

Report on the

# Tuscaloosa County Commission

Tuscaloosa County, Alabama

October 1, 2008 through September 30, 2009

Filed: September 10, 2010



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Tuscaloosa County Commission for the period October 1, 2008 through September 30, 2009.

Sworn to and subscribed before me this  
the 30<sup>th</sup> day of August, 2010.

  
Notary Public

Respectfully submitted,



Roderick Edwards  
Examiner of Public Accounts

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<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Tuscaloosa County Commission (the "Commission") is 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 15. 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, 2009.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/employees 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; and County Commissioners: Hardy McCollum, 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; and William Lamb, Chief Financial Officer; Commissioners: Hardy McCollum, Reginald Murray, Bobby Miller, Gary Youngblood, and Don Wallace. Also in attendance was a representative of the Department of Examiners of Public Accounts: Roderick Edwards, Examiner.

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*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, 2009, 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.

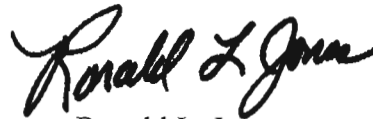
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscaloosa County Commission, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Tuscaloosa County Commission implemented the provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the fiscal year ended September 30, 2009. This represents a change in the Tuscaloosa County Commission's method of accounting for certain postemployment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2010 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.

The accompanying Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 10) and the Schedules of Funding Progress (Exhibits 11 and 12) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscaloosa County Commission's basic financial statements. The accompanying Schedule of Revenues and Expenditures – Community Corrections Program (Exhibit 13) as required by the Alabama Department of Corrections, and the Schedule of Expenditures of Federal Awards (Exhibit 14) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Revenues and Expenditures – Community Corrections Program and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

August 26, 2010

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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, 2009. 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**

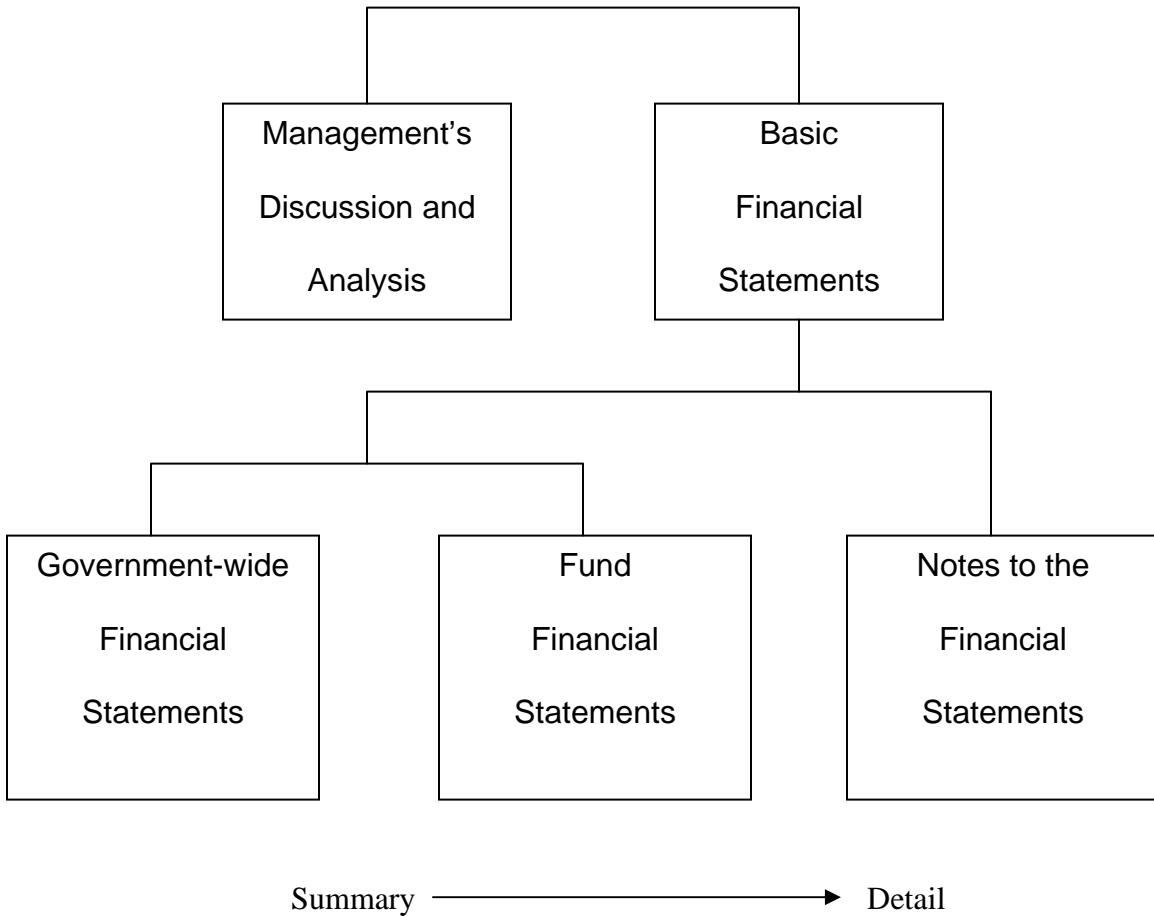
- The assets of the Tuscaloosa County Commission exceeded its liabilities at the close of the fiscal year by \$135,210,123.08 (*net assets*).
- As of the close of the current fiscal year, the Tuscaloosa County Commission's governmental funds reported combined ending fund balances of \$59,375,722.15.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$65,951,165.53.
- Tuscaloosa County Commission's total debt decreased by \$965,000.00 during the current fiscal year.
- Tuscaloosa County Commission maintained its AA+ (Standard & Poors-upgraded), Aa2 (Moody's) bond rating for the 8th 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 as shown on Exhibits 4 and 6.

**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 \$135,210,123.08 as of September 30, 2009.

For the year ending September 30, 2009, Tuscaloosa County’s net assets are presented in figure 2 as follows:

**Tuscaloosa County’s Net Assets  
Figure 2**

		<b>Governmental Activities</b>	
		<b>2009</b>	<b>2008</b>
	Current and other assets	\$87,435,398	\$87,640,187
	Capital assets, net	\$84,251,414	\$84,861,152
	<b>Total assets</b>	<b>\$171,686,812</b>	<b>\$172,501,339</b>
	Long-term liabilities outstanding	\$8,398,513	\$6,173,647
	Other liabilities	\$28,078,176	\$25,023,571
	<b>Total liabilities</b>	<b>\$36,476,689</b>	<b>\$31,197,218</b>
<b>Net assets:</b>			
	Invested in capital assets, net of related debt	\$83,381,414	\$83,026,152
	Restricted	\$7,110,675	\$8,201,387
	Unrestricted	\$44,718,034	\$50,076,582
	<b>Total net assets</b>	<b>\$ 135,210,123</b>	<b>\$ 141,304,121</b>

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**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
Program revenues:		
Charges for services	\$10,579,404	\$10,372,711
Operating grants and contributions	\$8,650,635	\$6,158,316
Capital grants and contributions	\$1,761,080	\$1,627,804
General revenues:		
Property taxes	\$22,582,812	\$21,052,377
Other taxes	\$19,884,373	\$22,540,404
Grants and contributions not restricted to specific programs	\$7,673,389	\$9,400,771
Other	\$7,600,332	\$9,289,711
Total revenues	<u>\$78,732,025</u>	<u>\$80,442,094</u>
Expenses:		
General government	\$31,827,635	\$22,448,676
Public safety	\$25,096,353	\$23,585,587
Highways and Roads	\$23,012,932	\$21,404,713
Sanitation	\$170,331	\$150,031
Health	\$519,020	\$615,577
Welfare	\$192,430	\$186,920
Culture and Recreation	\$3,768,643	\$4,096,724
Education	\$178,709	\$166,042
Miscellaneous	\$0	\$0
Interest on Long-Term Debt	\$59,971	\$177,842
Total expenses	<u>\$84,826,024</u>	<u>\$72,832,112</u>
Increase in net assets	(\$6,093,999)	\$7,609,982
Net assets, October 1	<u>\$141,304,122</u>	<u>\$133,694,140</u>
Net assets, September 30	<u><u>\$135,210,123</u></u>	<u><u>\$141,304,122</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.

### **Major Funds**

The general fund is the chief operating fund of Tuscaloosa County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$65,951,165.53, a decrease of \$838,915.27. Factors contributing to this decrease were that sale taxes were down by 12% and expenses were up by 16%.

The other major fund of the County is the Road and Bridge Fund. The Road and Bridge Fund's purpose is to account for revenues and expenditures earmarked for the building and maintenance of the County's roads and bridges.

At September 30, 2009, the governmental funds of Tuscaloosa County reported a combined fund balance of \$59,375,722.15.

### **Capital Asset and Debt Administration**

**Capital Assets-** Tuscaloosa County's capital assets for its governmental activities as of September 30, 2009, totals \$84,251,414 (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  
(net of depreciation)**

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Land	\$ 2,710,755	\$ 2,710,755
Buildings and improvements	\$39,018,826	\$37,418,826
Improvements other than buildings	\$590,806	\$590,806
Equipment and Furniture	\$16,375,182	\$15,815,015
Infrastructure	\$172,080,919	\$164,663,042
Infrastructure in Progress	\$0	\$4,593,112
Data Processing Equipmment	\$2,348,238	\$2,295,496
Vehicles and motorized equipment	\$9,187,734	\$8,858,097
Construction in progress	<u>\$0</u>	<u>\$5,967,447</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, 2009, Tuscaloosa County had total bonded debt outstanding of \$870,000.00 all of which is debt backed by the full faith and credit of the County.



Tuscaloosa County’s Long-term Debt is categorized in figure 5 as follows:

**Tuscaloosa County’s Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

Tuscaloosa County's Outstanding Debt  
General Obligation and Revenue Bonds

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 870,000	\$ 1,835,000
Obligation under funding agreements	\$0	\$0
Note payable		
<b>Total</b>	<b>\$ 870,000</b>	<b>\$ 1,835,000</b>

Tuscaloosa County’s bonded debt decreased by \$965,000.00 (53 percent) during the past fiscal year, primarily due to scheduled debt payments and early bond retirement.

As mentioned in the financial highlights section of this document, Tuscaloosa County maintained its Aa2 bond rating from Moody’s Investor Service and AA+ rating from Standard and Poor’s Corporation(an upgrade). This bond rating is a clear indication of the sound financial condition of Tuscaloosa County. This achievement is a primary factor in keeping interest costs low on the County’s outstanding debt.

The State of Alabama limits the amount of general obligation debt that a unit of government can issue to 5 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Tuscaloosa County is \$110,824,413.

Additional information regarding Tuscaloosa County’s long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

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

- The County has had more new jobs and capital invested this year than last.
- New manufacturing jobs announced totaled 1251.
- New private capital announced totaled \$312.61 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, 2009***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 54,284,133.66
Cash with Fiscal Agent	888,710.74
Investments	7,161,175.96
Receivables (Note 4)	3,507,542.40
Ad Valorem Taxes Receivable	21,511,237.30
Inventories	82,597.68
Capital Assets (Note 6):	
Nondepreciable	2,710,755.00
Depreciable, Net	81,540,659.00
Total Assets	<u>171,686,811.74</u>
<b><u>Liabilities</u></b>	
Payable (Note 10)	3,968,570.11
Deferred Revenue	22,612,286.92
Accrued Wages Payable	707,340.77
Health Claims Payable	123,186.79
Worker's Compensation Claims Payable	648,291.00
Accrued Interest Payable	18,500.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	870,000.00
Compensated Absences	258,079.66
Portion Due or Payable After One Year:	
Compensated Absences	4,168,992.41
Net Other Postemployment Benefit Obligation	3,101,441.00
Total Liabilities	<u>36,476,688.66</u>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	83,381,414.00
Restricted for:	
Debt Service	870,210.74
Other Purposes	6,240,464.62
Unrestricted	<u>44,718,033.72</u>
Total Net Assets	<u>\$ 135,210,123.08</u>

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

**Statement of Activities**  
**For the Year Ended September 30, 2009**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General Government	\$ 31,827,634.74	\$ 5,341,705.11	\$ 529,133.53
Public Safety	25,096,352.96	5,209,500.85	2,281,153.69
Highways and Roads	23,012,931.84	6,122.93	5,438,884.61
Sanitation	170,331.49	22,075.20	
Health	519,020.76		401,463.86
Welfare	192,430.35		
Culture and Recreation	3,768,643.10		
Education	178,708.99		
Interest on Long-Term Debt	59,971.00		
Total Governmental Activities	<u>\$ 84,826,025.23</u>	<u>\$ 10,579,404.09</u>	<u>\$ 8,650,635.69</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.

		<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Capital Grants and Contributions</b>		<b>Total Governmental Activities</b>	
\$	166,854.55	\$	(25,789,941.55)
			(17,605,698.42)
	1,594,225.89		(15,973,698.41)
			(148,256.29)
			(117,556.90)
			(192,430.35)
			(3,768,643.10)
			(178,708.99)
			(59,971.00)
<u>\$</u>	<u>1,761,080.44</u>		<u>(63,834,905.01)</u>

13,139,135.90
9,443,676.54
16,117,896.41
748,227.94
3,018,248.48
7,673,388.83
1,261,267.16
6,339,064.80
<u>57,740,906.06</u>
(6,093,998.95)
<u>141,304,122.03</u>
<u>\$ 135,210,123.08</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2009***

	<b>General Fund</b>	<b>Road and Bridge Fund</b>
<b><u>Assets</u></b>		
Cash	\$ 49,209,495.98	\$ 502,563.14
Cash with Fiscal Agent		
Investments	7,161,175.96	
Receivable (Note 4)	3,055,634.39	268,036.21
Ad Valorem Taxes Receivable	12,267,488.13	6,008,604.17
Due From Other Funds	10,325,237.87	3,969,193.91
Inventories		82,597.68
Total Assets	<u>82,019,032.33</u>	<u>10,830,995.11</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 10)	602,198.10	2,783,067.54
Due To Other Funds	1,220,672.58	9,999,599.28
Deferred Revenue	12,970,403.48	6,360,059.13
Accrued Wages Payable	503,114.85	163,206.54
Health Claims Payable	123,186.79	
Worker's Compensation Claims Payable	648,291.00	
Total Liabilities	<u>16,067,866.80</u>	<u>19,305,932.49</u>
<b><u>Fund Balances</u></b>		
Reserved for:		
Self Insurance	8,205,594.82	
Debt Service		
Inventory		82,597.68
Unreserved, Reported in:		
General Fund	57,745,570.71	
Special Revenue Funds		(8,557,535.06)
Total Fund Balances	<u>65,951,165.53</u>	<u>(8,474,937.38)</u>
Total Liabilities and Fund Balances	<u>\$ 82,019,032.33</u>	<u>\$ 10,830,995.11</u>

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



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,572,074.54	\$ 54,284,133.66
888,710.74	888,710.74
	7,161,175.96
183,871.80	3,507,542.40
3,235,145.00	21,511,237.30
	14,294,431.78
	82,597.68
<u>8,879,802.08</u>	<u>101,729,829.52</u>
583,304.47	3,968,570.11
3,074,159.92	14,294,431.78
3,281,824.31	22,612,286.92
41,019.38	707,340.77
	123,186.79
	648,291.00
<u>6,980,308.08</u>	<u>42,354,107.37</u>
	8,205,594.82
888,710.74	888,710.74
	82,597.68
	57,745,570.71
1,010,783.26	(7,546,751.80)
<u>1,899,494.00</u>	<u>59,375,722.15</u>
<u>\$ 8,879,802.08</u>	<u>\$ 101,729,829.52</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 59,375,722.15

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

Capital assets used in governmental activities are not financial resources and therefore  
are not reported as assets in governmental funds (Note 6). 84,251,414.00

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	
Warrants Payable	\$ 870,000.00	\$	
Accrued Interest Payable	18,500.00		
Compensated Absences	258,079.66	4,168,992.41	
Net OPEB Obligation		3,101,441.00	
Total Liabilities	\$ 1,146,579.66	\$ 7,270,433.41	(8,417,013.07)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 135,210,123.08

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

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2009***

	<b>General Fund</b>	<b>Road and Bridge Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 32,580,175.63	\$ 7,180,832.96
Licenses and Permits	534,597.30	320,196.57
Intergovernmental	11,591,223.11	3,960,232.35
Charges for Services	5,399,771.17	
Miscellaneous	7,342,878.58	63,219.59
Total Revenues	<u>57,448,645.79</u>	<u>11,524,481.47</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	24,334,042.18	
Public Safety	20,824,641.20	
Highways and Roads		19,607,930.02
Sanitation	170,331.49	
Health	519,020.76	
Welfare	192,430.35	
Culture and Recreation	3,768,643.10	
Education	178,708.99	
Capital Outlay	1,286,628.00	3,404,065.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>51,274,446.07</u>	<u>23,011,995.02</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,174,199.72</u>	<u>(11,487,513.55)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In		8,544,894.00
Sale of Capital Assets	58,706.50	
Transfers Out	(7,071,821.49)	
Total Other Financing Sources (Uses)	<u>(7,013,114.99)</u>	<u>8,544,894.00</u>
Net Change in Fund Balances	(838,915.27)	(2,942,619.55)
Fund Balances - Beginning of Year	<u>66,790,080.80</u>	<u>(5,532,317.83)</u>
Fund Balances - End of Year	<u>\$ 65,951,165.53</u>	<u>\$ (8,474,937.38)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,706,176.68	\$ 42,467,185.27
268,663.67	1,123,457.54
4,920,825.46	20,472,280.92
1,825,824.42	7,225,595.59
37,408.79	7,443,506.96
<u>9,758,899.02</u>	<u>78,732,026.28</u>
4,969,036.03	29,303,078.21
1,631,839.92	22,456,481.12
	19,607,930.02
	170,331.49
	519,020.76
	192,430.35
	3,768,643.10
	178,708.99
158,309.00	4,849,002.00
965,000.00	965,000.00
59,971.00	59,971.00
<u>7,784,155.95</u>	<u>82,070,597.04</u>
<u>1,974,743.07</u>	<u>(3,338,570.76)</u>
1,406,927.49	9,951,821.49
	58,706.50
<u>(2,880,000.00)</u>	<u>(9,951,821.49)</u>
<u>(1,473,072.51)</u>	<u>58,706.50</u>
501,670.56	(3,279,864.26)
<u>1,397,823.44</u>	<u>62,655,586.41</u>
<u>\$ 1,899,494.00</u>	<u>\$ 59,375,722.15</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2009***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (3,279,864.26)

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 are exceeded by depreciation expense.

Capital Outlays	\$ 4,849,002.00	
Depreciation Expense	<u>(5,265,791.00)</u>	(416,789.00)

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	\$ (58,706.50)	
Gain (Loss) on the Sale of Capital Assets	<u>(134,243.42)</u>	(192,949.92)
Book Value of Assets Sold		

The Net OPEB Obligation is not reported in the governmental funds; however, the amount is reported as an expenditure in the Statement of Activities. (3,101,441.00)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 965,000.00

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

Net (Increase) Decrease in Compensated Absences	\$ (88,424.77)	
Net (Increase) Decrease in Accrued Interest Payable	<u>20,470.00</u>	(67,954.77)
Total Additional Expenditures		

Change in Net Assets of Governmental Activities (Exhibit 2) \$ (6,093,998.95)

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

***Statement of Fiduciary Net Assets***  
***September 30, 2009***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 4,875,429.23	\$ 1,376,679.35
Investments		200,000.00
Total Assets	<u>4,875,429.23</u>	<u>1,576,679.35</u>
<b><u>Liabilities</u></b>		
Payable to External Parties	685,761.35	1,576,679.35
Total Liabilities	<u>685,761.35</u>	<u>\$ 1,576,679.35</u>
<b><u>Net Assets</u></b>		
Held in Trust for Other Purposes	<u>\$ 4,189,667.88</u>	

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

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

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Charges for Services	\$ 373,500.15
Interest	2,838.05
Fiduciary Fund Receipts	<u>2,056,747.22</u>
Total Additions	<u>2,433,085.42</u>
<b><u>Deductions</u></b>	
General Government	431,633.65
Fiduciary Fund Disbursement	<u>1,513,284.92</u>
Total Deductions	<u>1,944,918.57</u>
Changes in Net Assets	488,166.85
Net Assets - Beginning of Year	<u>3,701,501.03</u>
Net Assets - End of Year	<u><u>\$ 4,189,667.88</u></u>

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **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**

Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization’s governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have the authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify that budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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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.

#### **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 funds are aggregated and reported as nonmajor (other governmental) funds.

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 driver's license revenue. This fund also accounts for the County's Road and Bridge ad valorem tax. These revenues are expended for building and maintaining public buildings, roads and bridges.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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- ◆ **Debt Service Funds** – These funds are used to account for the accumulation of resources for and the payment of, the Commission’s principal and interest on governmental bonds.

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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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 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.

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

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

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**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, which include property, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable governmental activities column 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 Commission began retroactively reporting its major general infrastructure assets (assets that were acquired between October 1, 1980 to September 30, 2002, or that received major renovations, restorations or improvements during that period) as of the fiscal year ending September 30, 2003.

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **5. Long-Term Obligations**

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

#### **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 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, 2009 is reported in the governmental activities.

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

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

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments or outside parties.
- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

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

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

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

**A. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Public Buildings, Road and Bridges Fund with the exception of for certain ad valorem taxes, sales and use taxes, beer taxes and various fees and commissions that are budgeted as received rather than on the modified accrual basis and for salaries and benefits that are budgeted as paid rather than on the modified accrual basis. All annual appropriations lapse at fiscal year-end.

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

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

**B. Deficit Fund Balances/Net Assets of Individual Funds**

At September 30, 2009, the following governmental fund had a deficit fund balance:

Road and Bridge Fund	<u>\$8,474,937.38</u>
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The deficit in the Road and Bridge Fund is primarily a result of interfund loans due to the General Fund that have not been repaid.

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

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**Note 3 – Deposits, Investments and Cash with Fiscal Agents**

**A. 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 Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. 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.

**B. Cash with Fiscal Agent**

The Commission has deposits totaling \$888,710.74 in the debt service funds (Other Governmental Funds) which is shown as cash with fiscal agent on the fund financial statements and on the government-wide financial statements. These deposits are managed by Regions Bank, and are primarily invested in the Federated U. S. Treasury Cash Reserve Money Market Fund. The Federated U. S. Treasury Cash Reserve Money Market Fund invests only in short-term U. S. Treasury securities having a dollar-weighted average portfolio maturity of 90 days or less. At September 30, 2009, the Commission's investments in these securities were rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service, Inc.



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

**Note 4 – Receivables**

On September 30, 2009, receivables for the Commission’s major and non-major funds are as follows:

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
<u>Receivables:</u>				
Sales Taxes	\$1,157,498.25	\$	\$	\$1,157,498.25
Tobacco Tax	71,633.41			71,633.41
One Cent Gas Tax		67,125.31		67,125.31
Intergovernmental	1,826,502.73	200,910.90	183,871.80	2,211,285.43
Total Receivables	\$3,055,634.39	\$268,036.21	\$183,871.80	\$3,507,542.40

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

	Unavailable	Unearned
Ad Valorem Taxes – Property	\$21,511,237.30	\$
Motor Vehicle Ad Valorem Taxes		1,054,370.31
Federal Forfeiture Funds		46,679.31
Total Deferred/Unearned Revenue for Governmental Funds	\$21,511,237.30	\$1,101,049.62

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

**Note 6 – Capital Assets**

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

	Balance 10/01/2008	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2009
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 2,710,755.00	\$	\$	\$ 2,710,755.00
Construction in Progress	5,967,447.00	394,266.00	(6,361,713.00)	
Infrastructure in Progress	4,593,112.00	2,824,766.00	(7,417,878.00)	
Total Capital Assets, Not Being Depreciated	<u>13,271,314.00</u>	<u>3,219,032.00</u>	<u>(13,779,591.00)</u>	<u>2,710,755.00</u>
<b>Capital Assets, Being Depreciated:</b>				
Infrastructure	164,663,042.00	7,417,878.00		172,080,920.00
Buildings	37,418,826.00	1,600,000.00		39,018,826.00
Improvements	590,806.00	4,411,441.00		5,002,247.00
Equipment and Furniture	15,815,015.00	801,366.00	(241,199.00)	16,375,182.00
Data Processing Equipment	2,295,496.00	115,879.00	(63,137.00)	2,348,238.00
Vehicles	8,858,097.00	1,062,997.00	(733,359.00)	9,187,735.00
Total Capital Assets, Being Depreciated	<u>229,641,282.00</u>	<u>15,409,561.00</u>	<u>(1,037,695.00)</u>	<u>244,013,148.00</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(131,034,721.00)	(1,282,369.00)		(132,317,090.00)
Buildings	(14,695,235.00)	(1,385,260.00)		(16,080,495.00)
Improvements	(490,407.00)	(169,949.00)		(660,356.00)
Equipment and Furniture	(6,104,723.00)	(1,550,897.00)	195,255.00	(7,460,365.00)
Data Processing Equipment	(2,113,697.00)	(68,395.00)	63,134.00	(2,118,958.00)
Vehicles	(3,612,661.00)	(808,921.00)	586,357.00	(3,835,225.00)
Total Accumulated Depreciation	<u>(158,051,444.00)</u>	<u>(5,265,791.00)</u>	<u>844,746.00</u>	<u>(162,472,489.00)</u>
Total Capital Assets, Being Depreciated, Net	<u>71,589,838.00</u>	<u>10,143,770.00</u>	<u>(192,949.00)</u>	<u>81,540,659.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,861,152.00</u>	<u>\$13,362,802.00</u>	<u>\$(13,972,540.00)</u>	<u>\$ 84,251,414.00</u>
(*) Additions/Reclassifications and Retirements/Reclassifications include reclassifications in the amount of \$13,779,591.00				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$1,446,511.00
Public Safety	1,167,039.00
Highway and Roads	2,652,241.00
Total Depreciation Expense – Governmental Activities	<u>\$5,265,791.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### 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. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

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

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**B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2009 was 10.96 percent based on the actuarial valuation performed as of September 30, 2006.

**C. Annual Pension Cost**

For the year ended September 30, 2009, the Commission's annual pension cost of \$2,273,085.38 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2008 were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2008 was 20 years.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2009	\$2,273,085	100%	\$0
09/30/2008	\$2,153,724	100%	\$0
09/30/2007	\$1,959,644	100%	\$0

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

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**D. Funded Status and Funding Progress**

As of September 30, 2008, the most recent actuarial valuation date, the plan was 71.3 percent funded. The actuarial accrued liability for benefits was \$68,138,339 and the actuarial value of assets was \$48,569,220, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,569,119. The covered payroll (annual payroll of active employees covered by the plan) was \$19,979,843, and the ratio of the UAAL to the covered payroll was 97.9 percent.

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

**Note 8 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

The Tuscaloosa County Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Insurance Board. The plan provides medical insurance benefits to eligible retirees and their spouses. The *Code of Alabama 1975*, Section 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. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

**B. Funding Policy**

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2009. The Commission does not anticipate at this time setting up a trust fund to fund its postemployment medical plans.

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 the fiscal year ending September 30, 2009, the Commission contributed \$800,100 to cover approximately 150 participants. Plan members receiving benefits contribute 0% for single coverage costs.

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

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**C. Annual OPEB Cost**

For the fiscal year ending September 30, 2009, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$3,901,541. 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, 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2009	\$3,901,541	20.51%	\$3,101,441

**D. Funding Status and Funding Progress**

The funding status of the plan as of October 1, 2008, the first and most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$35,496,982
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$35,496,982
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$20,738,893
UAAL as a Percentage of Covered Payroll	171.16%

Actuarial valuations of an ongoing plan involve estimates of the value of 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.

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

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**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 volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the 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 after ten 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 – 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, 2009, amounted to \$64,545.18.

On September 1, 2000, the Commission entered into a Credit Guaranty Agreement with AmSouth Bank to Guarantee (in the event of default) all necessary funds to pay principal, interest and other debt service amounts on the Tuscaloosa County Park and Recreation Authority's Revenue Bonds Series 2000, \$3,000,000.00 aggregate principal amount revenue bonds. At September 30, 2009, the principal amount of \$2,485,000.00 in revenue bonds was outstanding. The Tuscaloosa County Park and Recreation Authority is primarily responsible for repayment of interest and principal on these bonds.

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

**Note 10 – Payables**

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

	Vendors	Intergovernmental	Employee Benefits	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$ 577,325.26	\$ 12,825.00	\$12,047.84	\$ 602,198.10
Road and Bridge Fund	1,978,459.73	804,607.81		2,783,067.54
Other Governmental Funds	54,336.15	528,968.32		583,304.47
Total – Governmental Activities	<u>\$2,610,121.14</u>	<u>\$1,346,401.13</u>	<u>\$12,047.84</u>	<u>\$3,968,570.11</u>

**Note 11 – Long-Term Debt**

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

	Debt Outstanding 10/01/2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2009	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
General Obligation					
Refunding Warrants	\$1,835,000.00	\$	\$(965,000.00)	\$ 870,000.00	\$ 870,000.00
Total Warrants Payable	<u>1,835,000.00</u>		<u>(965,000.00)</u>	<u>870,000.00</u>	<u>870,000.00</u>
<b>Other Liabilities:</b>					
Estimated Liability for Compensated Absences	4,338,647.30	88,424.77		4,427,072.07	258,079.66
Net Other Postemployment Benefit Obligation		3,101,441.00		3,101,441.00	
Total Other Liabilities	<u>4,338,647.30</u>	<u>3,189,865.77</u>		<u>7,528,513.07</u>	<u>258,079.66</u>
Total Governmental Activities Long-Term Liabilities	<u>\$6,173,647.30</u>	<u>\$3,189,865.77</u>	<u>\$(965,000.00)</u>	<u>\$8,398,513.07</u>	<u>\$1,128,079.66</u>

**2002 General Obligation Refunding Warrants**

The 2002 General Obligation Refunding Warrants were issued to retire the 1996 General Obligation Warrants. The 2002 General Obligation Warrants will be paid from the Debt Service Fund.



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

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

Fiscal Year Ending	2002 General Obligation Refunding Warrants		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2010	\$870,000.00	\$18,705.00	\$888,705.00
Total	\$870,000.00	\$18,705.00	\$888,705.00

**Prior Year Defeasance of Debt**

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2009, the total of \$990,000.00 of warrants outstanding is considered defeased.

**Note 12 – Risk Management**

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

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

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

**Workers' Compensation** – The Commission is self-insured with regard to worker's compensation coverage. The Commission retains the risk of loss of \$500,000.00 per occurrence, has a specific limit of indemnity of \$1,000,000.00 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, 2009. The estimated liability for claims cost as of September 30, 2009 was \$648,291.00, and was based upon the actuarial valuation performed at September 30, 2009.

**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 \$6,264,972.99 during the 2009 fiscal year. The estimated liability for claims cost as September 30, 2009 was \$123,186.79.

**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. At September 30, 2009, in the General Fund the Commission had \$2,232,779.86 reserved for general liability.

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.

	Worker's Compensation	
	2009	2008
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$623,914.00	\$623,914.00
Incurring Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Year	96,375.25	219,482.20
Total Insured Claims and Claim Adjustment Expense	<u>96,375.25</u>	<u>219,482.20</u>
<b>Payments:</b>		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	56,644.07	214,146.70
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	15,354.18	5,335.50
Total Payments	<u>71,998.25</u>	<u>219,482.20</u>
Total Unpaid Claim and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$648,291.00</u>	<u>\$623,914.00</u>

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

Employees Health Insurance		General Liability		Totals	
2009	2008	2009	2008	2009	2008
\$ 127,395.70	\$ 94,087.02	\$	\$	\$ 751,309.70	\$ 718,001.02
6,264,972.99	5,836,951.07	1,839.56	70,443.81	6,363,187.80	6,126,877.08
6,264,972.99	5,836,951.07	1,839.56	70,443.81	6,363,187.80	6,126,877.08
6,141,786.20	5,709,555.37	1,839.56	70,443.81	6,200,269.83	5,994,145.88
127,395.70	94,087.02			142,749.88	99,422.52
6,269,181.90	5,803,642.39	1,839.56	70,443.81	6,343,019.71	6,093,568.40
\$ 123,186.79	\$ 127,395.70	\$	\$	\$ 771,477.79	\$ 751,309.70

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

**Note 13 – Interfund Transactions**

**Due To/From Other Funds**

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

	Due To Other Funds			Total
	General Fund	Road and Bridge Fund	Other Governmental Funds	
<b><u>Due From Other Funds:</u></b>				
General Fund	\$	\$9,999,599.28	\$ 325,638.59	\$10,325,237.87
Road and Bridge Fund	1,220,672.58		2,748,521.33	3,969,193.91
Total	<u>\$1,220,672.58</u>	<u>\$9,999,599.28</u>	<u>\$3,074,159.92</u>	<u>\$14,294,431.78</u>

**Interfund Transfers**

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

	Transfers Out		Total
	General Fund	Other Governmental Funds	
<b><u>Transfers In:</u></b>			
Road and Bridge Fund	\$5,664,894.00	\$2,880,000.00	\$8,544,894.00
Other Governmental Funds	1,406,927.49		1,406,927.49
Total	<u>\$7,071,821.49</u>	<u>\$2,880,000.00</u>	<u>\$9,951,821.49</u>

The Commission typically used transfers to fund ongoing operations and to service current year debt service requirements.

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

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**Note 14 – 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.

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*Required Supplementary Information*

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Taxes	\$ 34,933,900.00	\$ 34,933,900.00	\$ 32,807,380.97
Licenses and Permits	580,000.00	580,000.00	534,597.30
Intergovernmental	9,627,000.00	9,627,000.00	11,591,223.11
Charges for Services	5,041,600.00	5,041,600.00	5,399,771.17
Miscellaneous	1,397,000.00	1,397,000.00	7,342,878.58
Total Revenues	<u>51,579,500.00</u>	<u>51,579,500.00</u>	<u>57,675,851.13</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	12,549,528.00	12,549,528.00	24,328,930.97
Public Safety	21,882,119.00	21,882,119.00	20,804,971.93
Sanitation	192,060.00	192,060.00	170,331.49
Health	535,160.00	535,160.00	519,020.76
Welfare	189,000.00	189,000.00	192,430.35
Culture and Recreation	3,771,845.00	3,771,845.00	3,768,643.10
Education	187,924.00	187,924.00	178,708.99
Capital Outlay	5,194,560.00	5,194,560.00	1,286,628.00
Total Expenditures	<u>44,502,196.00</u>	<u>44,502,196.00</u>	<u>51,249,665.59</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,077,304.00</u>	<u>7,077,304.00</u>	<u>6,426,185.54</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from Sale of Capital Assets			58,706.50
Transfers Out	<u>(7,077,304.00)</u>	<u>(7,077,304.00)</u>	<u>(7,071,821.49)</u>
Total Other Financing Sources (Uses)	<u>(7,077,304.00)</u>	<u>(7,077,304.00)</u>	<u>(7,013,114.99)</u>
Net Change in Fund Balances			(586,929.45)
Fund Balances - Beginning of Year	<u>63,491,038.82</u>	<u>63,491,038.82</u>	<u>66,394,455.07</u>
Fund Balances - End of Year	<u>\$ 63,491,038.82</u>	<u>\$ 63,491,038.82</u>	<u>\$ 65,807,525.62</u>



	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ (227,205.34)	\$ 32,580,175.63
		534,597.30
		11,591,223.11
		5,399,771.17
		7,342,878.58
	<u>(227,205.34)</u>	<u>57,448,645.79</u>
(2)	(5,111.21)	24,334,042.18
(2)	(19,669.27)	20,824,641.20
		170,331.49
		519,020.76
		192,430.35
		3,768,643.10
		178,708.99
		1,286,628.00
	<u>(24,780.48)</u>	<u>51,274,446.07</u>
	<u>(251,985.82)</u>	<u>6,174,199.72</u>
		58,706.50
		<u>(7,071,821.49)</u>
		<u>(7,013,114.99)</u>
	(251,985.82)	(838,915.27)
(3)	<u>395,625.73</u>	<u>66,790,080.80</u>
	<u>\$ 143,639.91</u>	<u>\$ 65,951,165.53</u>

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

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

The Commission budgets sales and use taxes as received, rather than on the modified accrual basis (GAAP).

Sub-Total Taxes

- (2) 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

- (3) 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.

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\$ 8,786.10

(235,991.44)

(227,205.34)

(24,780.48)

\$ (251,985.82)

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b><u>Revenues</u></b>			
Taxes	\$ 7,015,000.00	\$ 7,015,000.00	\$ 7,243,199.05
Licenses and Permits	752,000.00	752,000.00	320,196.57
Intergovernmental	2,793,000.00	2,793,000.00	3,960,232.35
Miscellaneous	560,150.00	560,150.00	63,219.59
Total Revenues	<u>11,120,150.00</u>	<u>11,120,150.00</u>	<u>11,586,847.56</u>
<b><u>Expenditures</u></b>			
Current:			
Highways and Roads	16,515,680.00	16,515,680.00	19,617,408.12
Capital Outlay	1,149,364.00	1,149,364.00	3,404,065.00
Total Expenditures	<u>17,665,044.00</u>	<u>17,665,044.00</u>	<u>23,021,473.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,544,894.00)</u>	<u>(6,544,894.00)</u>	<u>(11,434,625.56)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	6,544,894.00	6,544,894.00	8,544,894.00
Total Other Financing Sources (Uses)	<u>6,544,894.00</u>	<u>6,544,894.00</u>	<u>8,544,894.00</u>
Net Change in Fund Balances			(2,889,731.56)
Fund Balances - Beginning of Year			<u>(5,099,503.95)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (7,989,235.51)</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ (62,366.09)	\$ 7,180,832.96
		320,196.57
		3,960,232.35
		63,219.59
	<u>(62,366.09)</u>	<u>11,524,481.47</u>
(2)	9,478.10	19,607,930.02
		3,404,065.00
	<u>9,478.10</u>	<u>23,011,995.02</u>
	<u>(52,887.99)</u>	<u>(11,487,513.55)</u>
		8,544,894.00
		<u>8,544,894.00</u>
	(52,887.99)	(2,942,619.55)
(3)	<u>(432,813.88)</u>	<u>(5,532,317.83)</u>
	<u>\$ (485,701.87)</u>	<u>\$ (8,474,937.38)</u>

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

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

The Commission budgets one cent gasoline taxes as received, rather than on the modified accrual basis (GAAP).

Sub-Total Taxes

- (2) 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

- (3) 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.

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\$ 4,759.22

(67,125.31)

(62,366.09)

9,478.10

\$ (52,887.99)

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***Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2009***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2008	\$48,569,220	\$68,138,339	\$19,569,119	71.30%	\$19,979,843	97.90%
09/30/2007	\$47,722,194	\$64,251,412	\$16,529,218	74.30%	\$18,864,882	87.60%
09/30/2006**	\$44,904,988	\$60,947,856	\$16,042,868	73.70%	\$17,590,788	91.20%

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

\*\*Reflects changes in actuarial assumptions.

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2009***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/2008	\$35,496,982	\$0	\$35,496,982	0%	\$20,738,893	171.16%

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*Supplementary Information*

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***Schedule of Revenues and Expenditures  
Community Corrections Program  
For the Year Ended September 30, 2009***

	<b>Community Corrections Program</b>
<b><u>Revenues</u></b>	
Charges for Services - Community Correction Fees	\$ 879,090.15
Local Contributions - Tuscaloosa County Commission	286,770.85
Total	<u>1,165,861.00</u>
<b><u>Expenditures</u></b>	
Public Safety:	
Salaries and Benefits	681,256.98
State of Alabama Department of Corrections	257,920.00
Miscellaneous Services	134,061.00
Utilities	21,007.45
Office Supplies and Equipment	16,069.06
Miscellaneous	55,546.51
Total	<u>\$ 1,165,861.00</u>

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
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**U. S. Department of Agriculture**

**Passed Through Alabama Department of Finance**

Schools and Roads - Grants to States	10.665	N/A
Total U. S. Department of Agriculture		

**U. S. Department of Interior**

**Direct Program**

Payments in Lieu of Taxes	15.226	
Total U. S. Department of Interior		

**U. S. Department of Justice**

**Direct Programs**

Bulletproof Vest Partnership Program	16.607	
Public Safety Partnership and Community Policing Grants	16.710	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	

**Passed Through Alabama Department of  
Economic and Community Affairs**

Violence Against Women Formula Grants	16.588	07-WF-LE-010
Total U. S. Department of Justice		

**U. S. Department of Homeland Security**

**Passed Through Alabama Department of Homeland Security**

Homeland Security Grant Program	97.067	7CCL
Homeland Security Grant Program	97.067	7ESR
Homeland Security Grant Program	97.067	7ICS
Homeland Security Grant Program	97.067	6SCC
Homeland Security Grant Program	97.067	7MAL
Homeland Security Grant Program	97.067	7LEL
Homeland Security Grant Program	97.067	8CCL
Homeland Security Grant Program	97.067	8LEL
Homeland Security Grant Program	97.067	8SHL
Homeland Security Grant Program	97.067	7TEL

Total Homeland Security Grant Program

Sub-Total Forward

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2008-09/30/2009	\$	\$	\$ 25,087.31	\$ 25,087.31
			25,087.31	25,087.31
10/01/2008-09/30/2009			14,441.00	14,441.00
			14,441.00	14,441.00
10/01/2008-09/30/2009	10,051.41	10,051.41	10,051.41	10,051.41
07/01/2007-09/30/2009	2,505.54	2,505.54	2,505.54	2,505.54
10/01/2008-09/30/2009	25,000.00	25,000.00	14,284.00	14,284.00
02/01/2008-01/31/2009	80,000.01	60,000.00	60,000.00	60,000.00
	117,556.96	97,556.95	86,840.95	86,840.95
10/01/2007-12/31/2009	19,000.00	19,000.00	3,872.10	3,872.10
10/01/2008-09/30/2009	7,500.00	7,500.00	7,500.00	7,500.00
10/01/2008-06/30/2009	5,000.00	5,000.00	4,960.00	4,960.00
10/01/2008-09/30/2009	20,000.00	20,000.00	2,427.00	2,427.00
10/01/2008-09/30/2009	36,515.00	36,515.00	4,515.92	4,515.92
10/01/2008-01/30/2009	9,100.00	9,100.00	9,100.00	9,100.00
10/01/2008-06/30/2009	19,000.00	19,000.00	2,868.43	2,868.43
10/01/2008-06/30/2010	60,000.00	60,000.00	4,760.00	4,760.00
10/01/2008-12/31/2009	27,000.00	27,000.00	539.91	539.91
10/11/2007-12/31/2009	200,000.00	200,000.00	163,021.48	163,021.48
	403,115.00	403,115.00	203,564.84	203,564.84
	\$ 520,671.96	\$ 500,671.95	\$ 329,934.10	\$ 329,934.10

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

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

**Passed Through Alabama Department of  
Emergency Management**

Hazard Mitigation Grant	97.039	N/A
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Total U. S. Department of Homeland Security

**Elections Assistance Commission  
Passed Through Office of the Secretary of State**

Helping America Vote Act Requirements Payments Total Elections Assistance Commission	90.401	N/A
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**Other Federal Assistance  
U. S. Department of Justice  
Direct Program**

Federally Forfeited Property Program (M)	N/A	
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Total Expenditures of Federal Awards

(M) = Major Programs

(N/A) = Not Available

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



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 520,671.96	\$ 500,671.95	\$ 329,934.10	\$ 329,934.10
10/01/2006-09/30/2009	79,077.67	79,077.67	79,077.67	79,077.67
	482,192.67	482,192.67	282,642.51	282,642.51
10/01/2008-09/30/2009	19,146.85	19,146.85	19,146.85	19,146.85
	19,146.85	19,146.85	19,146.85	19,146.85
10/01/2008-09/30/2009			166,854.55	166,854.55
	\$ 618,896.48	\$ 598,896.47	\$ 595,013.17	\$ 595,013.17

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

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**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 basic 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>\$12,543.65</u>

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## *Additional Information*

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

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<b>Commission Members</b>			<b>Term Expires</b>
Hon. W. Hardy McCollum	Chairman	48 Cherokee Hills Tuscaloosa, Alabama 35404	2013
Hon. Reginald Murray	Member	P. O. Box 188 Fosters, Alabama 35463	2012
Hon. Bobby Miller	Member	5017 Pinewood Lane Tuscaloosa, Alabama 35405	2012
Hon. Gary Youngblood	Member	10770 Mallard Drive Cottondale, Alabama 35453	2012
Hon. Don Wallace	Member	705 Fair Oaks Lane Tuscaloosa, Alabama 35406	2012

**Administrative Personnel**

Mr. William Lamb	Chief Financial Officer	7402 Marigold Lane Tuscaloosa, Alabama 35405
Mr. Melvin Vines	County Administrator	17 Wood Manor Tuscaloosa, Alabama 35401

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

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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, 2009, which collectively comprise the Tuscaloosa County Commission's basic financial statements and have issued our report thereon dated August 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

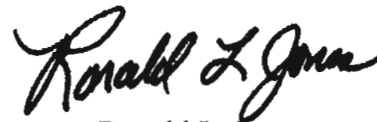
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, members of the 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

August 26, 2010

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

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## **Compliance**

We have audited the compliance of the Tuscaloosa County Commission (the “Commission”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The Commission’s major federal program is 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 its major federal program 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 requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

## **Internal Control Over Compliance**

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over compliance.

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

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

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

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

This report is intended solely for the information and use of management, members of the 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

August 26, 2010



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

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

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

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

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16. Unknown	Federally Forfeited Property Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee?   X   Yes        No

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

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

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

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

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