every 3 years and was last performed at September 30, 2012. The estimated liability for claims lost as of September 30, 2012 was \$479,862.00, and was based upon the actuarial valuation performed at September 30, 2012.

Employees' Health Insurance – The Commission is self-insured with regard to employee health insurance. The Commission pays an agency to administer the plan. The Commission pays the administrator \$350.00 per employee with single coverage and \$700.00 per employee with family coverage each month. The Administrator was paid a total of \$6,875,181.79 during the 2012 fiscal year. The Commission purchases a stop loss insurance policy for claims in excess of \$150,000 per individual up to \$2,000,000 per individual. The estimated liability for claims cost as of September 30, 2012 was \$117,128.01.

General Liability Insurance – The Commission is self-insured with regard to general liability insurance. The *Code of Alabama 1975*, Section 11-93-2, Limits the Commission's liability for recovery of damages to \$100,000.00 per individual per incident and \$300,000.00 in the aggregate per incident. The Commission purchases an employment practices insurance policy for claims in excess of \$100,000.00 per individual per incident. At September 30, 2012, in the General Fund the Commission had \$2,452,158.60 reserved for general liability.

Notes to the Financial Statements
For the Year Ended September 30, 2012

The schedule below presents the changes in claims liabilities for the past two years for the three types of self-insured activities: workers' compensation, employee health insurance and general liability.

	Workers' Compensation	
	2012	2011
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$648,291.00	\$648,291.00
Incurred Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Year	274,123.99	319,330.59
Total Insured Claims and Claim Adjustment Expense	<u>274,123.99</u>	<u>319,330.59</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	394,223.44	271,001.04
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	48,329.55	48,329.55
Total Payments	<u>442,552.99</u>	<u>319,330.59</u>
Total Unpaid Claim and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$479,862.00</u>	<u>\$648,291.00</u>

Note 14 – Interfund Transactions

Interfund Receivables/Payables

The interfund receivables and payables at September 30, 2012, were as follows:

	Interfund Payables				Total
	General Fund	Road and Bridge Fund	Reappraisal Fund	Other Governmental Funds	
Interfund Receivables:					
General Fund	\$	\$566,546.58	\$77,343.67	\$316,062.02	\$ 959,952.27
Road and Bridge Fund	165,682.95		10,911.50		176,594.45
Other Governmental Funds	141,563.75	154,845.98			296,409.73
Total	<u>\$307,246.70</u>	<u>\$721,392.56</u>	<u>\$88,255.17</u>	<u>\$316,062.02</u>	<u>\$1,432,956.45</u>

Notes to the Financial Statements
For the Year Ended September 30, 2012

Employees Health Insurance		General Liability		Totals	
2012	2011	2012	2011	2012	2011
\$ 138,538.36	\$ 193,617.21	\$	\$	\$ 786,829.36	\$ 841,908.21
6,875,181.79	6,591,740.06	9,196.59	25,891.10	7,158,502.37	6,936,961.75
6,875,181.79	6,591,740.06	9,196.59	25,891.10	7,158,502.37	6,936,961.75
6,758,053.78	6,453,201.70	9,196.59	25,891.10	7,161,473.81	6,750,093.84
138,538.36	193,617.21			186,867.91	241,946.76
6,896,592.14	6,646,818.91	9,196.59	25,891.10	7,348,341.72	6,992,040.60
\$ 117,128.01	\$ 138,538.36	\$	\$	\$ 596,990.01	\$ 786,829.36

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2012, were as follows:

	Transfers Out General Fund	Total
Transfers In:		
Road and Bridge Fund	\$ 6,801,909.00	\$ 6,801,909.00
Other Governmental Funds	6,119,487.50	6,119,487.50
Total	<u>\$12,921,396.50</u>	<u>\$12,921,396.50</u>

The Commission typically used transfers to fund ongoing operations.

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note 15 – Related Organizations

A majority of the members of the Board of the following organizations are appointed by the Tuscaloosa County Commission: Fosters/Ralph Water Authority; Sand Springs Water Authority; Buhl, Elrod, and Holman Water Authority; Carroll's Creek Water Authority; Coaling Water Authority; and Coker Water Authority. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for the organizations and the organizations are not considered part of the Commission's financial reporting entity. The 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, 2012***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 34,738,200.00	\$ 34,738,200.00	\$ 37,773,339.95
Licenses and Permits	630,000.00	630,000.00	690,600.49
Intergovernmental	6,595,000.00	6,595,000.00	5,564,686.92
Charges for Services	6,351,500.00	6,351,500.00	6,357,495.35
Miscellaneous	368,500.00	368,500.00	6,728,348.33
Total Revenues	<u>48,683,200.00</u>	<u>48,683,200.00</u>	<u>57,114,471.04</u>
<u>Expenditures</u>			
Current:			
General Government	12,351,782.00	12,351,782.00	20,683,135.19
Public Safety	22,007,669.00	22,007,669.00	22,891,532.97
Sanitation	342,714.00	342,714.00	427,088.93
Health	615,160.00	615,160.00	533,614.26
Welfare	189,000.00	189,000.00	173,135.87
Culture and Recreation	3,784,500.00	3,784,500.00	3,784,630.74
Education	187,924.00	187,924.00	180,406.54
Capital Outlay	3,702,542.00	3,702,542.00	1,558,638.52
Total Expenditures	<u>43,181,291.00</u>	<u>43,181,291.00</u>	<u>50,232,183.02</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,501,909.00</u>	<u>5,501,909.00</u>	<u>6,882,288.02</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	(5,501,909.00)	(7,001,909.00)	(12,921,396.50)
Proceeds from Sale of Capital Assets			13,015.00
Total Other Financing Sources (Uses)	<u>(5,501,909.00)</u>	<u>(7,001,909.00)</u>	<u>(12,908,381.50)</u>
Net Change in Fund Balances		(1,500,000.00)	(6,026,093.48)
Fund Balances - Beginning of Year	<u>57,156,771.04</u>	<u>57,156,771.04</u>	<u>58,713,160.28</u>
Fund Balances - End of Year	<u>\$ 57,156,771.04</u>	<u>\$ 55,656,771.04</u>	<u>\$ 52,687,066.80</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (21,846.22)	\$ 37,751,493.73
		690,600.49
		5,564,686.92
		6,357,495.35
(2)	2,766.07	6,731,114.40
	<u>(19,080.15)</u>	<u>57,095,390.89</u>
(3) (4)	16,495.84	20,699,631.03
(3)	24,274.09	22,915,807.06
(3)	1,599.86	428,688.79
(3)	92.04	533,706.30
		173,135.87
		3,784,630.74
		180,406.54
		1,558,638.52
	<u>42,461.83</u>	<u>50,274,644.85</u>
	<u>(61,541.98)</u>	<u>6,820,746.04</u>
		(12,921,396.50)
		13,015.00
		<u>(12,908,381.50)</u>
	(61,541.98)	(6,087,635.46)
(5)	<u>(1,556,389.24)</u>	<u>57,156,771.04</u>
	<u>\$ (1,617,931.22)</u>	<u>\$ 51,069,135.58</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2012***

Explanation of difference between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

- (1) The Commission budgets ad valorem taxes as received, rather than on the modified accrual basis (GAAP).
- (2) Some Revenues are combined with the General Fund for reporting purposes, but are budgeted separately.

Tax Assessor Special Revenue Fund	\$	0.18
Tax Collector Special Revenue Fund		2,765.89

- (3) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).
- (4) Some Expenditures are combined with the General Fund for reporting purposes, but are budgeted separately.

Tax Assessor Fund	\$	525.72
Tax Collector Fund		3,774.66

Net Decrease in Fund Balance - Budget to GAAP

- (5) The amount reported as fund balance on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's annual 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.

\$ (21,846.22)

2,766.07

(38,161.45)

(4,300.38)

\$ (61,541.98)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2012***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 8,100,000.00	\$ 8,100,000.00	\$ 8,307,160.03
Licenses and Permits	315,000.00	315,000.00	366,295.16
Intergovernmental	3,658,000.00	3,658,000.00	3,406,712.23
Charges for Service	15,000.00	15,000.00	6,152.21
Miscellaneous	95,200.00	95,200.00	103,111.89
Total Revenues	<u>12,183,200.00</u>	<u>12,183,200.00</u>	<u>12,189,431.52</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	18,101,176.00	19,601,176.00	21,581,651.32
Capital Outlay	2,614,033.00	2,614,033.00	914,928.00
Total Expenditures	<u>20,715,209.00</u>	<u>22,215,209.00</u>	<u>22,496,579.32</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,532,009.00)</u>	<u>(10,032,009.00)</u>	<u>(10,307,147.80)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	8,532,009.00	10,032,009.00	7,301,909.00
Total Other Financing Sources (Uses)	<u>8,532,009.00</u>	<u>10,032,009.00</u>	<u>7,301,909.00</u>
Net Change in Fund Balances			(3,005,238.80)
Fund Balances - Beginning of Year			<u>665,639.51</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (2,339,599.29)</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 69,344.93	\$ 8,376,504.96
		366,295.16
(2)	726,151.38	4,132,863.61
		6,152.21
(2)	496.74	103,608.63
	<u>795,993.05</u>	<u>12,985,424.57</u>
(3)	15,387.85	21,597,039.17
		914,928.00
	<u>15,387.85</u>	<u>22,511,967.17</u>
	<u>780,605.20</u>	<u>(9,526,542.60)</u>
(4)	<u>(500,000.00)</u>	6,801,909.00
	<u>(500,000.00)</u>	6,801,909.00
	280,605.20	(2,724,633.60)
(5)	<u>55,823.89</u>	721,463.40
	<u>\$ 336,429.09</u>	<u>\$ (2,003,170.20)</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2012***

Explanation of difference between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

(1) The Commission budgets ad valorem taxes as received, rather than on the modified accrual basis (GAAP).

(2) Some Revenues are combined with the Road and Bridge Fund for reporting purposes, but are budgeted separately.

Capital Improvement Fund	\$	726,648.12
--------------------------	----	------------

(3) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

(4) Some Revenues are combined with the Road and Bridge Fund for reporting purposes, but are budgeted separately.

Capital Improvement Fund	\$	(500,000.00)
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Net Increase in Fund Balance - Budget to GAAP

(5) The amount reported as fund balance on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's annual 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.

\$ 69,344.93

726,648.12

(15,387.85)

(500,000.00)

\$ 280,605.20

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2012***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 3,563,585.00	\$ 3,563,585.00	\$ 2,763,915.12
Miscellaneous			15,268.01
Total Revenues	<u>3,563,585.00</u>	<u>3,563,585.00</u>	<u>2,779,183.13</u>
<u>Expenditures</u>			
Current:			
General Government	3,319,085.00	3,319,085.00	2,702,560.27
Capital Outlay	244,500.00	244,500.00	76,424.00
Total Expenditures	<u>3,563,585.00</u>	<u>3,563,585.00</u>	<u>2,778,984.27</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>198.86</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets			665.00
Total Other Financing Sources (Uses)			<u>665.00</u>
Net Change in Fund Balances			863.86
Fund Balances - Beginning of Year			<u>69,611.14</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 70,475.00</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 2,763,915.12
		15,268.01
		<u>2,779,183.13</u>
(1)	863.86	2,703,424.13
		76,424.00
	<u>863.86</u>	<u>2,779,848.13</u>
	<u>(863.86)</u>	<u>(665.00)</u>
		665.00
		<u>665.00</u>
	(863.86)	
(2)	<u>(69,611.14)</u>	
	<u>\$ (70,475.00)</u>	<u>\$</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2012***

**Explanation of difference between Actual Amounts on Budgetary
Basis and Actual Amounts on GAAP Basis:**

- (1) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Decrease 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 annual 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.

\$ (863.86)

\$ (863.86)

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***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2012***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011 ²	\$46,519,107*	\$78,821,925	\$32,302,818	59.0%	\$21,792,374	148.2%
09/30/2010 ³	\$47,663,602	\$77,391,980	\$29,728,378	61.6%	\$21,012,462	141.5%
09/30/2009	\$48,321,079	\$72,405,807	\$24,084,728	66.70%	\$20,900,235	115.20%

* Market Value of Assets as of September 30, 2011: \$39,664,454.

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

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2012***

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]
10/01/2010	\$0	\$38,066,822	\$38,066,822	0%	\$21,752,099	175.00%
10/01/2008	\$0	\$35,496,982	\$35,496,982	0%	\$20,738,893	171.16%

Supplementary Information

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***Schedule of Revenues and Expenditures
Community Corrections Program
For the Year Ended September 30, 2012***

	Community Corrections Program
<hr/>	
<u>Revenues</u>	
Charges for Services - Community Correction Fees	\$ 1,282,282.67
Total	<u>1,282,282.67</u>
<u>Expenditures</u>	
Public Safety:	
Salaries and Benefits	689,767.54
State of Alabama Department of Corrections	366,270.00
Miscellaneous Services	80,102.43
Utilities	25,797.51
Office Supplies and Equipment	18,853.43
Miscellaneous	31,972.45
Total	<u>1,212,763.36</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 69,519.31</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Finance</u>		
Schools and Roads - Grants to States (Note 2)	10.665	N/A
Total U. S. Department of Agriculture		
<u>U. S. Department of Interior</u>		
<u>Direct Program</u>		
Payments in Lieu of Taxes	15.226	N/A
Total U. S. Department of Interior		
<u>U. S. Department of Justice</u>		
<u>Direct Programs</u>		
Public Safety Partnership and Community Policing Grants	16.710	N/A
Equitable Sharing Program (M)	16.922	N/A
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Violence Against Women Formula Grants	16.588	10-WF-LE-007
<u>Passed Through City of Tuscaloosa</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-DJ-BX-0420
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-BX-0515
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-DJ-BX-2814
Total Edward Byrne Memorial Justice Assistance Grant Program		
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2011 - 09/30/2012	\$	\$	\$ 18,410.97	\$ 18,410.97
			18,410.97	18,410.97
10/01/2011 - 09/30/2012			23,253.00	23,253.00
			23,253.00	23,253.00
09/01/2011 - 09/30/2014	645,716.00	645,716.00	46,057.50	46,057.50
10/01/2011 - 09/30/2012	687,401.21	687,401.21	687,401.21	687,401.21
10/01/2011 - 09/30/2012	80,000.01	60,000.00	50,769.24	50,769.24
06/30/2009 - 09/30/2012	49,199.00	49,199.00	604.36	604.36
08/01/2009 - 09/30/2012	45,023.00	45,023.00	45,023.00	45,023.00
08/01/2009 - 09/30/2012	33,340.00	16,895.96	16,895.96	16,895.96
	127,562.00	111,117.96	62,523.32	62,523.32
	1,540,679.22	1,504,235.17	846,751.27	846,751.27
	\$ 1,540,679.22	\$ 1,504,235.17	\$ 888,415.24	\$ 888,415.24

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Department of Homeland Security</u>		
Interoperable Emergency Communications Equipment	97.055	9PEQ
Interoperable Emergency Communications Equipment	97.055	9PG2
Total Interoperable Communications Equipment		
Homeland Security Grant Program	97.067	9ICL
Homeland Security Grant Program	97.067	9CCL
Homeland Security Grant Program	97.067	9LEL
Homeland Security Grant Program	97.067	9MAL
Homeland Security Grant Program	97.067	9SHL
Homeland Security Grant Program	97.067	0LEL
Total Homeland Security Grant Program		
<u>Passed Through Alabama Emergency Management Agency</u>		
Hazard Mitigation Grant (M)	97.039	N/A
Disaster Grants - Public Assistance	97.036	N/A
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Programs

N/A = Not Available or 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		
	\$ 1,540,679.22	\$ 1,504,235.17	\$ 888,415.24	\$ 888,415.24
06/01/2009 - 05/31/2012	8,255.10	8,255.10	8,255.10	8,255.10
06/01/2009 - 05/31/2013	15,702.00	15,702.00	14,133.45	14,133.45
	<u>23,957.10</u>	<u>23,957.10</u>	<u>22,388.55</u>	<u>22,388.55</u>
08/01/2009 - 07/31/2012	70,342.04	70,342.04	30,685.04	30,685.04
08/01/2009 - 07/31/2012	20,399.73	20,399.73	20,399.73	20,399.73
08/01/2009 - 07/31/2012	45,690.22	45,690.22	39,668.22	39,668.22
08/01/2009 - 07/31/2012	30,596.43	30,596.43	30,596.43	30,596.43
08/01/2009 - 07/31/2012	58,005.37	58,005.37	6,607.37	6,607.37
08/01/2010 - 07/31/2013	30,000.00	30,000.00	18,243.23	18,243.23
	<u>255,033.79</u>	<u>255,033.79</u>	<u>146,200.02</u>	<u>146,200.02</u>
10/01/2011 - 09/30/2012	239,449.67	239,449.67	239,449.67	239,449.67
10/01/2011 - 09/30/2012	292,000.50	292,000.50	292,000.50	292,000.50
	<u>810,441.06</u>	<u>810,441.06</u>	<u>700,038.74</u>	<u>700,038.74</u>
	<u>\$ 2,351,120.28</u>	<u>\$ 2,314,676.23</u>	<u>\$ 1,588,453.98</u>	<u>\$ 1,588,453.98</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2012***

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, the Tuscaloosa County Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads-Grants to States	10.665	<u>\$9,205.49</u>

Additional Information

Commission Members and Administrative Personnel
October 1, 2011 through September 30, 2012

Commission Members		Term Expires
Hon. W. Hardy McCollum	Chairman	2013
Hon. Reginald Murray	Member	2012
Hon. Bobby Miller	Member	2012
Hon. Gary Youngblood	Member	2012
Hon. Don Wallace	Member	2012
<u>Administrative Personnel</u>		
Mr. William Lamb	Chief Financial Officer	
Mr. Melvin Vines	County Administrator	

***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 Tuscaloosa County Commission (the "Commission") as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 12, 2013. 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

Management of the Commission is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the 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 purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting as item 2010-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***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 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***. We noted certain matters that we reported to management of the Commission in the Schedule of State and Local Compliance and Other Findings.

The Commission's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Tuscaloosa County Commission, the County Administrator, the Chief Financial Officer, others within the entity, 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

November 12, 2013

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Independent Auditor's Report

Compliance

We have audited the Tuscaloosa County Commission's (the "Commission") compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2012. The 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 Commission's management. Our responsibility is to express an opinion on the 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 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 Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Internal Control Over Compliance

Management of the 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 Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

This report is intended solely for the information and use of management, members of the Tuscaloosa County Commission, the County Administrator, the Chief Financial Officer, others within the entity, 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

November 12, 2013

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section I – Summary of Examiner's Results

Financial Statements

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant
16.922	Equitable Sharing 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, 2012

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2010-01	Internal Control	<p><u>Finding:</u> Management is responsible for designing and implementing internal controls to ensure that financial transactions are properly recorded and assets are safeguarded. The following internal control weaknesses were noted in the operation of the Tuscaloosa County Community Corrections Program:</p> <ul style="list-style-type: none"> ✓ There was a lack of segregation of duties. The court referral officer (CRO) at the Tuscaloosa Municipal Court collected and receipted funds, prepared and deposited funds, maintained defendant files and recorded court transactions in the accounting system. ✓ Reconciliations were not performed of daily MIDAS revenue reports to amounts deposited resulting in uncorrected errors, omissions and shortages. ✓ Daily printouts of fees recorded were not routinely printed and maintained for all CROs. ✓ Voided receipts were not made available for review. Also, the reasons for the voided receipts were not documented and there is no documented supervisory approval for the voids. <p><u>Recommendation:</u> The Tuscaloosa County Commission should implement adequate policies and procedures to ensure that financial transactions are properly recorded and assets are safeguarded.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

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

W. HARDY McCOLLUM
CHAIRMAN

MELVIN L. VINES
COUNTY ADMINISTRATOR

WILLIAM M. LAMB
CHIEF FINANCIAL OFFICER



MEMBERS
STAN ACKER
JERRY TINGLE
BOBBY MILLER
REGINALD MURRAY

COUNTY COMMISSION

TUSCALOOSA COUNTY ALABAMA
P.O. BOX 20113 • 714 GREENSBORO AVENUE
TUSCALOOSA, ALABAMA 35402-0113
205-349-3870

Corrective Action Plan *For the Year Ended September 30, 2012*

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315(c), the Tuscaloosa 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 period October 1, 2011 through September 30, 2012.

Finding

Ref.

No.

Corrective Action Plan Details

#2010-01

Finding:

Management is responsible for designing and implementing internal controls to ensure that financial transactions are properly recorded and assets are safeguarded.

The following internal control weaknesses were noted in the operation of the Tuscaloosa County Community Corrections Program:

- There was a lack of segregation of duties. The court referral officer (CRO) at the Tuscaloosa Municipal Court collected and receipted funds, prepared and deposited funds, maintained defendant files and recorded court transactions in the accounting system.
- Reconciliations were not performed of daily MIDAS revenue reports to amounts deposited resulting in uncorrected errors, omissions and shortages.
- Daily printouts of fees recorded were not routinely printed and maintained for all CROs.
- Voided receipts were not made available for review. Also, the reasons for the voided receipts were not documented and there is no documented supervisory approval for the voids.

Response:

Corrective action has been taken.

#2012-01 **Finding:** Individuals convicted of alcohol and drug related offenses may be referred to a court referral program for assessment, referral and treatment under the *Code of Alabama 1975*, Section 12-23-2. Assessment, monitoring and drug fees are established and regulated by the Administrative Office of Courts under the authority of the *Code of Alabama 1975*, Section 12-23-1 through 19. Additionally, participants must pay for assessment, monitoring and drug testing unless the Judge rules them to be indigent. Testing of the Tuscaloosa County Commission's Community Corrections Program revealed instances where Court Referral Officers deemed certain defendants to be indigent and waived fees without a judge's approval.

Response: Corrective action has been taken.

#2012-02 **Finding:** Deficit fund balances result when the Commission expends more funds than it has in available resources. The *Code of Alabama 1975*, Section 11-8-10, provides that a County Commission should issue no warrant unless funds are available for payment. The following fund had deficit fund balance at September 30, 2012.

Road and Bridge Fund	\$2,003,170.20
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Response: The County Commission will maintain expenditures within available revenues and other financial sources.

M. L. Vines 11-25-13
Melvin Vines, County Administrator Date