

Report on the

St. Clair County Commission

St. Clair County, Alabama

October 1, 2005 through September 30, 2006

Filed: October 26, 2007



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.state.al.us

Ronald L. Jones, Chief Examiner

Table of Contents

	<i>Page</i>
Report to the Chief Examiner	A
Independent Auditor's Report	D
Management's Discussion and Analysis	F
Exhibit #1 Statement of Net Assets	1
Exhibit #2 Statement of Activities	3
Exhibit #3 Balance Sheet – Governmental Funds	5
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit #7 Statement of Fiduciary Net Assets – Fiduciary Funds	12
Exhibit #8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	13
Notes to the Financial Statements	14
<u>Required Supplementary Information</u>	36
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	37
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	41
Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Public Buildings, Roads and Bridges Fund	43
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	45

Table of Contents

	<i>Page</i>
<u>Supplementary Information</u>	47
Exhibit #13 Schedule of Expenditures of Federal Awards	48
Notes to the Schedule of Expenditures of Federal Awards	52
<u>Additional Information</u>	53
Exhibit #14 Commission Members and Administrative Personnel	54
Exhibit #15 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	55
Exhibit #16 Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	57
Exhibit #17 Schedule of Findings and Questioned Costs	59



State of Alabama
Department of
Examiners of Public Accounts

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

Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the St. Clair County Commission for the period October 1, 2005 through September 30, 2006.

SCOPE AND OBJECTIVES

This report encompasses an audit of the financial statements of the St. Clair County Commission (the "Commission") and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The objectives of the audit 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.

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the 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 is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.

4. **Financial Section** – includes basic financial statements (Exhibits 1 through 8), and notes to the financial statements.
5. **Required Supplementary Information** – includes Budget to Actual Comparisons (Exhibits 9 through 12), which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.
6. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 13), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 14) and the following reports and item required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

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 (Exhibit 15) – a report on internal control related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 16) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on the major program.

Schedule of Findings and Questioned Costs (Exhibit 17) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

AUDIT COMMENTS

The St. Clair County Commission is a five-member governing body that appropriates funds on an annual basis for the operations of all county offices and the County Road Department. The actions of the Commission were recorded in the minutes of their meetings.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

The Commission complied in all material respects, with applicable federal laws and regulations in the administration of its major federal awards. There were no material weaknesses noted in the internal controls related to major programs.

Sworn to and subscribed before me this
the 25 day of Sept., 2007.

Sherry J. Gaucha
Notary Public

Sworn to and subscribed before me this
the 25 day of Sept., 2007.

Sherry J. Gaucha
Notary Public

Respectfully submitted,

Nikki Taylor
Nikki Taylor
Examiner of Public Accounts

BriAnna Upchurch

BriAnna Upchurch
Examiner of Public Accounts

rb

This Page Intentionally Blank

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 St. Clair County Commission, as of and for the year ended September 30, 2006, which collectively comprise the St. Clair County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the St. Clair 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 St. Clair County Commission, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 8, 2007, on our consideration of the St. Clair 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) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 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 St. Clair County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2007

Management's Discussion and Analysis
(Required Supplementary Information)

St. Clair County Commission
Management's Discussion and Analysis (MD&A)
September 30, 2006

Our discussion and analysis of the St. Clair County Commission's (the "Commission's") financial performance provide an overview of the Commission's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the Commission's financial statements and notes to the financial statements, which immediately follow this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results of this year's operations:

- ✓ The Commission's financial status declined slightly for the 2006 fiscal year. The Commission's total net assets decreased by \$284,635.78 over the course of the fiscal year attributable to budget amendments to expenditures which exceeded revenue inflows.
- ✓ The assets of the Commission exceeded its liabilities at the close of the 2006 fiscal year by \$30 million (net assets). Of this amount, \$7.51 million (unrestricted net assets) may be used to meet the Commission's future costs of operations.
- ✓ The total cost of the Commission's programs for the year was \$25.96 million. After taking away a portion of these costs paid for with charges or fees, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from St. Clair County taxpayers was \$15.75 million.
- ✓ For the General Fund, total expenditures exceeded revenues by over \$1.48 million.
- ✓ At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$9.90 million, or 60 percent of the total General Fund expenditures, before other financing uses and special items.
- ✓ Total expenditures for capital outlay were \$2,947,171.24. This is an increase of \$772,614.05 invested in capital assets compared to the 2005 fiscal year, primarily attributable to the addition of an access road at Jenkins Brick, three bridges located at Canoe Creek Road, Baker Road and Cook Springs Cut-Off, a Sheriff's building in Ashville, 31 new HAVA (Help American Vote Act) voting machines, a Department of Transportation building, land at Neely Henry Lake, and various motor vehicles and heavy equipment for the Road Department, Sheriff's Department and Emergency Management.
- ✓ The Commission increased its outstanding long-term debt by \$4.12 million or 29.2 percent primarily due to \$3.09 million 2006 General Obligation Warrants issued for Coosa Valley Water Supply District and a \$1.5 million General Obligation Warrant issued to loan to the City of Moody for economic development. However, offsetting this was a net increase in capital assets of \$1.43 million.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section now consists of five parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The Commission's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide financial statements - The focus of these statements is to provide readers with a broad overview of the Commission's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Commission's overall financial status. It is important to note that all of the activities of the Commission reported in the *government-wide financial statements* are classified as governmental activities. These activities include the following:

General Government – expenditures for the legislative, judicial and administrative functions of the county, and those not properly included in any other functional category.

Public Safety – expenditures for the protection of persons and property, including the corrections function.

Highways and Roads – expenditures for roadways and walkways, except those in parks which are charged to Culture and Recreation.

Sanitation – expenditures for the removal and disposal of sewage and other forms of waste.

Health – expenditures for the conservation and improvement of public health.

Welfare – expenditures to provide public assistance and institutional care for persons who are economically unable to provide essential needs for themselves.

Culture and Recreation – expenditures for all cultural and recreational facilities and activities maintained for the benefit of county residents and visitors.

Education – consists primarily of payments to the board of education, extension service, or other educational entity.

Debt Service – comprised of repayments of general long-term debt principal, interest, fiscal fees and other charges related to the servicing of long-term debt obligations.

Intergovernmental – consist of transfers of county assets to other governmental units where there is no legal liability to transfer assets.

Government-wide statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Commission's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Commission as a whole.

The *statement of net assets* (on page 1) is most closely related to a balance sheet. It presents information on all of the Commission's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net assets reported in this statement may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* (on page 3) is most closely related to an income statement. It presents information showing how the Commission's net assets changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Commission. By showing the change in net assets for the year, the reader may be able to determine whether the Commission's financial position has improved or deteriorated over the course of the current fiscal year. The change in net assets may be financial or non-financial in nature. Non-financial factors which may have an impact on the Commission's financial condition include: age and condition of facilities, unfunded mandates, and changes in funding from state and federal governments, to name a few.

Fund financial statements - 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 Commission has used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model still requires the Commission to present financial statements on a fund basis, but with some modifications. All of the funds of the Commission can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental *fund financial statements* begin on page 5. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. As required under the reporting model, the *fund financial statements* presented herein display information on each of the Commission's most important governmental funds or *major funds*. This is required in order to better assess the Commission's accountability for significant governmental programs or certain dedicated revenue. The Commission's *major funds* are the General Fund, Gasoline Tax Fund, Public Buildings, Roads and Bridges Fund and Reappraisal Fund.

The *fund financial statements* are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Commission's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements* which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 7 and 10 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Commission's short-term financing decisions.

Fiduciary Funds – These are funds held by the commission as a trustee for individuals, organizations, or other governments. Fiduciary funds also include the balances of agency funds, such as accounts payable clearing and payroll clearing funds. All of the Commission's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 12 of this section. Fiduciary fund statements focus on net assets and the changes in net assets. These funds are not available to the Commission to finance its operations, and therefore not included in the *government-wide financial statements*. The Commission is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Analysis of the Commission's Overall Financial Position

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net assets. The Commission's assets exceeded liabilities by \$30 million at September 30, 2006.

- ✓ Of this figure, 64 percent or \$19.34 million reflects the Commission's investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.
- ✓ Restricted net assets account for 10 percent or \$3.15 million of total net assets. Restricted net assets are reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Commission's ability to use those net assets for day-to-day operations.
- ✓ The remaining balance of unrestricted net assets of \$7.51 million may be used at the Commission's discretion to meet ongoing obligations to citizens and creditors and for future operations.

Table 1: Summary of Net Assets

	Governmental Activities	
	9/30/2006	9/30/2005
Current and other assets	\$31,862,552.50	\$24,576,568.01
Capital assets	27,542,170.64	26,112,701.51
Total Assets	\$59,404,723.14	\$50,689,269.52
Current and other liabilities	11,213,966.52	6,338,527.18
Long-term liability	18,184,907.73	14,060,257.67
Total Liabilities	\$29,398,874.25	\$20,398,784.85
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$19,341,315.41	\$17,402,191.28
Restricted	3,155,787.67	3,842,879.91
Unrestricted	7,508,745.81	9,045,413.48
Total Net Assets	\$30,005,848.89	\$30,290,484.67

At the end of the current fiscal year, the Commission is able to report positive balances in all three categories of net assets: invested in capital assets-net of related debt, restricted and unrestricted. This means that the Commission has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of September 30, 2006, with resources left over to use for next year's operations.

Although FY 06 brought an increase in sales tax revenue over \$700,000, an increase in ad valorem taxes over \$600,000, and an increase in the investment in capital assets, net of related debt of \$1.9 million, the Commission spent its growth on employee raises, increases in employee health insurance and retirement, economic development investments, in addition to many appropriations to county agencies and municipalities.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 3. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Commission for the year. It also shows the impact the operations had on changes in net assets as of September 30, 2006.

Table 2: Summary of Changes in Net Assets From Operating Results

	Governmental Activities	
	9/30/2006	9/30/2005
Revenues		
Program Revenues:		
Charges for services	\$ 3,896,210.50	\$ 3,661,930.47
Operating grants and contributions	4,759,891.35	4,761,559.27
Capital grants and contributions	1,553,777.62	565,044.88
General Revenues:		
Local property taxes	6,183,817.38	5,579,748.47
General sales tax	6,167,705.68	5,456,430.41
Other taxes	1,277,881.88	1,128,322.78
Other	1,721,652.24	1,525,424.82
Special and Extraordinary Items:		
Gain on Sale of Assets	117,995.35	
Total Revenues, Special and Extraordinary Items	\$25,678,932.00	\$22,678,461.10
Expenses		
General government	\$ 6,283,864.95	\$ 6,336,326.37
Public safety	8,756,905.58	8,346,024.44
Highways and roads	5,385,727.68	4,529,911.66
Sanitation	632,950.24	400,000.00
Health	205,256.77	193,863.79
Welfare	78,774.92	96,566.96
Culture and recreation	62,022.41	57,452.91
Education	32,000.00	32,000.00
Intergovernmental	3,921,885.51	389,485.24
Interest on long-term debt	604,179.72	540,557.94
Total Expenses	\$25,963,567.78	\$20,922,189.31
Increase/(Decrease) in Net Assets	(284,635.78)	1,756,271.79
Net Assets - Beginning	30,177,426.49	28,614,963.02
Prior Period Restatements	113,058.18	(80,750.14)
Net Assets - Beginning (as restated)	30,290,484.67	28,534,212.88
Net Assets - Ending	\$30,005,848.89	\$30,290,484.67

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Commission's governmental activities for the year ended September 30, 2006 was \$25.96 million. It is important to note that not all of these costs were borne by the taxpayers of St. Clair County:

- ✓ Some of the cost, \$3.9 million, was paid by users who benefited from services provided during the year, such as fees for Probate Judge and Revenue Commissioner services, landfill fees, fees from municipalities for central dispatch services, 911 service fees, and juvenile detention fees.
- ✓ State and federal governments subsidized certain programs with grants and contributions totaling \$6.31 million.
- ✓ Other general revenue sources, such as unrestricted grants and contributions (ABC profits, ABC sales tax, state beer tax, financial institutions excise tax, business privilege tax, shares tax replacement, capital improvement oil and gas tax payment, and federal payment in lieu of taxes), interest earnings, sale of surplus property, insurance settlements/refunds, etc., provided for \$1.84 million in revenues.
- ✓ \$13.63 million of the Commission's total costs of \$25.96 million was financed by taxpayers, as follows: \$6.18 million in property taxes, \$6.17 million in county sales/use tax, and \$1.28 million in other taxes (county beer tax, county draft beer tax, county lodging tax, county wine tax and county rental/lease tax, cable TV franchise tax, mortgage/deed filing tax, and mineral lease documentary tax).

Table 3 is a condensed statement taken from the Statement of Activities on page 3 showing the total cost for providing identified services for ten major Commission activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Commission used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 6,283,864.95	\$ 6,336,326.37	\$3,594,122.84	\$ 4,304,142.06
Public safety	8,756,905.58	8,346,024.44	6,135,277.94	5,494,638.96
Highways and roads	5,385,727.68	4,529,911.66	1,151,738.67	631,474.25
Sanitation	632,950.24	400,000.00	(22,659.63)	202,383.42
Health	205,256.77	193,863.79	196,345.93	184,952.95
Welfare	78,774.92	96,566.96	78,774.92	96,566.96
Culture and recreation	62,022.41	57,452.91	62,022.41	57,452.91
Education	32,000.00	32,000.00	32,000.00	32,000.00
Intergovernmental	3,921,885.51	389,485.24	3,921,885.51	389,485.24
Interest on long-term debt	604,179.72	540,557.94	604,179.72	540,557.94
Total	\$25,963,567.78	\$20,922,189.31	\$15,753,688.31	\$11,933,654.69

Performance of Commission Funds

As noted earlier, the Commission uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Commission is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Commission's overall financial health. The following analysis of the Commission's funds should be read in reference to the fund financial statements which begin on page 5.

Governmental Funds - The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 7 and 10). The steady financial performance of the Commission as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Commission's governmental funds reported combined ending fund balances of \$15.68 million. This is a 5% decrease from the prior year combined ending fund balances of \$16.43 million.

- ✓ Approximately \$9.90 million of this amount constitutes unreserved fund balance of the General Fund which is available as of the end of the fiscal year for spending on future operations.
- ✓ The Special Revenue Funds have an unreserved fund balance of \$2.97 million.
- ✓ The 2005 Gas Tax Resurfacing Capital Projects Fund has a total fund balance of \$.82 million, most of which was encumbered for various road projects at yearend.
- ✓ The Debt Service Funds ended the year with a reserved balance of \$.27 million.

Governmental funds presented individually in St. Clair County Commission's 2006 fund financial statements include four major funds: the General (always a major fund), Gasoline Tax, Public Buildings, Roads and Bridges, and Reappraisal Funds. An analysis is presented below of the balances for each fund.

General Fund - The General Fund is the primary operating fund of the Commission. The \$.163 million net change in General Fund balance as a result of operations this year was primarily from the following:

- ✓ an increase in sales tax revenue over \$700,000,
- ✓ an increase in ad valorem taxes over \$600,000, and
- ✓ proceeds from a \$1.5 million general obligation warrant issued to loan to the City of Moody.

Gasoline Tax Fund – The Gasoline Tax Fund is a special revenue fund type used to account for the Commission’s share of the statewide seven-cent gasoline tax. Revenues are earmarked for building and maintaining roads. During fiscal year 2006 a total of \$1.37 million was transferred from various funds, including the General Fund, Public Buildings, Roads and Bridges Fund, Public Highway and Traffic Fund, Secondary Road Fund, and Severed Material Severance Tax Fund to fund the deficiency of revenues over expenditures. In addition, a prior period adjustment of \$126,335.91 was necessary to repay the Gasoline Tax Fund for expenditures incurred in FY 2005 for site preparation of the new Sheriff’s building in Ashville, less receivable amounts from municipalities written off for \$6,948.68. These two prior period adjustments added to the net change in fund balance of \$19,378.91 resulted in an ending fund balance of \$283,922.01.

Public Buildings, Roads and Bridges Fund – The Public Buildings, Roads and Bridges Fund is a special revenue fund type used to account for the expenditures of special county property taxes for buildings and maintaining roads. During the FY 2006, over half a million was expended for capital outlay items directly from this fund including two 2007 litter trucks (\$51,726), three 2007 dump trucks (\$262,990), one 2007 Fuel Truck (\$51,077), and a building at the Road Department (\$152,945). In addition, \$1.9 million was transferred out of this fund to the Gasoline Tax Fund (\$800,000), and various other Debt Service funds (\$1.1 million), leaving a fund balance at year end consistent with the prior year.

Reappraisal Fund – The Reappraisal Fund is a special revenue fund type used to account for the expenditures of special county property taxes for the reappraisal of real property located in the county. During FY 2006, most of these expenditures were related to salaries and benefits of reappraisal employees, and \$1.4 million of the fund revenues were deferred, leaving a zero fund balance as required by the Alabama Department of Revenue.

Fiduciary Funds - The Fiduciary Fund or Agency-Type financial statements appear on page 12. A *Statement of Fiduciary Net Assets* and a *Statement of Changes in Fiduciary Net Assets* are presented. These funds include:

- private-purpose trust funds (Excess Land Sales, Fiduciary, District Attorney and Worthless Check) which benefit individuals, private organizations, or other governments, and
- agency funds (Retirement, Bingo Clearing, Ad Valorem Tax Fire Protection, and Sales Tax Clearing) which are used to report assets held by the Commission in a purely custodial capacity.

Budgetary Highlights of General Fund

The original 2006 fiscal year budget was adopted on September 27, 2005, and throughout the year budget amendment requests were reviewed by the Commission and County Administrator, and approved or denied. The comparison of the General Fund original budget to the final amended budget is on page 37. The differences between the original budget and the final amended budget of the Commission were relatively minor and can be briefly summarized as follows:

Budgeted revenue was increased by \$192,496.82, primarily to account for a grant from the Secretary of State for HAVA voting machines.

Expenditure appropriations were increased by \$1.4 million, primarily due to additional capital outlay items (\$61,000 land purchase, \$186,775 HAVA voting machines, \$166,913 Voice-Over-IP telephone system in progress at year-end, \$43,649 computer/video equipment for jail) and appropriations to the following entities to reimburse infrastructure development costs: \$300,000 to City of Pell City, \$150,000 to City of Ashville, \$150,000 in addition to original budget appropriation of \$150,000 to City of Springville.

The budget was also amended by \$3,090,000 for the proceeds from the 2006 General Obligation Warrants issued August 1, 2006 restricted for the Coosa Valley Water Supply District.

The negative variance between the budgeted and actual expenditures was primarily the result of the above warrants creating a liability at year end to Coosa Valley Water Supply District. A material variance of \$1.7 million in the Other Financing Sources resulted from the unbudgeted proceeds of a warrant issued by the Commission on September 21, 2006, which was combined with other General Fund cash to loan \$2.58 million to the City of Moody.

Overall, the final amended budget is reflective of the actual operating activity for the year.

Capital Assets and Debt Administration

Capital Assets - The Commission's investment in capital assets for its governmental activities for the year ended September 30, 2006, amounted to \$19.34 million, net of accumulated depreciation, restricted net assets and debt related to the acquisition of the assets. The Commission's investment in capital assets includes land, construction in progress infrastructure in progress, buildings and improvements, construction equipment, equipment and furniture, and infrastructure, and is shown in *Table 4*.

Table 4: Capital Assets (net of accumulated depreciation)

	Governmental Activities	
	2006	2005
Land	\$1,059,112.89	\$ 927,808.16
Construction in progress	142,871.85	243,816.59
Infrastructure in progress	845,066.37	739,961.64
Buildings and Improvements	12,385,009.96	12,012,472.17
Construction Equipment	990,983.30	1,154,072.22
Equipment and Furniture	2,762,240.08	2,367,143.91
Infrastructure	9,356,886.19	8,667,426.82
	<u>\$27,542,170.64</u>	<u>\$26,112,701.51</u>

A \$126,335.91 net restatement of beginning balances of Construction in progress and Infrastructure in progress as of October 1, 2005 was necessary to record prior year site preparation work at the new Sheriff's building in Ashville performed by the Road Department but billed in FY 2006, and to reclassify sirens purchased in prior year.

Net capital assets increased by \$1.43 million for the 2006 fiscal year. The Commission expended available resources to acquire \$2.98 in capital asset additions during the year. These additions are reduced by the current year's depreciation expense of \$1.32 million and \$.23 million in net capital assets taken out of service during the year. See additional information on the Commission's capital assets presented in the notes to the financial statements.

The additions to capital assets were primarily for the following:

Land was purchased by the General Fund for \$60,920.30 (Gray property) which was adjacent to the land purchased in the prior year (Willard property) for the purpose of building Canoe Creek Park at Neely Henry Lake. General Fund expended \$35,384.43 to purchase a lot (Schweigel property) behind the Administrative Center in Ashville for the purpose of providing additional parking in the future. An additional .61 acre of land, valued at \$35,000, was donated to the Commission by the State Forestry Commission for the site of Bald Rock Tower.

Building additions included \$152,945 from the Public Buildings, Roads and Bridges Fund for a Road Department building, and \$628,732.66 from the Capital Improvement Oil and Gas Trust Fund for a new Sheriff's building in Ashville.

Equipment and furniture additions included thirty-one (31) HAVA voting machines (\$186,775), ten (10) sheriff vehicles (\$194,974.85), three (3) tri-axle dump trucks (\$262,990), one (1) fuel truck (\$51,077.22), two (2) litter trucks (\$51,726), fifteen (15) sirens (\$309,843.99), and various other items such as computer equipment, router, repeater, mobile education unit, compressor, steno machine and copier.

Infrastructure additions consisted primarily of three bridges located at Canoe Creek Road, Baker Road and Cook Springs Cut-Off.

Construction in progress at year-end consisted of a voice-over IP telephone system in Ashville (\$116,839.42), and mobile data laptops (\$26,032.43). Infrastructure in progress at year-end consisted of an access road at Jenkins Brick.

Long-Term Debt - At year-end, the Commission had \$18.18 million in general obligation warrants, gas tax warrants, and other long-term debt outstanding. This is an increase of 29 percent in debt from last year, as shown in *Table 5* below.

Table 5: Outstanding Long-Term Debt

	Fiscal Year Ended September 30, 2006		
	Beginning Balance	Net Change	Ending Balance
Governmental Activities:			
General Obligation Warrants Series 1998	7,370,000.00	(270,000.00)	7,100,000.00
General Obligation Warrants Series 2006		3,090,000.00	3,090,000.00
Gas Tax Resurfacing Warrants Series 2005	3,445,000.00		3,445,000.00
Warrant Payable - Moody Property		1,500,000.00	1,500,000.00
Total Warrants Payable	10,815,000.00	4,320,000.00	15,135,000.00
Less: Unamortized Discount	(26,791.97)	1,837.18	(24,954.79)
Add: Unamortized Premium		15,521.42	15,521.42
Less: Deferred Loss on Refunding	(88,376.98)	9,350.61	(79,026.37)
Total Warrants Payable, Net	10,699,831.05	4,346,709.21	15,046,540.26
Other Liabilities:			
Note Payable 2006 (dump trucks)		238,569.60	238,569.60
Note Payable 2005 (trucks)	226,753.55	(226,753.55)	
Note Payable 2005 (tractors)	210,002.69	(39,839.88)	170,162.81
Note Payable 2004 (road equipment)	616,582.14	(158,262.62)	458,319.52
Note Payable - Willard Property	287,171.85	(53,368.55)	233,803.30
Obligation Under Funding Agreement (Honda)	1,116,639.74	(88,691.44)	1,027,948.30
Compensated absences	903,276.65	106,287.29	1,009,563.94
Total other liabilities	3,360,426.62	(222,059.15)	3,138,367.47
Governmental activities long-term debt	14,060,257.67	4,124,650.06	18,184,907.73

Long-term debt activity for the year consisted of the following:

- ✓ The Commission continued to pay down its general obligation warrants issued in 1998, retiring \$270,000 in outstanding bonds during the fiscal year 2006. No payments were due to be paid against the Gas Tax Resurfacing Warrants Series 2005. In addition, the Commission issued \$3.09 million in General Obligation Warrants Series 2006 for Coosa Valley Water Supply District, and \$1.5 million General Obligation Warrant for a loan to the City of Moody.
- ✓ The Commission continued to make payments on its three notes payable for equipment, paying off its 2005 note for three dump trucks and adding a 2006 note for three dump trucks. The Commission further paid down its remaining balance on the note payable for the Willard property and the Obligation Under Funding Agreement (Honda debt).
- ✓ The net increase in compensated absences payable in the 2006 fiscal year primarily resulted from increases in employee salaries, benefits and the overall number of employees accruing leave.

(More detailed information about the Commission's long-term liabilities is presented in the notes to the financial statements.)

Economic Factors and Next Year's Budget

The following are currently known St. Clair County economic factors considered while going into the 2006-2007 fiscal year.

- ✓ The unemployment rate in St. Clair County for October 2006 was 2.8 percent, which is a decrease from last year's rate of 3.1 percent, indicating a positive economic recovery trend in this area, despite the closing of Avondale Mills in Pell City which affected 255 workers. St. Clair County's unemployment rate ranked 14th out of 67 counties and continues to compare favorably to the state's average unemployment rate of 3.3 percent and the national rate of 4.6.
- ✓ The population in St. Clair County as of the year 2000 census (64,742) grew significantly since the last ten-year census taken in 1990 (50,009). The population grew by approximately 14,733 people or 29.5% percent over a ten-year period. However, the latest annual population estimate published by the Census Bureau, July 1, 2006, reports St. Clair at 75,232, an increase of 10,490 (16%) from the 2000 census. In addition, the Birmingham News published an article on June 21, 2006, ranking the City of Moody, located in St. Clair County, as the 4th fastest growing city in Alabama, with a 33.5% increase since the 2000 census.
- ✓ The property tax base in St. Clair County, based on the 2006 tax levy, shows an increase in net assessed value of real property in the county of approximately 7.33% or \$36.75 million over 2005, and an increase in motor vehicle net valuations of 12.10% or \$12.89 million over 2005.
- ✓ Home sales in the Birmingham area fell 14% in September 2006 compared with the previous year, indicating a softening of the housing sales market. However, the Birmingham News reported in June 2006 that the City of Springville's planned developments included another 3,100 homes in the near future, with a population growing from 2,521 in the year 2000 to an estimated 4,000 at that time. Also, the News reported in August 2006 that annual home sales in the Town of Odenville went from 16 in 2001 to 194 in 2005, with 119 sold in 2006 through July 31.
- ✓ An estimated 745 jobs are expected to develop in the St. Clair County area in 2007/2008 as a result of new development and expansions, including Jenkins Brick, Yachiyo, Red Diamond, WKW Erbsloeh, VST-Keller, and CMC Impact Metals. These projects, along with others, represent a total capital investment of approximately \$123,320,000.

At the time these financial statements were prepared and audited, the Commission was aware of the following circumstances that could significantly affect the Commission's financial health in the future:

Estimated Capital Needs – On February 13, 2007, the Commission approved a resolution in support of a new county hospital, with no monetary obligations specified. On March 27, 2007, the Commission approved an Inducement Resolution in regard to financing the Ashville Courthouse renovation and expansion by the issuance of one or more series of warrants to be approved (new debt not to exceed \$6.2 million). In addition, the Commission has discussed additional jail space, although no commitments to build or renovate have been made at this time.

Rising Employment Costs – The 2007 budget included a 3% cost of living raise for all eligible employees and officials, a 13% increase in Blue Cross/Blue Shield health insurance, a 7% COLA for retired employees (which increased the county’s retirement rate from 9.22% to 10.14%), and increases in workers compensation and general liability insurance.

Rising Fuel Costs – Increasing costs of fuel products for law enforcement and road maintenance and construction will continue to be a major impact on the county’s operating budget.

Please refer also to the “Subsequent Events” listed in the Notes to the Financial Statements.

St. Clair County will continue to partner with the municipalities, St. Clair County Economic Development and St. Clair County Industrial Development Board for continued growth and strong economic factors.

CONTACT INFORMATION

If you have any questions about this report or need additional financial information, please contact Kim McPherson, County Administrator, at (205) 594-2100 or 165 5th Avenue, Suite 100, Ashville, Alabama 35953.

This Page Intentionally Blank

Statement of Net Assets
September 30, 2006

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 18,126,142.46
Cash with Fiscal Agent	251,596.24
Ad Valorem Taxes Receivable	5,562,979.85
Sales Tax Receivable	500,000.00
Accounts Receivable	240,131.96
Interest Receivable	4,763.94
Due from Other Governments	1,912,254.40
Prepaid Items	563.00
Deferred Charges - Issuance Costs	158,853.73
Notes Receivable (Note 15)	5,105,266.92
Capital Assets (Note 5):	
Nondepreciable	2,047,051.11
Depreciable, Net	25,495,119.53
Total Assets	<u>59,404,723.14</u>
<u>Liabilities</u>	
Accounts Payable	4,708,029.38
Deferred Revenue	6,161,970.93
Accrued Wages Payable	167,591.10
Accrued Interest Payable	176,375.11
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	708,617.59
Unamortized Discount	(1,837.16)
Unamortized Premium	1,046.28
Loss on Refunding	(9,776.46)
Obligation Under Funding Agreement	93,053.31
Notes Payable	310,895.89
Estimated Liability for Compensated Absences	22,707.13
Portion Due or Payable After One Year:	
Warrants Payable	14,426,382.41
Unamortized Discount	(23,117.63)
Unamortized Premium	14,475.14
Loss on Refunding	(69,249.91)
Obligation Under Funding Agreement	934,894.99
Notes Payable	789,959.34
Estimated Liability for Compensated Absences	986,856.81
Total Liabilities	<u>\$ 29,398,874.25</u>

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

	Governmental Activities
<u>Net Assets</u>	
Investment in Capital Assets, Net of Related Debt	\$ 19,341,315.41
Restricted for Debt Service	85,209.41
Restricted for Road Projects	2,330,412.54
Restricted for Other Purposes	740,165.72
Unrestricted	7,508,745.81
 Total Net Assets	 \$ 30,005,848.89

Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<u>Governmental Activities:</u>			
General Government	\$ 6,283,864.95	\$ 2,111,750.57	\$ 377,991.54
Public Safety	8,756,905.58	1,447,939.02	1,173,688.62
Highways and Roads	5,385,727.68	204,082.04	3,199,300.35
Sanitation	632,950.24	132,438.87	
Health	205,256.77		8,910.84
Welfare	78,774.92		
Culture and Recreation	62,022.41		
Education	32,000.00		
Intergovernmental	3,921,885.51		
Interest on Long-Term Debt	604,179.72		
Total	\$ 25,963,567.78	\$ 3,896,210.50	\$ 4,759,891.35

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

General Sales Tax

Miscellaneous Taxes

Grants and Contributions not Restricted
to Specific Programs

Investment Earnings

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Change in Net Assets

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

Net Assets - End of Year

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

		Net (Expenses) Revenues and Changes in Net Assets	
Capital Grants and Contributions		Total Governmental Activities	
\$	200,000.00	\$	(3,594,122.84)
			(6,135,277.94)
	830,606.62		(1,151,738.67)
	523,171.00		22,659.63
			(196,345.93)
			(78,774.92)
			(62,022.41)
			(32,000.00)
			(3,921,885.51)
			(604,179.72)
\$	1,553,777.62		(15,753,688.31)

3,565,208.81
2,618,608.57
6,167,705.68
1,277,881.88
639,050.97
485,259.27
117,995.35
597,342.00
<u>15,469,052.53</u>
(284,635.78)
<u>30,290,484.67</u>
\$ <u><u>30,005,848.89</u></u>

Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 11,805,994.61	\$ 295,330.76
Cash with Fiscal Agent		
Accounts Receivable	93,057.70	
Ad Valorem Taxes Receivable	2,983,931.42	
Sales Taxes Receivable	500,000.00	
Due from Other Funds	872,504.86	
Due from Other Governments	320,025.01	162,382.46
Interest Receivable		
Prepaid Item	563.00	
Notes Receivable	130,375.38	
Total Assets	<u>16,706,451.98</u>	<u>457,713.22</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	3,365,580.64	140,143.32
Due to Other Funds	61,675.60	
Deferred Revenue	3,199,775.65	
Accrued Wages Payable	114,337.99	33,647.89
Accrued Interest Payable		
Total Liabilities	<u>6,741,369.88</u>	<u>173,791.21</u>
<u>Fund Balances</u>		
Reserved for:		
Debt Service		
Capital Projects	13,694.61	
Encumbrances	55,714.02	90.00
Unreserved, Reported in:		
General Fund	9,895,673.47	
Special Revenue Funds		283,832.01
Total Fund Balances	<u>9,965,082.10</u>	<u>283,922.01</u>
Total Liabilities and Fund Balances	<u>\$ 16,706,451.98</u>	<u>\$ 457,713.22</u>

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,269,413.46	\$ 293,432.79	\$ 4,461,970.84	\$ 18,126,142.46
		251,596.24	251,596.24
14,861.02		132,213.24	240,131.96
1,461,714.00	1,117,334.43		5,562,979.85
			500,000.00
		61,675.60	934,180.46
430.00		1,429,416.93	1,912,254.40
		4,763.94	4,763.94
			563.00
			130,375.38
<u>2,746,418.48</u>	<u>1,410,767.22</u>	<u>6,341,636.79</u>	<u>27,662,987.69</u>
	2,236.88	1,200,068.54	4,708,029.38
		872,504.86	934,180.46
1,566,794.28	1,395,401.00		6,161,970.93
	13,129.34	6,475.88	167,591.10
		9,988.28	9,988.28
<u>1,566,794.28</u>	<u>1,410,767.22</u>	<u>2,089,037.56</u>	<u>11,981,760.15</u>
		269,338.60	269,338.60
		59,931.71	73,626.32
957,828.00		1,456,477.95	2,470,109.97
			9,895,673.47
221,796.20		2,466,850.97	2,972,479.18
<u>1,179,624.20</u>		<u>4,252,599.23</u>	<u>15,681,227.54</u>
<u>\$ 2,746,418.48</u>	<u>\$ 1,410,767.22</u>	<u>\$ 6,341,636.79</u>	<u>\$ 27,662,987.69</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2006***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 15,681,227.54

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

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

Nondepreciable	\$ 2,047,051.11	
Depreciable, Net	<u>25,495,119.53</u>	
Total		27,542,170.64

Deferred issuance costs are reported as current expenditures in the funds. However,
deferred issuance costs are amortized over the life of the bonds and are included in the
governmental activities in the Statement of Net Assets. 158,853.73

Certain notes receivables are not due and payable in the current period and, therefore
are not reported as notes receivables in the funds. 4,974,891.54

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:

	Current Liabilities	Noncurrent Liabilities	
Notes Payable	\$ 310,895.89	789,959.34	
Warrants Payable	708,617.59	14,426,382.41	
Unamortized Premium	1,046.28	14,475.14	
Unamortized Discount	(1,837.16)	(23,117.63)	
Deferred Loss on Refunding	(9,776.46)	(69,249.91)	
Obligation Under Funding Agreement	93,053.31	934,894.99	
Accrued Interest Payable	166,386.83		
Estimated Liability for Compensated Absences	22,707.13	986,856.81	
Total Long-Term Liabilities	<u>\$ 1,291,093.41</u>	<u>\$ 17,060,201.15</u>	<u>(18,351,294.56)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 30,005,848.89

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, 2006

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 10,850,910.65	\$
Licenses and Permits	136,091.27	
Intergovernmental	814,017.69	1,403,229.54
Charges for Services	2,593,145.93	204,082.04
Fines and Forfeitures	30,000.00	
Miscellaneous	569,832.21	328,718.23
Total Revenues	<u>14,993,997.75</u>	<u>1,936,029.81</u>
<u>Expenditures</u>		
Current:		
General Government	4,552,082.07	
Public Safety	6,830,924.75	
Highways and Roads	60,649.80	3,241,320.16
Sanitation		
Health	204,089.19	
Welfare	76,378.55	
Culture/Recreation	58,335.35	
Education	32,000.00	
Intergovernmental	3,909,586.43	
Capital Outlay	590,512.72	79,087.74
Debt Service:		
Principal Retirement	53,368.55	
Interest and Fiscal Charges	18,140.61	
Warrant Issuance Costs	92,857.29	
Total Expenditures	<u>16,478,925.31</u>	<u>3,320,407.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,484,927.56)</u>	<u>(1,384,378.09)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	370,000.00	1,370,547.00
Sale of Capital Assets	15,560.00	33,210.00
Issuance of Long-Term Notes Payable		
Issuance of General Obligation Warrants	4,590,000.00	
Premium on Warrant Issuance	15,695.80	
Issuance of Notes Receivable	(3,244,075.99)	
Transfers Out	(424,994.31)	
Total Other Financing Sources (Uses)	<u>1,322,185.50</u>	<u>1,403,757.00</u>
Net Changes in Fund Balances	(162,742.06)	19,378.91
Fund Balances - Beginning of Year, as Restated (Note 14)	10,127,824.16	264,543.10
Fund Balances - End of Year	<u>\$ 9,965,082.10</u>	<u>\$ 283,922.01</u>

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,821,956.86	\$ 942,533.39	\$ 14,004.04	\$ 13,629,404.94
		81,975.00	218,066.27
23,287.59		4,712,185.12	6,952,719.94
	947.98	879,968.28	3,678,144.23
			30,000.00
52,628.52	36,873.77	159,923.92	1,147,976.65
<u>1,897,872.97</u>	<u>980,355.14</u>	<u>5,848,056.36</u>	<u>25,656,312.03</u>
	980,355.14	364,523.32	5,896,960.53
		1,269,010.07	8,099,934.82
9,461.25		1,708,459.48	5,019,890.69
		627,327.25	627,327.25
			204,089.19
		1,128.51	77,507.06
			58,335.35
			32,000.00
			3,909,586.43
513,966.65		1,763,604.13	2,947,171.24
		807,967.89	861,336.44
		530,273.84	548,414.45
			92,857.29
<u>523,427.90</u>	<u>980,355.14</u>	<u>7,072,294.49</u>	<u>28,375,410.74</u>
<u>1,374,445.07</u>		<u>(1,224,238.13)</u>	<u>(2,719,098.71)</u>
		2,531,714.78	4,272,261.78
297,780.00		2,301.00	348,851.00
262,990.00			262,990.00
			4,590,000.00
			15,695.80
			(3,244,075.99)
(1,907,232.97)		(1,940,034.50)	(4,272,261.78)
<u>(1,346,462.97)</u>		<u>593,981.28</u>	<u>1,973,460.81</u>
27,982.10		(630,256.85)	(745,637.90)
1,151,642.10		4,882,856.08	16,426,865.44
<u>\$ 1,179,624.20</u>	<u>\$</u>	<u>\$ 4,252,599.23</u>	<u>\$ 15,681,227.54</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, 2006***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (745,637.90)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of
Activities, the cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital outlay (\$2,947,171.24)
exceeded depreciation (\$1,321,846.46) in the current period. 1,625,324.78

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

Warrant Principal	\$	270,000.00	
Long-Term Note Principal		502,645.00	
Funding Agreement Principal		88,691.44	
Total		861,336.44	861,336.44

Proceeds from issuance of long-term debt provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets.

Notes Payable		(262,990.00)	
Warrants Payable		(4,590,000.00)	
Premium on Warrant Issued		(15,695.80)	
Issuance Costs of Warrant		92,857.29	
Total		(4,775,828.51)	(4,775,828.51)

The issuance of loans to other agencies uses current financial resources in
governmental funds, but issuing these loans increases notes receivable
in the Statement of Net Assets. The current portion of these loans is
reported in the fund statements. This is the amount by which new loans
(\$3,244,075.99) exceeded the current portion (\$130,375.38). 3,113,700.61

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

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This includes the following:

Increase in Estimated Liability for Compensated Absences	(106,287.29)	
Increase in Accrued Interest Payable	(44,408.53)	
Decrease in Deferred Issuance Costs	(5,966.32)	
Decrease in Unamortized Loss on Refunding	(9,350.61)	
Decrease in Unamortized Discount	(1,837.18)	
Decrease in Unamortized Premium	174.38	
Total		(167,675.55)

In the Statement of Activities, only the gain on the sale of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold. Similarly donated capital assets are only reported on the Statement of Activities at fair market value and do not effect the change in fund balance, only the change in net assets.

Sale of Capital Asset	348,851.00	
Donated Capital Asset - Land	(35,000.00)	
Gain on the Sale of Capital Asset	(117,995.35)	
Total		(195,855.65)

Change in Net Assets of Governmental Activities (Exhibit 2)		<u>\$ (284,635.78)</u>
---	--	------------------------

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,224,912.11	\$ 117,716.63
Accounts Receivable		506.25
Due from Other Governments	9,905.04	63,026.80
Capital Assets, Net (Note 5)	30,201.53	
Total Assets	<u>1,265,018.68</u>	<u>181,249.68</u>
<u>Liabilities</u>		
Due to Original Property Owner	702,378.50	
Accounts Payable	2,661.51	506.25
Due to Other Governments		180,743.43
Total Liabilities	<u>705,040.01</u>	<u>\$ 181,249.68</u>
<u>Net Assets</u>		
Invested in Capital Assets	30,201.53	
Held in Trust for Other Purposes	529,777.14	
Total Net Assets	<u>\$ 559,978.67</u>	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2006

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions by:	
State and Local Governments	\$ 285,313.30
Interest	15,649.69
Miscellaneous	78,416.02
Total Additions	<u>379,379.01</u>
<u>Deductions</u>	
Administrative Expenses	278,219.47
Depreciation	18,011.68
Total Deductions	<u>296,231.15</u>
Changes in Net Assets	83,147.86
Net Assets - Beginning of Year, as Restated (Note 14)	<u>476,830.81</u>
Net Assets - End of Year	<u><u>\$ 559,978.67</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the primary government and its component units. Accordingly, the accompanying financial statements present the Commission (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units that should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Employee dental insurance is also accounted for in the General Fund as well as the following sub-funds: Contingent, Capital Improvement, Capital Improvement Water, East Central Alabama Industrial Development Authority, Coosa Valley Water Supply District General Obligation Warrant Proceeds, and the Operations Center Funds.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the Commission's share of the statewide seven-cent gasoline tax. Revenues are earmarked for building and maintaining roads.
- ◆ **Public Buildings, Roads and Bridges Fund** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of special county property taxes for the reappraisal of real property located in the County.

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.
- ◆ **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.
- ◆ **Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Notes to the Financial Statements

For the Year Ended September 30, 2006

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 and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued is reported as other financing sources.

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

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

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

1. Deposits

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables

Sales tax receivables are based on the amounts collected within 30 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 30 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 also include various licenses, taxes, and fees collected and not yet remitted to the County and amounts due for housing the inmates of various cities in the County.

Accounts receivable include fees from a privately owned landfill and from various telephone companies for E-911 services.

3. Prepaid Items

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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 lives. 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	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years

The Commission began retroactively reporting its major general infrastructure assets (assets that were acquired 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, 2004.

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' Statement of Net Assets. Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred loss on refunding is deferred and amortized over the life of the refunded debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Bond issuance costs for the 2005 Gasoline Tax Anticipation Warrants in the amount of \$72,785.18 are being amortized over 15 years. At September 30, 2006, the amount due within the next year is \$4,934.59.

Bond issuance costs for the General Obligation Warrants, Series 2006, in the amount of \$92,857.29 are being amortized over 15 years. At September 30, 2006, the amount due within the next year is \$6,190.32.

6. Compensated Absences

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

Annual Leave

After completing a 90 day probationary period, employees earn annual leave as follows:

Upon initial eligibility	4 hours each pay period
After 5 years	5 hours each pay period
After 10 years	6 hours each pay period
After 15 years	7 hours each pay period
After 20 years	8 hours each pay period

Unused annual leave in excess of 30 days at the end of any calendar year shall be forfeited. Employees may carry forward to the next calendar year 30 days or less in leave. Upon separation or termination, employees are paid, up to maximum for annual leave. Leave time paid upon termination or resignation, including retirement, must be taken in a lump-sum payment.

Notes to the Financial Statements

For the Year Ended September 30, 2006

Sick Leave

Sick leave benefits are available to employees who have completed the 90-day probationary period. Employees earn four hours of leave every biweekly pay period to a maximum of 1200 hours. Sick leave days do not carryover or accumulate beyond the maximum and employees receive no monetary payment for sick leave credits. Unused sick leave up to 600 hours shall be paid upon death or retirement of an eligible county employee. Sick leave may be converted to retirement service credit.

The Commission uses the termination method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

As of September 30, 2006, the liability for accrued annual and sick leave is approximately \$1,009,563.94. Of this portion, \$22,707.13 is reported as Due Within One Year, and \$986,856.81 is reported as Due After One Year.

7. Net Assets/Fund Equity

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

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of deferred motor vehicle taxes, which are budgeted only to the extent expected to be collected rather than on the modified accrual basis of accounting. The Gasoline Tax Fund budgets on a basis of accounting consistent with GAAP with the exception of certain intergovernmental revenues and the associated expenditures that are budgeted as received and disbursed rather than on the modified accrual basis of accounting. The Public Buildings, Roads and Bridges Fund budgets on a basis of accounting consistent with GAAP with the exception of deferred motor vehicle taxes that are budgeted only to the extent expected to be collected rather than on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

The State Legislature enacted the County Financial Control Act of 1935, which is the present statutory basis for county budgeting operations. Under the terms of the County Financial Control Act, each county commission, at some meeting in September of each year, but in any event not later than the first meeting in October must estimate the Commission's revenues and expenditures and appropriate for the various purposes the respective amounts that are to be used for each purpose. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

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

Note 3 – Deposits and Investments

A. Deposits

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

B. Investments of the Fiscal Agent

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2006, the Commission’s cash with fiscal agent was invested as follows:

Investment Type	Fair Value	Investment Maturity
Regions Morgan Keegan Select Treasury Money Market Funds	<u>\$251,596.24</u>	Varies

Such funds as described above, where Regions Bank acts as trustee and/or paying agent, are invested as allowed in the governing document for the bond issues. These funds are held for the benefit of the bondholders and are invested in federal securities.

The investment policy approved by the Commission on February 14, 2006, applies primarily to non-fiscal agent deposits, all of which were properly categorized as cash or cash equivalents as September 30, 2006.

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission’s investment policy limits the Commission’s investments to maturities of less than one year.

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation or Moody’s Investors Service, Inc. The Commission has no formal policy regarding credit risk. As of September 30, 2006, the Commission’s investments in money market funds were rated “AAAm” by Standard & Poor’s Corporation.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties. However, the Commission’s deposits with Regions Morgan Keegan Select Treasury Money Market Fund do not involve this type of risk as “counterparties” relate to “swap” transactions which are not allowable under the bond covenants.

Notes to the Financial Statements

For the Year Ended September 30, 2006

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal policy that limits the amount the Commission may invest in any one issuer.

Note 4 – 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, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes	\$5,442,193.43	\$441,710.93
Reappraisal Maintenance		278,066.57
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$5,442,193.43</u>	<u>\$719,777.50</u>

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance 10/1/2005, as Restated (*)	Additions	Deletions	Balance 9/30/2006
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 927,808.16	\$ 131,304.73	\$	\$ 1,059,112.89
Construction in Progress	243,816.59	795,121.47	(896,066.21)	142,871.85
Infrastructure in Progress	739,961.64	885,463.45	(780,358.72)	845,066.37
Total Capital Assets, Not Being Depreciated	<u>1,911,586.39</u>	<u>1,811,889.65</u>	<u>(1,676,424.93)</u>	<u>2,047,051.11</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	14,953,678.73	781,677.66		15,735,356.39
Construction Equipment	2,051,988.51		(92,601.00)	1,959,387.51
Equipment and Furniture	5,348,938.34	1,284,670.14	(664,727.74)	5,968,880.74
Infrastructure	9,931,267.88	780,358.72		10,711,626.60
Total Capital Assets, Being Depreciated	<u>32,285,873.46</u>	<u>2,846,706.52</u>	<u>(757,328.74)</u>	<u>34,375,251.24</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,941,206.56)	(409,139.87)		(3,350,346.43)
Construction Equipment	(897,916.29)	(163,088.92)	92,601.00	(968,404.21)
Equipment and Furniture	(2,981,794.43)	(658,718.32)	433,872.09	(3,206,640.66)
Infrastructure	(1,263,841.06)	(90,899.35)		(1,354,740.41)
Total Accumulated Depreciation	<u>(8,084,758.34)</u>	<u>(1,321,846.46)</u>	<u>526,473.09</u>	<u>(8,880,131.71)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,201,115.12</u>	<u>1,524,860.06</u>	<u>(230,855.65)</u>	<u>25,495,119.53</u>
Total Governmental Activities Capital Assets, Net	<u>\$26,112,701.51</u>	<u>\$ 3,336,749.71</u>	<u>\$(1,907,280.58)</u>	<u>\$27,542,170.64</u>
(*) The beginning balances of Construction in Progress and Infrastructure in Progress were restated by \$142,487.91 and (\$16,152.00), respectively, due to prior year errors.				

Notes to the Financial Statements
For the Year Ended September 30, 2006

	Balance 10/1/2005	Additions	Balance 9/30/2006
Fiduciary Funds:			
Capital Assets, Being Depreciated:			
Equipment and Furniture	\$ 97,976.42	\$ 5,252.00	\$103,228.42
Total Capital Assets, Being Depreciated	97,976.42	5,252.00	103,228.42
Less Accumulated Depreciation for:			
Equipment and Furniture	(55,015.21)	(18,011.68)	(73,026.89)
Total Capital Assets, Being Depreciated, Net	42,961.21	(12,759.68)	30,201.53
Total Fiduciary Funds Capital Assets, Net	\$ 42,961.21	\$(12,759.68)	\$ 30,201.53

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 365,356.78
Public Safety	586,545.49
Highway and Roads	352,296.99
Health	393.20
Welfare	1,267.86
Culture/Recreation	3,687.06
Intergovernmental	12,299.08
Total Depreciation Expense - Governmental Activities	\$1,321,846.46

Depreciation expense was charged to fiduciary funds as follows:

	Current Year Depreciation Expense
Fiduciary Funds:	
Depreciation	\$18,011.68

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is 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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006 was 9.22 percent based on the actuarial valuation performed as of September 30, 2004.

C. Annual Pension Cost

For the year ended September 30, 2006, the Commission's annual pension cost of \$626,064 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, 2005, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2005 was 19 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	\$626,064	100%	\$0
9/30/2005	\$564,620	100%	\$0
9/30/2004	\$497,902	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2006

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
9/30/2005	\$14,899,993	\$19,745,827	\$4,845,834	75.50%	\$6,684,089	71.00%
9/30/2004**	\$13,944,296	\$17,006,748	\$3,062,452	82.00%	\$5,860,247	51.40%
9/30/2003***	\$13,182,488	\$15,954,603	\$2,772,115	82.60%	\$5,654,014	49.00%

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

** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

*** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

Note 7 – Other Postemployment Benefits (OPEB)

The Commission provides post employment health care benefits to employees who meet the following eligibility requirements. Employees must: (1) have been covered by the Commission group health care plan at the time of retirement; and (2) immediately upon retirement begin receiving a retirement pension under the rules and regulations of the Alabama State Employees Retirement System. Dependents can be covered under an eligible retiree’s family plan if the dependents: (1) meet the definition of “who can be covered” in each option’s contract, (2) are under 65 years of age, and (3) are not eligible for Medicare. The Commission’s contributions are on a pay-as-you-go basis, and for the year ended September 30, 2006, the Commission’s expenditures to cover an average of 19 employees totaled \$138,077.85.

Note 8 – 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 St. Clair 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, 2006 amounted to \$27,303.35.

Notes to the Financial Statements
For the Year Ended September 30, 2006

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provisions for possible loss, if any, are included in the financial statements.

Note 9 – Long-Term Debt

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities. In 1992, General Obligation Warrants were issued to provide funds for the construction of a county jail. In 1998, warrants were issued to refund the 1992 Warrants and to obtain funds to renovate the Pell City Courthouse. The interest rate on these warrants varied from 4 percent to 5.1 percent.

In November 1999, Gasoline Tax Anticipation Warrants were issued to restore, resurface and rehabilitate roads in the County. These warrants are to be repaid with funds received from the State four-cent gasoline tax. In 2005, warrants were issued to refund the 1999 warrants and to obtain funds to be used for road resurfacing. The interest rate on these warrants varied from 2.7 percent to 4 percent.

In August 2006, the Commission issued General Obligation Warrants, Series 2006, in the amount of \$3,090,000 to finance the Coosa Valley Water Supply District upgrades to water system facilities and to finance capital outlays of the county. The interest rate on these warrants was 4 percent.

In September 2006, the Commission issued a General Obligation Warrant in the amount of \$1,500,000.00, which was loaned to the City of Moody to finance the purchase of land for economic development. The interest rate on this warrant was 4.7 percent.

In July 2002, the East Central Alabama Industrial Development Authority issued bonds to provide funding for certain improvements to the Honda project site in Lincoln, Alabama. The Commission entered into a funding agreement with several other entities to provide a source of payment of the bonds at a 5 percent interest rate.

In March 2004, the Commission purchased several heavy equipment machinery items for the road department financed with a long-term note payable. The interest rate on the note payable is 2.75 percent.

In April 2005, the Commission purchased 3.5 acres of land to establish Canoe Creek Park, a public park. The interest rate on the note payable is 6.5 percent per annum.

Notes to the Financial Statements
For the Year Ended September 30, 2006

In September 2005, the Commission purchased three tractors for the road department financed with a long-term note payable. The interest rate on the note payable is 3.5 percent.

In March 2006, the Commission purchased three dump trucks for the road department financed with a long-term note payable. The interest rate on the note payable is 3.25 percent.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2006:

	Debt Outstanding October 1, 2005	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2006	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants	\$ 7,370,000.00	\$4,590,000.00	\$(270,000.00)	\$11,690,000.00	\$ 508,617.59
Gas Tax Warrants	3,445,000.00			3,445,000.00	200,000.00
Total Warrants Payable	10,815,000.00	4,590,000.00	(270,000.00)	15,135,000.00	708,617.59
Plus: Unamortized Premium		15,695.80	(174.38)	15,521.42	1,046.28
Less: Unamortized Discount	(26,791.97)		1,837.18	(24,954.79)	(1,837.16)
Less: Deferred Loss on Refunding	(88,376.98)		9,350.61	(79,026.37)	(9,776.46)
Warrants Payable, Net	10,699,831.05	4,605,695.80	(258,986.59)	15,046,540.26	698,050.25
Other Liabilities:					
Obligation Under Funding Agreement	1,116,639.74		(88,691.44)	1,027,948.30	93,053.31
Long-Term Notes Payable	1,340,510.23	262,990.00	(502,645.00)	1,100,855.23	310,895.89
Estimated Liability for Compensated Absences	903,276.65	106,287.29		1,009,563.94	22,707.13
Total Other Liabilities	3,360,426.62	369,277.29	(591,336.44)	3,138,367.47	426,656.33
Total Governmental Activities Long-Term Liabilities	\$14,060,257.67	\$4,974,973.09	\$(850,323.03)	\$18,184,907.73	\$1,124,706.58

Payments on the general obligation warrants payable and the funding agreement are made by the General Fund and Debt Service Funds. The Gasoline Tax Anticipation Warrants are paid by RRR Gasoline Tax Fund. The long-term notes payable are paid by the Public Buildings, Roads and Bridges Fund.

The compensated absences liability will be liquidated by various governmental funds. The current compensated absences liability will be liquidated by the General Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

Fiscal Year Ending	1998 General Obligation Warrants Payable		2005 Gasoline Tax Anticipation Warrants Payable	
	Principal	Interest	Principal	Interest
September 30, 2007	\$ 508,617.59	\$ 533,249.43	\$ 200,000.00	\$114,952.50
2008	526,772.27	511,170.37	205,000.00	109,331.25
2009	550,455.61	487,699.53	210,000.00	103,260.00
2010	574,130.85	463,326.79	215,000.00	96,885.00
2011	602,985.11	437,452.53	225,000.00	90,172.50
2012-2016	3,429,369.55	1,747,637.40	1,230,000.00	335,088.75
2017-2021	4,293,289.77	860,605.93	1,160,000.00	93,601.25
2022-2023	1,204,379.25	60,707.66		
Total	\$11,690,000.00	\$5,101,849.64	\$3,445,000.00	\$943,291.25

Bond Issuance Costs, Deferred Charges on Refunding and Discounts

The Commission has bond issuance costs as well as bond discounts in connection with the issuance of its 2005 Gasoline Tax Anticipation Warrants and bond issuance costs as well as bond premiums in connection with the issuance of its 2006 General Obligation Warrants. The issuance costs, bond discount and bond premium are being amortized using the straight-line method over a period of fifteen years. The deferred loss on refunding is being amortized using the straight-line method over a period of ten years.

	Issuance Costs	Deferred Charges on Refunding	Discount	Premium
Total Issuance Costs, Deferred Charges on Refunding, Discount and Premium	\$165,642.47	\$90,432.24	\$27,098.15	\$15,695.80
Amount Amortized Prior Years	(822.42)	(2,055.26)	(306.18)	
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium	164,820.05	88,376.98	26,791.97	15,695.80
Current Amount Amortized	(5,966.32)	(9,350.61)	(1,837.18)	(174.38)
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium	<u>\$158,853.73</u>	<u>\$79,026.37</u>	<u>\$24,954.79</u>	<u>\$15,521.42</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

Obligation Under Funding Agreement		Long-Term Notes Payable		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	
\$ 93,053.31	\$ 52,926.98	\$ 310,895.89	\$36,710.35	\$ 1,850,406.05
97,899.84	48,413.89	322,308.99	25,297.24	1,846,193.85
102,746.37	43,518.90	290,851.14	13,446.65	1,801,978.20
107,592.89	38,330.21	148,538.54	4,321.29	1,648,125.57
112,924.07	32,950.57	28,260.67	268.49	1,530,013.94
513,731.82	70,264.46			7,326,091.98
				6,407,496.95
				1,265,086.91
\$1,027,948.30	\$286,405.01	\$1,100,855.23	\$80,044.02	\$23,675,393.45

Prior Year Defeasance of Debt

In 2005, the Commission defeased \$1,900,000 of outstanding 1999 State Gasoline Tax Anticipation Warrants by placing a portion of the proceeds of in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 State Gasoline Tax Anticipation 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, 2006, \$1,750,000.00 of the 1999 State Gasoline Tax Anticipation Warrants outstanding are considered defeased.

Note 10 – 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.

Notes to the Financial Statements

For the Year Ended September 30, 2006

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to \$50,000 per incident with a \$5,000 deductible and unlimited defense costs.

The Commission has insurance for one of its buildings and contents (county health department in Ashville) through the State Insurance Fund (SIF) part of the State of Alabama, Department of Risk Management, which operates as a common risk management and insurance program for state owned properties and county commissions. The Commission pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million.

The Commission purchases commercial insurance for its other risks of loss, including buildings and contents insurance for all properties except one (mentioned above), employee dishonesty insurance and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission is self-insured with regard to employee dental insurance. The Administrative Services Agreement between the Commission and Blue Cross and Blue Shield of Alabama requires the Commission to deposit a monthly fee to cover the costs of claims incurred during the previous month. The maximum employee benefit is \$1,200.00 per employee per calendar year. Employees are personally liable for any additional costs. The schedule below presents dental claims information for the current and preceding fiscal years:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2005-2006	\$10,149.57	\$131,418.34	\$131,476.13	\$10,091.78
2004-2005	\$ 8,891.83	\$136,313.16	\$135,055.42	\$10,149.57
2003-2004	\$ 7,918.14	\$122,768.89	\$121,795.20	\$ 8,891.83

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 11 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2006, were as follows:

	Due From Other Funds		Total
	General Fund	Other Governmental Funds	
Due to Other Funds:			
General Fund	\$	\$61,675.60	\$ 61,675.60
Other Governmental Funds	872,504.86		872,504.86
Total	\$872,504.86	\$61,675.60	\$934,180.46

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2006, were as follows:

	Transfers Out			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$	\$ 370,000.00	\$ 370,000.00
Gasoline Tax Fund	60,000.00	800,000.00	510,547.00	1,370,547.00
Other Governmental Funds	364,994.31	1,107,232.97	1,059,487.50	2,531,714.78
Totals	\$424,994.31	\$1,907,232.97	\$1,940,034.50	\$4,272,261.78

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General, Gasoline Tax, and Public Buildings, Roads and Bridges Funds to the Debt Service Funds to service current-year debt requirements.

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 12 – Related Organizations

A majority of the Members of the Cook Springs Water Authority; New London Water, Sewer and Fire Protection Authority; Wolf Creek Water, Sewer and Fire Protection Authority; St. Clair County Library Board; St. Clair County Mental Retardation Development and Disabilities Board; St. Clair County Historical Development Commission; St. Clair County Department of Human Resources Board of Directors and St. Clair County Industrial Development Board are appointed by the St. Clair County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for any of the above agencies and the agencies are not considered part of the Commission's financial reporting entity. These agencies are considered related organizations of the County Commission.

Note 13 – Subsequent Events

Bass Pro

On May 16, 2007, the Commission entered into an agreement to obligate the County to participate in a funding agreement to be executed once warrants are issued by the City of Leeds to finance the Bass Pro Project (BPS). The warrants were issued on May 24, 2007, and the funding agreement was subsequently executed on June 26, 2007. This agreement obligated the Commission to guarantee the faithful performance of 25% of all the obligations on the Series 2006A (\$24.3 million) and Series 2006B (\$2.055 million) warrants issued by Leeds to finance the BPS project (i.e., \$6.59 million). Leeds agreed to guarantee 50% of the Series 2006C (\$6.44 million) warrants, leaving the Commission's obligation for Series 2006C at \$1.61 million. The agreement further obligated the Commission to bear 25% of the cost to widen Rex Lake Road and to cause all utilities necessary for the operation of the project to be extended with sufficient capacity as to support the Bass Pro store and a hotel. However, there is no specified amount or time limitation for this obligation to be met.

Red Diamond

On February 27, 2007, the Commission approved a development agreement by and between the Commission, the City of Moody, the Industrial Development Board of St. Clair County (IDB), the Commercial Development Authority of the City of Moody (CDA) and Red Diamond, Inc. This agreement obligated the Commission to provide \$500,000 to Red Diamond to defray the cost of purchasing the project site, to provide approximately \$90,000 to the IDB to advance to Red Diamond for an Industrial Development Grant (such funds to be repaid to the Commission from the proceeds, if any, of the grant), to provide any required matching funds for a CDBG and ARC grant (amount not specified), and to loan Red Diamond \$1.5 million to defray a portion of the cost of constructing its new facilities. Red Diamond will pay interest only at 4% annually for ten years. Beginning in year eleven, the City of Moody will make payments against the principal balance amounts equal to business license fees they receive from Red Diamond until the principal balance of the loan is paid in full.

Notes to the Financial Statements
For the Year Ended September 30, 2006

Courthouse Renovation

On March 27, 2007, the Commission approved an Inducement Resolution in regard to financing the Ashville Courthouse renovation and expansion by the issuance of one or more series of warrants to be approved (new debt not to exceed \$6.2 million).

Note 14 – Restatements

On October 1, 2005, beginning fund balances were restated to correct various prior year errors including the reclassification of certain notes receivable to long-term.

In addition, beginning net assets for governmental activities were restated to correct capital asset balances and various prior year errors. Also, beginning net assets for fiduciary funds were restated to correct prior year errors.

The impact of the restatements on the fund balances/net assets as previously reported is as follows:

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2005, as Previously Reported	\$10,841,982.30	\$145,155.87	\$1,151,642.10	\$ 6,137,320.73	\$18,276,101.00
Restatements	(714,158.14)	119,387.23		(1,254,464.65)	(1,849,235.56)
Fund Balance, September 30, 2005, as Restated	<u>\$10,127,824.16</u>	<u>\$264,543.10</u>	<u>\$1,151,642.10</u>	<u>\$ 4,882,856.08</u>	<u>16,426,865.44</u>
Governmental Activities Net Assets, September 30, 2005, as Previously Reported					30,177,426.49
Restatements					(13,277.73)
Restatement of Capital Assets					126,335.91
Governmental Activities Net Assets, September 30, 2005, as Restated					<u>\$30,290,484.67</u>

Fiduciary Funds Net Assets, September 30, 2005, as Previously Reported	\$546,979.77
Restatement	(70,148.96)
Fiduciary Funds Net Assets, September 30, 2005, as Restated	<u>\$476,830.81</u>

Note 15 – Notes Receivable

The Commission has made loans to various governmental entities for the purposes of economic development, sewer/improvement projects, and other capital improvements. The majority of the loans are to be repaid after the sale of development property. The remaining loans are to be repaid over a three to ten year period. A total of \$5,105,266.92 was outstanding at September 30, 2006. Of this amount, \$130,375.38 is due and payable in the next year.

This Page Intentionally Blank

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 10,338,431.00	\$ 10,340,152.82	\$ 10,881,392.16
Licenses and Permits	116,460.00	116,460.00	136,091.27
Intergovernmental	576,681.00	767,456.00	814,017.69
Charges for Services	2,378,530.00	2,378,530.00	2,593,145.93
Fines and Forfeitures			30,000.00
Miscellaneous	158,747.66	158,747.66	569,832.21
Total Revenues	<u>13,568,849.66</u>	<u>13,761,346.48</u>	<u>15,024,479.26</u>
<u>Expenditures</u>			
Current:			
General Government	4,624,818.88	4,763,727.47	4,552,082.07
Public Safety	6,541,972.79	6,677,065.79	6,830,924.75
Highways and Roads		61,327.50	60,649.80
Health	195,150.00	208,150.00	204,089.19
Welfare	92,126.08	92,126.08	76,378.55
Culture and Recreation	66,337.00	66,337.00	58,335.35
Education	42,890.87	42,890.87	32,000.00
Intergovernmental	901,128.00	1,451,330.47	3,909,586.43
Capital Outlay	146,912.00	610,325.45	590,512.72
Debt Service:			
Principal Retirement	53,368.55	53,368.55	53,368.55
Interest and Fiscal Charges	17,390.61	17,390.61	18,140.61
Warrant Issuance Costs		61,957.29	92,857.29
Total Expenditures	<u>12,682,094.78</u>	<u>14,105,997.08</u>	<u>16,478,925.31</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>886,754.88</u>	<u>(344,650.60)</u>	<u>(1,454,446.05)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,071,371.69	1,171,371.69	370,000.00
Sale of Capital Assets			15,560.00
Issuance of General Obligation Warrants		3,090,000.00	4,590,000.00
Premium on Warrant Issuance		15,695.80	15,695.80
Issuance of Notes Receivable			(3,244,075.99)
Transfers Out	(1,745,439.05)	(2,063,582.29)	(424,994.31)
Total Other Financing Sources (Uses)	<u>(674,067.36)</u>	<u>2,213,485.20</u>	<u>1,322,185.50</u>
Net Change in Fund Balances	212,687.52	1,868,834.60	(132,260.55)
Fund Balances - Beginning of Year	<u>11,133,769.54</u>	<u>12,261,898.28</u>	<u>10,394,378.30</u>
Fund Balances - End of Year	<u>\$ 11,346,457.06</u>	<u>\$ 14,130,732.88</u>	<u>\$ 10,262,117.75</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (30,481.51)	\$ 10,850,910.65
		136,091.27
		814,017.69
		2,593,145.93
		30,000.00
		569,832.21
	<u>(30,481.51)</u>	<u>14,993,997.75</u>
		4,552,082.07
		6,830,924.75
		60,649.80
		204,089.19
		76,378.55
		58,335.35
		32,000.00
		3,909,586.43
		590,512.72
		53,368.55
		18,140.61
		92,857.29
		<u>16,478,925.31</u>
	<u>(30,481.51)</u>	<u>(1,484,927.56)</u>
		370,000.00
		15,560.00
		4,590,000.00
		15,695.80
		(3,244,075.99)
		<u>(424,994.31)</u>
		<u>1,322,185.50</u>
	(30,481.51)	(162,742.06)
(2)	<u>(266,554.14)</u>	<u>10,127,824.16</u>
	<u>\$ (297,035.65)</u>	<u>\$ 9,965,082.10</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006***

Explanation of differences:

- (1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned. (Difference between prior year deferral \$266,554.14 and current year deferral \$297,035.65.)

Net Decrease in Fund Balance - Budget to GAAP

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

\$ (30,481.51)

\$ (30,481.51)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Intergovernmental	\$ 1,323,709.00	\$ 1,323,709.00	\$ 1,362,832.46
Charges for Services	35,000.00	35,000.00	204,082.04
Miscellaneous	321,000.00	321,000.00	328,718.23
Total Revenues	<u>1,679,709.00</u>	<u>1,679,709.00</u>	<u>1,895,632.73</u>
Expenditures			
Current:			
Highways and Roads	3,196,265.30	3,197,557.30	3,241,320.16
Capital Outlay	30,500.00	41,590.00	38,690.66
Total Expenditures	<u>3,226,765.30</u>	<u>3,239,147.30</u>	<u>3,280,010.82</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,547,056.30)</u>	<u>(1,559,438.30)</u>	<u>(1,384,378.09)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets			33,210.00
Transfers In	1,624,000.00	1,716,847.00	1,370,547.00
Total Other Financing Sources (Uses)	<u>1,624,000.00</u>	<u>1,716,847.00</u>	<u>1,403,757.00</u>
Net Change in Fund Balances	76,943.70	157,408.70	19,378.91
Fund Balances - Beginning of Year	<u>145,155.87</u>	<u>145,155.87</u>	<u>264,543.10</u>
Fund Balances - End of Year	<u>\$ 222,099.57</u>	<u>\$ 302,564.57</u>	<u>\$ 283,922.01</u>

Explanation of differences:

- (1) (2) The Commission budgets certain intergovernmental revenues and the associated expenditures as received and disbursed rather than on the modified accrual basis (GAAP).

Net Increase/(Decrease) in Fund Balance - Budget to GAAP

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 40,397.08	\$ 1,403,229.54
		204,082.04
		328,718.23
	<u>40,397.08</u>	<u>1,936,029.81</u>
		3,241,320.16
(2)	<u>(40,397.08)</u>	<u>79,087.74</u>
	<u>(40,397.08)</u>	<u>3,320,407.90</u>
		<u>(1,384,378.09)</u>
		33,210.00
		<u>1,370,547.00</u>
		<u>1,403,757.00</u>
		19,378.91
		<u>264,543.10</u>
	<u>\$</u>	<u>\$ 283,922.01</u>
	\$ 40,397.08	
	<u>(40,397.08)</u>	
	<u>\$</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,736,625.00	\$ 1,736,625.00	\$ 1,836,918.11
Intergovernmental	23,288.00	23,288.00	23,287.59
Miscellaneous	20,375.00	20,375.00	52,628.52
Total Revenues	<u>1,780,288.00</u>	<u>1,780,288.00</u>	<u>1,912,834.22</u>
Expenditures			
Current:			
Highways and Roads		9,461.25	9,461.25
Capital Outlay	157,473.00	543,526.00	513,966.65
Total Expenditures	<u>157,473.00</u>	<u>552,987.25</u>	<u>523,427.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,622,815.00</u>	<u>1,227,300.75</u>	<u>1,389,406.32</u>
Other Financing Sources (Uses)			
Sale of Capital Assets			297,780.00
Issuance of Long-Term Notes Payable	150,000.00	150,000.00	262,990.00
Transfers Out	(1,711,689.04)	(1,905,332.97)	(1,907,232.97)
Total Other Financing Sources (Uses)	<u>(1,561,689.04)</u>	<u>(1,755,332.97)</u>	<u>(1,346,462.97)</u>
Net Change in Fund Balances	61,125.96	(528,032.22)	42,943.35
Fund Balances - Beginning of Year	<u>1,281,356.13</u>	<u>1,281,356.13</u>	<u>1,281,356.13</u>
Fund Balances - End of Year	<u>\$ 1,342,482.09</u>	<u>\$ 753,323.91</u>	<u>\$ 1,324,299.48</u>

Explanation of differences:

- (1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned. (Difference between prior year deferral \$129,714.03 and current year deferral \$144,675.28.)

Net Decrease in Fund Balance - Budget to GAAP

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

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (14,961.25)	\$ 1,821,956.86
		23,287.59
		52,628.52
	<u>(14,961.25)</u>	<u>1,897,872.97</u>
		9,461.25
		513,966.65
		<u>523,427.90</u>
	<u>(14,961.25)</u>	<u>1,374,445.07</u>
		297,780.00
		262,990.00
		<u>(1,907,232.97)</u>
		<u>(1,346,462.97)</u>
	(14,961.25)	27,982.10
(2)	<u>(129,714.03)</u>	<u>1,151,642.10</u>
	<u>\$ (144,675.28)</u>	<u>\$ 1,179,624.20</u>
	<u>\$ (14,961.25)</u>	
	<u>\$ (14,961.25)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	\$ 1,056,882.00	\$ 1,056,882.00	\$ 942,533.39
Charges for Services			947.98
Miscellaneous	40,000.00	40,000.00	36,873.77
Total Revenues	<u>1,096,882.00</u>	<u>1,096,882.00</u>	<u>980,355.14</u>
Expenditures			
Current:			
General Government	1,078,882.00	1,078,882.00	980,355.14
Capital Outlay	18,000.00	18,000.00	
Total Expenditures	<u>1,096,882.00</u>	<u>1,096,882.00</u>	<u>980,355.14</u>
Excess (Deficiency) of Revenues Over Expenditures			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 942,533.39
	947.98
	36,873.77
	<u>980,355.14</u>
	980,355.14
	<u>980,355.14</u>
<u>\$</u>	<u>\$</u>

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Community Development Block Grants/State's Program (M)	14.228	CY-CM-PF-04-013
Community Development Block Grants/State's Program (M)	14.228	CY-ED-PF-05-004
Total U. S. Department of Housing and Urban Development		
<u>U. S. Department of Justice</u>		
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JF-C3-016
Title V - Delinquency Prevention Program	16.548	04-JP-JC-002
Total U. S. Department of Justice		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Formula Grants for Other than Urbanized Areas	20.509	
<u>Elections Assistance Commission</u>		
<u>Passed Through Alabama Secretary of State</u>		
Help America Vote Act Requirements Payments	90.401	
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	05SNS
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/27/2004 - 03/31/2006	\$ 598,900.00	\$ 400,000.00	\$ 348,010.00	\$ 348,010.00
10/17/2005 - 00/00/0000	240,015.00	200,000.00	195,405.96	195,405.96
	<u>838,915.00</u>	<u>600,000.00</u>	<u>543,415.96</u>	<u>543,415.96</u>
06/01/2005 - 05/31/2006	135,050.30	135,050.30	87,296.90	87,296.90
06/01/2005 - 10/31/2005	42,971.76	28,614.25	5,507.57	5,507.57
	<u>178,022.06</u>	<u>163,664.55</u>	<u>92,804.47</u>	<u>92,804.47</u>
10/01/2005 - 09/30/2006	119,002.00	119,002.00	33,609.00	33,609.00
10/01/2005 - 09/30/2006	186,775.00	186,775.00	186,775.00	186,775.00
01/01/2005 - 12/30/2005	<u>4,427.00</u>	<u>4,427.00</u>	<u>4,401.83</u>	<u>4,401.83</u>
	\$ 1,327,141.06	\$ 1,073,868.55	\$ 861,006.26	\$ 861,006.26

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
State and Local Homeland Security Exercise Support	97.006	3DOE
Hazard Mitigation Grant	97.039	HMPG-DR-1549-082
Chemical Stockpile Emergency Preparedness Program	97.040	
Emergency Management Performance Grants	97.042	06-EMPG-58
Total Passed Through Alabama Emergency Management Agency		
Homeland Security Cluster:		
State Domestic Preparedness Equipment Support Program	97.004	ZUHF
<u>Passed Through Alabama Department of Homeland Security</u>		
State Domestic Preparedness Equipment Support Program	97.004	4LET
State Domestic Preparedness Equipment Support Program	97.004	4 SHL
Sub-Total State Domestic Preparedness Equipment Support Program		
Homeland Security Grant Program	97.067	5SHG
Homeland Security Grant Program	97.067	5SEC
Sub-Total Homeland Security Grant Program		
Total Homeland Security Cluster		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,327,141.06	\$ 1,073,868.55	\$ 861,006.26	\$ 861,006.26
06/07/2005 - 12/31/2006	5,000.00	5,000.00	2,181.58	2,181.58
09/15/2005 - 09/30/2006	107,450.00	80,588.00	79,370.52	79,370.52
10/01/2002 - 09/30/2007	2,642,200.00	2,642,200.00	680,109.76	680,109.76
10/01/2005 - 09/30/2006	30,732.00	27,844.00	27,844.00	27,844.00
	2,785,382.00	2,755,632.00	789,505.86	789,505.86
11/01/2005 - 12/30/2005	2,750.00	2,750.00	1,904.00	1,904.00
12/01/2003 - 09/30/2006	38,520.00	38,520.00	38,520.00	38,520.00
12/01/2003 - 09/30/2006	171,600.00	171,600.00	32,113.47	32,113.47
	212,870.00	212,870.00	72,537.47	72,537.47
10/01/2004 - 03/31/2007	100,000.00	100,000.00	21,902.71	21,902.71
08/28/2006 - 12/28/2006	84,130.00	84,130.00	4,129.72	4,129.72
	184,130.00	184,130.00	26,032.43	26,032.43
	397,000.00	397,000.00	98,569.90	98,569.90
	3,182,382.00	3,152,632.00	888,075.76	888,075.76
	\$ 4,509,523.06	\$ 4,226,500.55	\$ 1,749,082.02	\$ 1,749,082.02

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2006***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the St. Clair 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 – CDBG Program

The Commission received federal awards under the Community Development Block Grants/State's Program (CFDA #14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Small Cities Program (CFDA #14.219) were used for compliance testing.

Additional Information

Commission Members and Administrative Personnel
October 1, 2005 through September 30, 2006

Commission Members			Term Expires
Hon. Stanley D. Batemon	Chairman	534 Eagle Pointe Lane Pell City, AL 35128	2010
Hon. Jeff Brown	Member	18801 Highway 11 Steele, AL 35987	2010
Hon. Michael E. Bowling	Member	60 Brian Knoll Odenville, AL 35120	2008
Hon. Paul Manning	Member	P. O. Box 119 Wattsville, AL 35182	2008
Hon. James S. (Jimmy) Roberts	Member	801 Old Wagon Road Pell City, AL 35125	2008

Administrative Personnel

Ms. Joy Thompson (*)	Administrator/ Treasurer	P. O. Box 397 Ashville, AL 35953
Ms. Kim McPherson (**)	Administrator/ Treasurer	285 Majestic Pines Lane Trussville, AL 35173

(*) Retired June 15, 2006

(**) Hired June 15, 2006

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Commission as of and for the year ended September 30, 2006, which collectively comprise St. Clair County Commission's basic financial statements and have issued our report thereon dated June 8, 2007. 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 St. Clair County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

***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***

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2007

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

Compliance

We have audited the compliance of the St. Clair County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The St. Clair County 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 St. Clair County Commission's management. Our responsibility is to express an opinion on the St. Clair County Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Clair County Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the St. Clair County Commission's compliance with those requirements.

In our opinion, the St. Clair County 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, 2006.

Internal Control Over Compliance

The management of the St. Clair County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the St. Clair County Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2007

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

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

Reportable condition(s) 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

Reportable condition(s) 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
14.228	Community Development Block Grant/State's 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, 2006

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.	