Report on the

St. Clair County Commission

St. Clair County, Alabama

October 1, 2006 through September 30, 2007

Filed: September 19, 2008

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

08-615

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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, I submit this report on the St. Clair County Commission for the period October 1, 2006 through September 30, 2007.

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 each 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.

Respectfully submitted,

Cathy M. Cook

Cathy M. Cook
Examiner of Public Accounts

Sworn to and subscribed before me this the 9th day of September, 2008.

Sandra E Shirley
Notary Public

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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, 2007, 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, 2007, 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 August 13, 2008, 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

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

August 13, 2008

Management's Discussion and Analysis
(Required Supplementary Information)

St. Clair County Commission
Management's Discussion and Analysis (MD&A)
Fiscal Year Ending September 30, 2007

St. Clair County Commission Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ending September 30, 2007. Please read it in conjunction with the Commission's financial statements and notes to the financial statement, which immediately follow this analysis. The MD&A is part of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments* issued June 1999.

FINANCIAL HIGHLIGHTS

- Total net assets increased for the 2007 fiscal year by $3,033,806.96. This is mainly due to an increase in capital asset purchases and a reduction in liabilities (payoff of dump trucks and construction equipment).
- The assets of the Commission exceeded its liabilities at the close of the 2007 fiscal year by $33 million (net assets). Of this amount, $9.6 million of unrestricted net assets may be used to meet the Commission's future costs of operations; whereas, $122,499.09 is unreserved for the Sheriff's operations.
- Expenses for governmental activities were $24.9 million for the 2007 fiscal year. This is a decrease in expenses from last year by $994,074.71. The net costs of program expenses totaled $15,007,225.18. The expenses were offset by general revenues in the amount of $18,041,032.14. This left a positive change in net assets that totaled $3,033,806.96.
- Total revenues were $28 million. This is an increase of $2.3 million from last fiscal year.
- Capital assets (net) increased from last year by $693,398.70. However, capital asset expenditures for FY2007 were $2,715,613.54 a decrease spent from last year by $231,557.70. Capital outlay purchased for the fiscal year include: metal storage building for the CSEPP grant program, consoles for the Operations Center building, server for the CSEPP grant program, mobile data laptops for Homeland Security, telephone system for the Ashville Administrative Building, security alarm and cameras for CSEPP grant program (Operations Center building) and generator for CSEPP staging sites, five sirens purchased from CSEPP grant funds, road departments purchases that include: three loaders, two graders, caterpillar excavator, broom and tractor; tower built for Bald Rock Mountain and two repeaters (purchased from CSEPP grant), Lowboy trailer for Forestry, and vehicles for the Highway and Sheriff departments.

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: (1) independent auditor's report (2) management's discussion and analysis (3) the basic financial statements and notes, (4) required supplementary information, and (5) other supplementary information.

The 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. Below is a brief discussion of the basic financial statements, which distinguishes the differences between the 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:

<u>General Government</u> – expenditures for the legislative, judicial and administrative functions of the county, and those not properly included in any other functional category.
<u>Public Safety</u> – expenditures for the protection of persons and property, including the corrections function.
<u>Highways and Roads</u> – expenditures for roadways and walkways, except those in parks which are charged to Culture and Recreation.
<u>Sanitation</u> – expenditures for the removal and disposal of sewage and other forms of waste.
<u>Health</u> – expenditures for the conservation and improvement of public health.
<u>Welfare</u> – expenditures to provide public assistance and institutional care for persons who are economically unable to provide essential needs for themselves.
<u>Culture and Recreation</u> – expenditures for all cultural and recreational facilities and activities maintained for the benefit of county residents and visitors.
<u>Education</u> – consists primarily of payments to the board of education, extension service, or other educational entity.
<u>Debt Service</u> – comprised of repayments of general long-term debt principal, interest, fiscal fees and other charges related to the servicing of long-term debt obligations.
<u>Intergovernmental</u> – 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 government-wide financial statements report on all of the governmental activities of the Commission as a whole.

The Statement of Net Assets (exhibit #1) is most closely related to a balance sheet. It presents information on all of the Commission's assets and liabilities 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 prior fiscal years 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 not improving.

The Statement of Activities (exhibit #2) 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 this financial statement 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 year.

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. The Commission's funds are classified into two categories: governmental funds and fiduciary funds.

Governmental Funds are separated into major funds on the fund financial statements (exhibits #3 and #5). The Commission's major funds are the General Fund (always a major fund), Gasoline Tax Fund, Public Buildings, Roads and Bridges Fund and Reappraisal Fund. Every fiscal year, the funds are reviewed to see if the fund is still a major fund or if there is a new major fund. These statements account for basically the same governmental activities reported in the government-wide financial statements

Fiduciary Funds – These are funds held by the Commission as a trustee for individuals, organizations, or other governments. The fiduciary funds are in separate statements (exhibits #7 and #8) and focus on net assets and the changes in net assets. These funds are not available to the Commission to finance its operations; therefore, the funds are 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.

The fund financial statements are still measured on the modified-accrual basis of accounting as reported in previous years; whereas, 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 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 resources. The relationship between governmental funds reported in the government-wide financial statements and the governmental funds reported in the fund financial statements are reconciled on exhibit #4 and exhibit #6. These reconciliations are useful to readers in understanding the long-term impact of the Commission's short-term financing decisions.

ANALYSIS OF THE COMMISSION'S OVERALL FINANCIAL POSITION

The following tables are a brief summary of the government-wide financial statements. Net assets can be a useful indicator of a government's overall financial position. The Commission's assets exceeded liabilities by $33 million at September 30, 2007.

Table 1: Statement of Net Assets (Condensed)

	Governmental Activities	
	9/30/2007	9/30/2006
Current and other assets	$29,634,774.96	$31,862,552.50
Capital Assets	28,235,569.34	27,542,170.64
Total Assets	$57,870,344.30	$59,404,723.14
Current and other liabilities	8,113,882.28	11,213,966.52
Long-term liability	16,750,772.94	18,184,907.73
Total Liabilities	$24,864,655.22	$29,398,874.25
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,988,423.59	19,341,315.41
Restricted	2,381,506.56	3,155,787.67
Unrestricted	9,635,758.93	7,508,745.81
Total Net Assets	$33,005,689.08	$30,005,848.89

The Commission had $20.9 million dollars invested in capital assets (net of debt) as of 9/30/07. Capital assets include land, buildings, furniture and equipment less accumulated depreciation and debt related to the purchase of the assets.

Restricted net assets for the fiscal year 2007 were $2.4 million. Restricted net assets are reported separately to show the legal restraints from debt covenants and legislation that limit the spending of funds for their specific purposes.

The remaining balance of unrestricted net assets of $9.6 million may be used in an unrestricted way to meet the needs of citizens, agencies, departments and obligations to creditors; however, $122,499.09 of the unrestricted net assets belongs to the Sheriff to spend funds for public safety.

The 2007 fiscal year ended with positive balances in net assets, which means the Commission had funds available to cover operations and outstanding debt with resources left over to use for next year.

The results of this fiscal year's operations as a whole are reported in detail in the Statement of Activities (Exhibit #2). Table 2 condenses the results of operations for the fiscal year, so that the reader can easily review total revenues and total expenses for the fiscal year. The summary also shows the impact that operations had on changes in net assets as of September 30, 2007.

Table 2: Statement of Activities (Condensed)

	Governmental Activities	
	9/30/2007	9/30/2006
Revenues		
Program Revenues:		
Charges for services	$4,320,961.98	$3,896,210.50
Operating grants and contributions	5,360,585.24	4,759,891.35
Capital grants and contribution	280,720.67	1,553,777.62
General Revenues:		
Local property taxes	6,793,738.76	6,183,817.38
General sales tax	6,656,973.55	6,167,705.68
Other taxes	1,348,962.55	1,277,881.88
Other	3,070,660.21	1,721,652.24
Special and Extraordinary Items:		
Gain on Sale of Assets	170,697.07	117,995.35
Total Revenues, Special and Extraordinary items	$28,003,300.03	$25,678,932.00
Expenses		
General Government	$6,795,931.57	$6,283,864.95
Public safety	9,863,211.42	8,756,905.58
Highways and roads	6,286,595.98	5,385,727.68
Sanitation	49,380.32	632,950.24
Health	215,611.86	205,256.77
Welfare	59,050.41	78,774.92
Culture and recreation	60,642.20	62,022.41
Education	34,000.00	32,000.00
Intergovernmental	875,293.33	3,921,885.51
Interest on long-term debt	729,775.98	604,179.72
Total Expenses	$24,969,493.07	$25,963,567.78
Increase/(Decrease) in Net Assets	3,033,806.96	(284,635.78)
Net Assets - Beginning	30,005,848.89	30,177,426.49
Prior Period Restatements	(33,966.77)	113,058.18
Net Assets - Beginning (as restated)	29,971,882.12	30,290,484.67
Net Assets - Ending	$33,005,689.08	$30,005,848.89

Total revenues (before special items) increased from last year by $2.3 million and expenses decreased by $994,074.71. Total net assets ending 2007 increased from last year by $3,033,806.96.

The $24.9 million expenses were offset by program revenues, capital grants and charges for services. After applying these revenues, the net cost of the programs was $15,007,225.18. In order to cover the remaining costs, general revenues generated from property taxes, sales taxes, miscellaneous taxes and miscellaneous revenues covered the remaining costs. Revenues still exceeded the program expenses by $3.033 million.

ANALYSIS OF MAJOR FUNDS

Governmental funds presented individually in St. Clair County Commission's 2007 fund financial statements include four major funds: General Fund (always a major fund), Gasoline Tax Fund, Public Buildings, Roads & Bridges Fund, and Reappraisal Fund. An analysis is presented below of the balances for each fund.

General Fund – The General Fund is the primary operating fund of the Commission. At the end of the 2007 fiscal year, the General Fund had $10.5 million in unreserved fund balance. Revenues increased by $1.1 million primarily due from revenue from taxes and charge for services. Expenditures decreased by $2.4 million from last year mainly due to the distribution of borrowed funds for Coosa Valley Water Authority. Fund balance available at the end of the year will be used for spending on future operations.

Gasoline Tax Fund – The Gasoline Tax Fund is a special revenue fund used to account for the Commission's share of the statewide seven-cent gasoline tax. Revenues are earmarked for building and maintaining roads. During the fiscal year, a total of $1,348,000.00 was transferred into Gasoline Tax from different funds that include Public Building, Roads & Bridges, Public Highway & Traffic and Severed Material Severance funds. Revenues increased by $325,709.93 from last year and expenditures slightly increased by $151,811.64. At the end of the fiscal year, Gas Tax had $416,547.21 to apply to next year's operations.

Public Buildings, Roads & Bridges Fund – The Public Buildings, Roads & Bridges Fund is a special revenue fund used to account for the expenditures of special county property taxes for buildings and maintaining roads. Revenues increased by $159,780 for the 2007 fiscal year primarily due to ad valorem tax revenue. Expenditures increased by $710,645 in 2007 and all purchases were for capital outlay for the road department. Overall fund balance decreased by $700,000.00 because dump trucks and construction equipment were purchased with available funds rather than financing the equipment.

Reappraisal Fund – The Reappraisal Fund is a special revenue fund used to account for the expenditures of special county property taxes for the reappraisal of real property located in the county. In fiscal year 2007, Reappraisal received a grant in the amount of $56,758.55 for digital orthophotography; however, funds were carried forward to be spent in fiscal year 2008. Most expenditures are related to salaries and benefits; however, aerial photography with contour updates were also a major part of the budgeted expenditures.

Budgetary Highlights of the General Fund

The original 2007 fiscal year budget was adopted on September 26, 2006, and throughout the year budget amendment requests were reviewed by the Commission and County Administrator. The differences between the original budget and the final amended budget changed significantly and can briefly be summarized as follows:

Budgeted expenditures were increased by $4.033 million mainly due to the Red Diamond project in Moody for $500,000 to defray project costs; Coosa Valley Water District project to extend water from Springville to Odenville for $3 million; however, the 2006 audit reclassified the $3 million project and added the actual expenditure in the previous audit (2006) year because the loan was done for the water authority instead of the Commission; also $27,100 was appropriated to the Pell City Industrial Board for installation of a 12" water pipe; City of Pell City was appropriated $202,362 for development of infrastructure that involved development on I-20 (which included Cracker Barrel); $301,076 was spent for the Yachiyo project at Town of Steele to extend the facility; and $29,460 was spent for the CSEPP storage building at the Operations Center. Money was borrowed to pay for the $3,000,000 Coosa Valley Water District project and fund balance was used to offset the other expenditures.

Budgeted Revenues were increased by $58,025.00 from the original budget which involved interest revenue and revenue from cities.

Capital Assets and Debt Administration

Capital Assets – The Commission's investment in capital assets for governmental activities for the year ending September 30, 2007, amounted to $20.98 million, net of accumulated depreciation, restricted net assets, and debt related to the acquisition of the assets. The table below summarizes the capital assets ending for the fiscal year.

Table 3: Capital Assets (net of accumulated depreciation)

	Governmental Activities	
	2007	2006
Land	$1,059,112.89	$1,059,112.89
Construction in progress	298,355.30	142,871.85
Infrastructure in progress	183,326.73	845,066.37
Buildings and Improvements	12,018,099.98	12,385,009.96
Construction Equipment	1,477,188.18	990,983.30
Equipment and Furniture	3,056,685.39	2,762,240.08
Infrastructure	10,142,800.87	9,356,886.19
	28,235,569.34	27,542,170.64

Net capital assets increased by $693,398.70 for the 2007 fiscal year. The Commission expended available resources to acquire $2.7 million in capital asset additions during the year. The details of the purchases of capital assets are summarized at the beginning of this analysis (Financial Highlights).

Long-Term Debt – At the end of 2007 fiscal year, the Commission had $16.75 million in general obligation warrants, gas tax warrant and other long-term debt outstanding. This is a 9% decrease from last year because the county paid off a notes payable for three dump trucks and construction equipment for the road department.

Table 4: Outstanding Long-Term Debt

	Fiscal Year Ending September 30, 2007		
	Beginning Balance	Net Change	Ending Balance
Governmental Activities:			
General Obligation Warrants Series 1998	$7,100,000.00	($285,000.00)	$6,815,000.00
General Obligation Warrants Series 2006	3,090,000.00	(155,000.00)	$2,935,000.00
Gas Tax Resurfacing Warrants Series 2005	3,445,000.00	(200,000.00)	$3,245,000.00
Warrant Payable - Moody Property	1,500,000.00	(68,617.59)	$1,431,382.41
Total Warrants Payable	15,135,000.00	(708,617.59)	$14,426,382.41
Less: Unamortized Discount	(24,954.79)	1,837.16	($23,117.63)
Add: Unamortized Premium	15,521.42	(1,046.28)	$14,475.14
Less: Deferred Loss on Refunding	(79,026.37)	9,776.46	($69,249.91)
Total Warrants Payable, Net	15,046,540.26	(698,050.25)	$14,348,490.01
Other Liabilities:			
Note Payable 2006 (dump trucks)	238,569.60	(238,569.60)	$0.00
Note Payable 2005 (trucks)	0.00		$0.00
Note Payable 2005 (tractors)	170,162.81	(41,256.87)	$128,905.94
Note Payable 2004 (construction equipment)	458,319.52	(331,960.03)	$126,359.49
Mortgage Note Payable - Willard Property	233,803.30	(56,922.98)	$176,880.32
Obligation Under Funding Agreement (Honda)	1,027,948.30	(93,053.31)	$934,894.99
Compensated Absences	1,009,563.94	25,678.25	$1,035,242.19
Total other liabilities	3,138,367.47	(736,084.54)	$2,402,282.93
Grand Total long-term debt	$18,184,907.73	($1,434,134.79)	$16,750,772.94

The Commission continued to pay down its general obligation warrants retiring $508,617.59, and payments on the RRR Gas Tax Refunding Warrant retired $200,000.00 for a total of $708,617.59.

The Commission paid off the 2006 debt on three dump trucks and partially paid off the 2004 construction equipment note. The Commission used fund balance to pay for three new additional dump trucks and new construction equipment during the year; therefore, this decreased debt for the fiscal year. Debt payments were made on note payables for tractors and construction equipment. The Commission also made payments on the mortgage note payable for the Willard property and the Obligation Under Funding Agreement (Honda debt).

The net increase in compensated absences payable in the 2007 fiscal year primarily resulted from increases in employee salaries, benefits and the overall number of employees accruing leave.

Significant Financial Facts, Decisions or Conditions

The following facts and economic factors are currently known going into the next fiscal year 2007-2008:

St. Clair County is currently the fastest growing county in the state for the last two years (fiscal years 2007 and 2008). The U.S. Census estimated St. Clair County's 2007 population to be 78,054 a 4.1% change in one year.

The unemployment rate for St. Clair as of May 2008 was 3.7%. The county's unemployment rate is lower than the state unemployment rate 4.2% (as of May 2008) and the national rate 5.2% (as of May 2008).

In fall 2008, construction will begin on St. Vincent's-St. Clair Hospital, and winter 2009 a veterans administration nursing home will begin construction. Both constructions will be built near Jefferson State Community College and both facilities will add 400 new jobs to the county. Jefferson State Community College will also be adding a new nursing school which will compliment the two constructions.

In June 2008, the WKW Erbsloeh Company (a German automotive supplier for Mercedes and Volks Wagon) had its grand opening. The company created 300 jobs in St. Clair County.

Plans are underway to renovate the Ashville Court House. The county will borrow the funds to cover the capital project.

St. Clair County will continue to partner with municipalities and agencies for continued growth and strong economic factors.

Contact Information

http://www.stclairco.com
205.594.2100
St. Clair County Commission
165 Fifth Avenue Suite 100
Ashville, AL 35953

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Statement of Net Assets
September 30, 2007

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	14,169,136.89
Cash with Fiscal Agent		259,012.99
Ad Valorem Taxes Receivable		6,284,139.59
Sales Tax Receivable		530,000.00
Accounts Receivable		127,493.98
Interest Receivable		17,834.69
Due from Other Governments		1,574,536.46
Deferred Charges - Issuance Costs		147,728.82
Notes Receivable (Note 15)		6,524,891.54
Capital Assets (Note 5):		
Nondepreciable		1,540,794.92
Depreciable, Net		26,694,774.42
Total Assets		57,870,344.30
Liabilities		
Accounts Payable		841,905.96
Deferred Revenue		6,930,922.70
Accrued Wages Payable		181,988.78
Accrued Interest Payable		159,064.84
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Warrants Payable		731,772.27
Unamortized Discount		(1,837.16)
Unamortized Premium		1,046.28
Loss on Refunding		(9,776.46)
Obligation Under Funding Agreement		97,899.84
Notes Payable		174,872.61
Estimated Liability for Compensated Absences		27,251.82
Portion Due or Payable After One Year:		
Warrants Payable		13,694,610.14
Unamortized Discount		(21,280.47)
Unamortized Premium		13,428.86
Loss on Refunding		(59,473.45)
Obligation Under Funding Agreement		836,995.15
Notes Payable		257,273.14
Estimated Liability for Compensated Absences		1,007,990.37
Total Liabilities	$	24,864,655.22

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

	Governmental Activities
Net Assets	
Investment in Capital Assets, Net of Related Debt	$ 20,988,423.59
Restricted for Debt Service	127,111.72
Restricted for Road Projects	1,249,014.46
Restricted for Other Purposes	1,005,380.38
Unrestricted	9,635,758.93
Total Net Assets	$ 33,005,689.08

Statement of Activities
For the Year Ended September 30, 2007

			Program Revenues	
Functions/Programs		**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government				
Governmental Activities				
General Government	$	6,795,931.57	$ 2,176,959.22	$ 350,610.78
Public Safety		9,863,211.42	1,721,543.81	1,799,918.03
Highways and Roads		6,286,595.98	243,754.47	3,199,145.59
Sanitation		49,380.32	178,704.48	
Health		215,611.86		8,910.84
Welfare		59,050.41		
Culture and Recreation		60,642.20		
Education		34,000.00		2,000.00
Intergovernmental		875,293.33		
Interest on Long-Term Debt		729,775.98		
Total Governmental Activities	$	24,969,493.07	$ 4,320,961.98	$ 5,360,585.24

General Revenues:
Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
General Sales Tax
Miscellaneous Taxes
Grants and Contributions not Restricted for Specific Programs
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets
Total General Revenues

Change in Net Assets

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

Net Assets - End of Year

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

	Net (Expenses) Revenues and Changes in Net Assets Primary Government
Capital Grants and Contributions	Total Governmental Activities
$	$ (4,268,361.57)
	(6,341,749.58)
238,360.67	(2,605,335.25)
42,360.00	171,684.16
	(206,701.02)
	(59,050.41)
	(60,642.20)
	(32,000.00)
	(875,293.33)
	(729,775.98)
$ 280,720.67	(15,007,225.18)
	3,842,050.58
	2,951,688.18
	6,656,973.55
	1,348,962.55
	715,121.57
	811,339.68
	1,544,198.96
	170,697.07
	18,041,032.14
	3,033,806.96
	29,971,882.12
	$ 33,005,689.08

Balance Sheet
Governmental Funds
September 30, 2007

	General Fund	Gasoline Tax Fund
Assets		
Cash and Cash Equivalents	$ 9,627,830.94	$ 351,117.03
Cash with Fiscal Agent		
Accounts Receivable	60,095.18	
Ad Valorem Taxes Receivable	3,147,973.74	
Sales Taxes Receivable	530,000.00	
Due from Other Funds	793,549.82	8,275.56
Due from Other Governments	299,824.81	156,003.12
Interest Receivable	12,162.54	
Notes Receivable	97,762.85	
Total Assets	14,569,199.88	515,395.71
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	471,955.88	66,484.42
Due to Other Funds	19,919.99	
Deferred Revenue	3,376,334.33	
Accrued Wages Payable	128,956.03	32,364.08
Total Liabilities	3,997,166.23	98,848.50
Fund Balances		
Reserved for:		
Debt Service		
Encumbrances	311,652.01	1,025.67
Unreserved, Reported in:		
General Fund	10,260,381.64	
Special Revenue Funds		415,521.54
Total Fund Balances	10,572,033.65	416,547.21
Total Liabilities and Fund Balances	$ 14,569,199.88	$ 515,395.71

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
$ 561,498.68	$ 363,832.75	$ 3,264,857.49	$ 14,169,136.89
		259,012.99	259,012.99
14,550.00	177.75	52,671.05	127,493.98
1,539,151.90	1,597,013.95		6,284,139.59
			530,000.00
		11,931.10	813,756.48
430.00		1,118,278.53	1,574,536.46
		5,672.15	17,834.69
			97,762.85
2,115,630.58	1,961,024.45	4,712,423.31	23,873,673.93
	29,804.24	273,661.42	841,905.96
	286.67	793,549.82	813,756.48
1,637,263.82	1,917,324.55		6,930,922.70
	13,608.99	7,059.68	181,988.78
1,637,263.82	1,961,024.45	1,074,270.92	8,768,573.92
		286,176.56	286,176.56
315,946.00	53,283.03	70,935.08	752,841.79
			10,260,381.64
162,420.76	(53,283.03)	3,281,040.75	3,805,700.02
478,366.76		3,638,152.39	15,105,100.01
$ 2,115,630.58	$ 1,961,024.45	$ 4,712,423.31	$ 23,873,673.93

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2007

Total Fund Balances - Governmental Funds (Exhibit 3)				$ 15,105,100.01
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			$ 1,540,794.92	
Depreciable, Net			26,694,774.42	
Total				28,235,569.34
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.				147,728.82
All notes receivables are not due and payable in the current period and, therefore are not reported as notes receivables in the funds.				6,427,128.69
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	$ 174,872.61		257,273.14	
Warrants Payable	731,772.27		13,694,610.14	
Unamortized Premium	1,046.28		13,428.86	
Unamortized Discount	(1,837.16)		(21,280.47)	
Deferred Loss on Refunding	(9,776.46)		(59,473.45)	
Obligation Under Funding Agreement	97,899.84		836,995.15	
Accrued Interest Payable	159,064.84			
Estimated Liability for Compensated Absences	27,251.82		1,007,990.37	
Total Long-Term Liabilities	$ 1,180,294.04		$ 15,729,543.74	(16,909,837.78)
Total Net Assets - Governmental Activities (Exhibit 1)				$ 33,005,689.08

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

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2007

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 11,677,958.62	$
Licenses and Permits	150,461.02	
Intergovernmental	662,055.16	1,355,988.40
Charges for Services	2,858,859.13	155,274.43
Miscellaneous	790,629.78	750,476.91
Total Revenues	16,139,963.71	2,261,739.74
Expenditures		
Current:		
General Government	4,918,659.87	
Public Safety	7,219,702.41	
Highways and Roads	308,499.89	3,189,646.18
Sanitation		
Health	214,295.24	
Welfare	57,782.55	
Culture/Recreation	56,955.14	
Education	34,000.00	
Intergovernmental	866,431.05	
Capital Outlay	267,570.38	282,573.36
Debt Service:		
Principal Retirement	56,922.98	
Interest and Fiscal Charges	13,836.18	
Total Expenditures	14,014,655.69	3,472,219.54
Excess (Deficiency) of Revenues Over Expenditures	2,125,308.02	(1,210,479.80)
Other Financing Sources (Uses)		
Transfers In	374,000.00	1,348,000.00
Sale of Capital Assets	6,074.00	
Issuance of Notes Receivable	(1,550,000.00)	
Transfers Out	(490,994.19)	
Total Other Financing Sources (Uses)	(1,660,920.19)	1,348,000.00
Net Changes in Fund Balances	464,387.83	137,520.20
Fund Balances - Beginning of Year, as Restated (Note 14)	10,107,645.82	279,027.01
Fund Balances - End of Year	$ 10,572,033.65	$ 416,547.21

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
$ 1,976,175.68	$ 1,131,848.95	$ 13,691.61	$ 14,799,674.86
		89,487.50	239,948.52
23,462.25		4,314,921.67	6,356,427.48
	1,379.55	1,065,500.35	4,081,013.46
58,015.68	29,842.34	824,336.78	2,453,301.49
2,057,653.61	1,163,070.84	6,307,937.91	27,930,365.81
	1,163,070.84	319,577.78	6,401,308.49
		1,969,246.74	9,188,949.15
		2,419,004.33	5,917,150.40
		43,190.00	43,190.00
			214,295.24
			57,782.55
			56,955.14
			34,000.00
			866,431.05
1,234,073.00		931,396.80	2,715,613.54
		1,413,457.40	1,470,380.38
		712,694.45	726,530.63
1,234,073.00	1,163,070.84	7,808,567.50	27,692,586.57
823,580.61		(1,500,629.59)	237,779.24
		2,145,400.50	3,867,400.50
727,716.00		36,270.00	770,060.00
			(1,550,000.00)
(2,252,554.05)		(1,123,852.26)	(3,867,400.50)
(1,524,838.05)		1,057,818.24	(779,940.00)
(701,257.44)		(442,811.35)	(542,160.76)
1,179,624.20		4,080,963.74	15,647,260.77
$ 478,366.76	$	$ 3,638,152.39	$ 15,105,100.01

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, 2007

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$	(542,160.76)
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 ($2,715,613.54) exceeded depreciation ($1,422,851.91) in the current period.				1,292,761.63
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	$	708,617.59		
Long-Term Note Principal		668,709.48		
Funding Agreement Principal		93,053.31		
Total				1,470,380.38
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 ($1,550,000.00) exceeded the current portion ($97,762.85).				1,452,237.15
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		(25,678.25)		
Decrease in Accrued Interest Payable		7,321.99		
Decrease in Deferred Issuance Costs		(11,124.91)		
Decrease in Unamortized Loss on Refunding		(9,776.46)		
Decrease in Unamortized Discount		(1,837.16)		
Decrease in Unamortized Premium		1,046.28		
Total				(40,048.51)

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

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	770,060.00	
Gain on the Sale of Capital Asset	(170,697.07)	
Total		(599,362.93)
Change in Net Assets of Governmental Activities (Exhibit 2)		$ 3,033,806.96

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Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	$ 1,430,562.80	$ 124,546.10
Due from Other Governments	6,473.70	61,272.71
Capital Assets, Net (Note 5)	13,773.45	
Total Assets	1,450,809.95	185,818.81
Liabilities		
Due to Original Property Owner	837,557.86	
Accounts Payable	1,693.23	
Due to Other Governments		185,818.81
Total Liabilities	839,251.09	$ 185,818.81
Net Assets		
Invested in Capital Assets	13,773.45	
Held in Trust for Other Purposes	597,785.41	
Total Net Assets	$ 611,558.86	

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, 2007

		Private-Purpose Trust Funds
Additions		
Contributions by:		
State and Local Governments	$	187,419.56
Fees		87,216.24
Interest		23,831.84
Miscellaneous		81,934.79
Total Additions		380,402.43
Deductions		
Administrative Expenses		312,394.16
Depreciation		16,428.08
Total Deductions		328,822.24
Changes in Net Assets		51,580.19
Net Assets - Beginning of Year		559,978.67
Net Assets - End of Year	$	611,558.86

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

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 Commission (the primary government). Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization’s governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. Based on 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.

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.

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 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 (other than those financed by proprietary funds).

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 and acquisitions under capital leases are reported as other financing sources.

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

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

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

1. Deposits and Investments

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

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. Receivables also include various licenses, taxes, and fees collected and not yet remitted to the Commission 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. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 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 between October 1, 1980 to September 30, 2002 or that received major renovations, restorations or improvements during that period) as of the fiscal year ending September 30, 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.

4. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as deferred charges and amortized over the term of the related 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, 2007, 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, 2007, the amount due within the next year is $6,190.32.

5. 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.

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, 2007, the liability for accrued annual and sick leave is approximately $1,035,242.19. Of this amount, $27,251.82 is reported as Due Within One Year, and $1,007,990.37 is reported as Due After One Year.

6. 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.

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 and the Public Buildings, Roads and Bridges 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 and the Reappraisal Fund budget on a basis of accounting consistent with GAAP. 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.

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, 2007, 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	$259,012.99	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 at September 30, 2007.

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 and Moody's Investors Service, Inc. The Commission has no formal policy regarding credit risk. As of September 30, 2007, 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.

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, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes	$6,166,937.20	$443,674.90
Unexpended Grant Funds		56,758.60
Reappraisal Maintenance		263,552.00
Total Deferred/Unearned Revenue for Governmental Funds	$6,166,937.20	$763,985.50

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance 10/1/2006	Additions	Deletions	Balance 9/30/2007
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,059,112.89	$	$	$ 1,059,112.89
Construction in Progress	142,871.85	479,588.62	(324,105.17)	298,355.30
Infrastructure in Progress	845,066.37	226,949.86	(888,689.50)	183,326.73
Total Capital Assets, Not Being Depreciated	2,047,051.11	706,538.48	(1,212,794.67)	1,540,794.92
Capital Assets Being Depreciated:				
Buildings and Improvements	15,735,356.39	53,062.00		15,788,418.39
Construction Equipment	1,959,387.51	1,032,551.00	(576,839.00)	2,415,099.51
Equipment and Furniture	5,968,880.74	1,247,567.23	(463,509.24)	6,752,938.73
Infrastructure	10,711,626.60	888,689.50		11,600,316.10
Total Capital Assets Being Depreciated	34,375,251.24	3,221,869.73	(1,040,348.24)	36,556,772.73
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,350,346.43)	(419,971.98)		(3,770,318.41)
Construction Equipment	(968,404.21)	(176,743.82)	207,236.70	(937,911.33)
Equipment and Furniture	(3,206,640.66)	(723,361.29)	233,748.61	(3,696,253.34)
Infrastructure	(1,354,740.41)	(102,774.82)		(1,457,515.23)
Total Accumulated Depreciation	(8,880,131.71)	(1,422,851.91)	440,985.31	(9,861,998.31)
Total Capital Assets Being Depreciated, Net	25,495,119.53	1,799,017.82	(599,362.93)	26,694,774.42
Total Governmental Activities Capital Assets, Net	$27,542,170.64	$ 2,505,556.30	$(1,812,157.60)	$28,235,569.34

	Balance 10/1/2006	Additions	Balance 9/30/2007
Fiduciary Funds:			
Capital Assets Being Depreciated:			
Equipment and Furniture	$103,228.42	$	$103,228.42
Total Capital Assets Being Depreciated	103,228.42		103,228.42
Less Accumulated Depreciation for:			
Equipment and Furniture	(73,026.89)	(16,428.08)	(89,454.97)
Total Capital Assets Being Depreciated, Net	30,201.53	(16,428.08)	13,773.45
Total Fiduciary Funds Capital Assets, Net	$ 30,201.53	$(16,428.08)	$ 13,773.45

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 394,547.15
Public Safety	617,797.12
Highway and Roads	396,297.24
Health	393.20
Welfare	1,267.86
Culture/Recreation	3,687.06
Intergovernmental	8,862.28
Total Depreciation Expense – Governmental Activities	$1,422,851.91

	Current Year Depreciation Expense
Fiduciary Funds:	
Depreciation	$16,428.08

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.

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, 2007, was 10.14 percent based on the actuarial valuation performed as of September 30, 2005.

C. Annual Pension Cost

For the year ended September 30, 2007, the Commission's annual pension cost of $727,695 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, 2006, 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, 2006, was 20 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
9/30/2007	$727,695	100%	$0
9/30/2006	$626,032	100%	$0
9/30/2005	$564,620	100%	$0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2006**	$15,983,746	$21,889,235	$5,905,488	73.0%	$6,923,039	85.30%
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%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
** Reflects changes in actuarial assumptions.
*** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

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, 2007, the Commission's expenditures to cover an average of 17 employees totaled $164,532.47.

Note 8 – Significant Commitments

Red Diamond

On February 27, 2007, the Commission approved a development agreement by and between the County, 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 County 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 County 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.

Note 9 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The 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, 2007, amounted to $32,054.79.

During the 2007 fiscal year, the County entered into a debt guarantee agreement with the City of Leeds and the City of Moody. In the agreement, the County guarantees 25% of certain General Obligation Warrants, Series 2006 issued by the City of Leeds if the tax revenues generated by the Bass Pro Shop are not sufficient to pay the debt service.

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 10 – 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's 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.

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.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2007:

	Debt Outstanding October 1, 2006	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2007	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants	$11,690,000.00	$	$ (508,617.59)	$11,181,382.41	$ 526,772.27
Gas Tax Warrants	3,445,000.00		(200,000.00)	3,245,000.00	205,000.00
Total Warrants Payable	15,135,000.00		(708,617.59)	14,426,382.41	731,772.27
Plus: Unamortized Premium	15,521.42		(1,046.28)	14,475.14	1,046.28
Less: Unamortized Discount	(24,954.79)		1,837.16	(23,117.63)	(1,837.16)
Less: Deferred Loss on Refunding	(79,026.37)		9,776.46	(69,249.91)	(9,776.46)
Warrants Payable, Net	15,046,540.26		(698,050.25)	14,348,490.01	721,204.93
Other Liabilities:					
Obligation Under Funding Agreement	1,027,948.30		(93,053.31)	934,894.99	97,899.84
Long-Term Notes Payable	1,100,855.23		(668,709.48)	432,145.75	174,872.61
Estimated Liability for Compensated Absences	1,009,563.94	25,678.25		1,035,242.19	27,251.82
Total Other Liabilities	3,138,367.47	25,678.25	(761,762.79)	2,402,282.93	300,024.27
Total Governmental Activities Long-Term Liabilities	$18,184,907.73	$25,678.25	$(1,459,813.04)	$16,750,772.94	$1,021,229.20

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.

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

	1998 General Obligation Warrants Payable		2005 Gasoline Tax Anticipation Warrants Payable	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 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	626,881.81	410,310.83	230,000.00	83,005.00
2013-2017	3,582,863.68	1,587,950.77	1,275,000.00	292,070.00
2018-2022	4,117,293.08	655,389.39	885,000.00	53,615.00
2023	600,000.00	15,300.00		
Total	$11,181,382.41	$4,568,600.21	$3,245,000.00	$828,338.75

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	(6,788.74)	(11,405.87)	(2,143.36)	(174.38)
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium	158,853.73	79,026.37	24,954.79	15,521.42
Current Amount Amortized	(11,124.91)	(9,776.46)	(1,837.16)	(1,046.28)
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium	$147,728.82	$ 69,249.91	$23,117.63	$14,475.14

Obligation Under Funding Agreement		Long-Term Notes Payable		Total Principal and Interest
Principal	Interest	Principal	Interest	Requirements
$ 97,899.84	$ 48,413.89	$174,872.61	$16,481.02	$ 1,689,941.25
102,746.37	43,518.90	163,898.51	9,475.26	1,671,054.18
107,592.89	38,330.21	93,374.63	2,426.88	1,591,067.25
112,924.07	32,950.57			1,501,484.78
118,739.90	27,191.44			1,496,128.98
394,991.92	43,073.02			7,175,949.39
				5,711,297.47
				615,300.00
$934,894.99	$233,478.03	$432,145.75	$28,383.16	$21,452,223.30

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission’s individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $500,000 per claim for a maximum total coverage of $2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $50,000 per incident with a $5,000 deductible and unlimited defense costs.

The Commission has workers’ compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers’ Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per $100 of renumeration 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.

The Commission purchases commercial insurance for its other risks of loss, including buildings and contents insurance for all properties, 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
2006-2007	$10,091.78	$149,469.67	$145,811.02	$13,750.43
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

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2007, were as follows:

	Due From Other Funds			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
Due to Other Funds:				
General Fund	$	$7,988.89	$11,931.10	$ 19,919.99
Reappraisal Fund		286.67		286.67
Other Governmental Funds	793,549.82			793,549.82
Total	$793,549.82	$8,275.56	$11,931.10	$813,756.48

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2007, were as follows:

	Transfers Out			
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Totals
Transfers In:				
General Fund	$	$	$ 374,000.00	$ 374,000.00
Gasoline Tax Fund		1,000,000.00	348,000.00	1,348,000.00
Other Governmental Funds	490,994.19	1,252,554.05	401,852.26	2,145,400.50
Totals	$490,994.19	$2,252,554.05	$1,123,852.26	$3,867,400.50

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.

Note 13 – Related Organizations

A majority of the board 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 14 – Restatements

On October 1, 2006, beginning fund balances/net assets have been 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	Reappraisal Fund	Other Governmental Funds	Total
Fund Balances, September 30, 2006, as Previously Reported	$ 9,965,082.10	$283,922.01	$1,179,624.20	$	$4,252,599.23	$15,681,227.54
Restatements	142,563.72	(4,895.00)			(171,635.49)	(33,966.77)
Fund Balances, September 30, 2006, as Restated	$10,107,645.82	$279,027.01	$1,179,624.20	$	$4,080,963.74	15,647,260.77
Governmental Activities Net Assets, September 30, 2006, as Previously Reported						30,005,848.89
Restatements						(33,966.77)
Governmental Activities Net Assets, September 30, 2006, as Restated						$29,971,882.12

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 $6,524,891.54 was outstanding at September 30, 2007. Of this amount, $97,762.85 is due and payable in the next year.

Note 16 – Cooperative District Agreement

During the fiscal year, the County entered into a debt guarantee and revenue sharing agreement with the City of Leeds and the City of Moody. The agreement requires the tax revenue received from Bass Pro Shops, Inc., to be shared among the parties in exchange for sharing in the guarantee of certain General Obligation Warrants, Series 2006 issued by the City of Leeds. The revenue sharing and debt guarantee are divided 50% to the City of Leeds, 25% to the City of Moody, and 25% to the County. The tax revenue received from Bass Pro Shops, Inc., is to be used to service the debt until all principal and interest payments have been made, after which, the tax revenues will be shared according to the agreement.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 10,889,276.00	$ 10,889,276.00	$ 11,688,075.30
Licenses and Permits	138,463.00	138,463.00	150,461.02
Intergovernmental	535,906.00	539,481.00	662,055.16
Charges for Services	2,627,509.00	2,644,623.00	2,858,859.13
Miscellaneous	394,275.00	431,611.00	790,629.78
Total Revenues	14,585,429.00	14,643,454.00	16,150,080.39
Expenditures			
Current:			
General Government	5,061,846.28	5,121,577.42	4,918,659.87
Public Safety	7,129,533.49	7,260,380.41	7,219,702.41
Highways and Roads		328,730.49	308,499.89
Sanitation	40,000.00		
Health	250,168.00	250,168.00	214,295.24
Welfare	80,211.00	58,211.00	57,782.55
Culture and Recreation	63,204.82	63,464.82	56,955.14
Education	32,000.00	34,000.00	34,000.00
Intergovernmental	539,026.00	4,114,808.78	866,431.05
Capital Outlay	638,932.00	637,195.35	267,570.38
Debt Service:			
Principal Retirement	56,922.98	56,922.98	56,922.98
Interest and Fiscal Charges	13,836.18	13,836.18	13,836.18
Total Expenditures	13,905,680.75	17,939,295.43	14,014,655.69
Excess (Deficiency) of Revenues Over Expenditures	679,748.25	(3,295,841.43)	2,135,424.70
Other Financing Sources (Uses)			
Transfers In	885,104.84	915,827.99	374,000.00
Proceeds from Sale of Capital Assets			6,074.00
Issuance of Notes Receivable			(1,550,000.00)
Transfers Out	(1,283,383.84)	(1,484,125.96)	(490,994.19)
Total Other Financing Sources (Uses)	(398,279.00)	(568,297.97)	(1,660,920.19)
Net Change in Fund Balances	281,469.25	(3,864,139.40)	474,504.51
Fund Balances - Beginning of Year, as Restated	12,261,898.28	18,214,302.16	10,404,681.47
Fund Balances - End of Year	$ 12,543,367.53	$ 14,350,162.76	$ 10,879,185.98

		Budget to GAAP Differences		Actual Amounts GAAP Basis
(1)	$	(10,116.68)	$	11,677,958.62
				150,461.02
				662,055.16
				2,858,859.13
				790,629.78
		(10,116.68)		16,139,963.71
				4,918,659.87
				7,219,702.41
				308,499.89
				214,295.24
				57,782.55
				56,955.14
				34,000.00
				866,431.05
				267,570.38
				56,922.98
				13,836.18
				14,014,655.69
		(10,116.68)		2,125,308.02
				374,000.00
				6,074.00
				(1,550,000.00)
				(490,994.19)
				(1,660,920.19)
		(10,116.68)		464,387.83
(2)		(297,035.65)		10,107,645.82
	$	(307,152.33)	$	10,572,033.65

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2007

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 $297,035.65 and current year deferral $307,152.33.)

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.

$	(10,116.68)
$	(10,116.68)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2007

	Budgetary Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	$ 1,323,783.00	$ 1,323,783.00	$ 1,355,988.40
Charges for Services	60,000.00	60,000.00	155,274.43
Miscellaneous	546,368.00	546,368.00	750,476.91
Total Revenues	1,930,151.00	1,930,151.00	2,261,739.74
Expenditures			
Current:			
Highways and Roads	2,988,651.00	3,028,904.37	3,189,646.18
Capital Outlay	289,500.00	283,252.63	282,573.36
Total Expenditures	3,278,151.00	3,312,157.00	3,472,219.54
Excess (Deficiency) of Revenues Over Expenditures	(1,348,000.00)	(1,382,006.00)	(1,210,479.80)
Other Financing Sources (Uses)			
Transfers In	1,348,000.00	1,348,000.00	1,348,000.00
Total Other Financing Sources (Uses)	1,348,000.00	1,348,000.00	1,348,000.00
Net Change in Fund Balances		(34,006.00)	137,520.20
Fund Balances - Beginning of Year, as Restated	145,155.87	283,922.01	279,027.01
Fund Balances - End of Year	$ 145,155.87	$ 249,916.01	$ 416,547.21

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 1,355,988.40
	155,274.43
	750,476.91
	2,261,739.74
	3,189,646.18
	282,573.36
	3,472,219.54
	(1,210,479.80)
	1,348,000.00
	1,348,000.00
	137,520.20
	279,027.01
$	$ 416,547.21

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Public Buildings, Roads and Bridges Fund For the Year Ended September 30, 2007

	Budgetary Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 1,885,957.00	$ 1,885,957.00	$ 1,968,022.97
Intergovernmental	23,462.00	23,462.00	23,462.25
Miscellaneous	30,400.00	30,400.00	58,015.68
Total Revenues	1,939,819.00	1,939,819.00	2,049,500.90
Expenditures			
Current:			
Capital Outlay	957,828.00	1,231,885.00	1,234,073.00
Total Expenditures	957,828.00	1,231,885.00	1,234,073.00
Excess (Deficiency) of Revenues Over Expenditures	981,991.00	707,934.00	815,427.90
Other Financing Sources (Uses)			
Sale of Capital Assets	30,000.00	727,716.00	727,716.00
Transfers Out	(1,905,219.00)	(2,266,495.95)	(2,252,554.05)
Total Other Financing Sources (Uses)	(1,875,219.00)	(1,538,779.95)	(1,524,838.05)
Net Change in Fund Balances	(893,228.00)	(830,845.95)	(709,410.15)
Fund Balances - Beginning of Year	1,281,356.13	1,324,299.48	1,324,299.48
Fund Balances - End of Year	$ 388,128.13	$ 493,453.53	$ 614,889.33

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts per GAAP Basis:

(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 $144,675.28 and current year deferral $136,522.57.)

Net Increase in Fund Balance - Budget to GAAP

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

		Budget to GAAP Differences		Actual Amounts GAAP Basis
(1)	$	8,152.71	$	1,976,175.68
				23,462.25
				58,015.68
		8,152.71		2,057,653.61
				1,234,073.00
				1,234,073.00
		8,152.71		823,580.61
				727,716.00
				(2,252,554.05)
				(1,524,838.05)
		8,152.71		(701,257.44)
(2)		(144,675.28)		1,179,624.20
	$	(136,522.57)	$	478,366.76

	$	8,152.71
	$	8,152.71

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2007

	Budgetary Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 1,516,242.57	$ 1,359,401.00	$ 1,131,848.95
Intergovernmental		56,758.55	
Charges for Services	500.00	500.00	1,379.55
Miscellaneous	35,500.00	35,500.00	29,842.34
Total Revenues	1,552,242.57	1,452,159.55	1,163,070.84
Expenditures			
Current:			
General Government	1,376,201.00	1,437,799.93	1,163,070.84
Capital Outlay	19,200.00	14,359.62	
Total Expenditures	1,395,401.00	1,452,159.55	1,163,070.84
Fund Balances - End of Year	$ 156,841.57	$	$

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 1,131,848.95
	1,379.55
	29,842.34
	1,163,070.84
	1,163,070.84
	1,163,070.84
$	$

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Housing and Urban Development		
Passed Through Alabama Department of Economic		
and Community Affairs		
Community Development Block Grants/State's Program	14.228	CY-ED-PF-06-013
Community Development Block Grants/State's Program	14.228	CY-CM-PF-06-018
Total U. S. Department of Housing and Urban Development		
U. S. Department of the Interior		
National Park Service		
Passed Through Alabama Department of Economic		
and Community Affairs		
Outdoor Recreation Acquisition, Development and Planning	15.916	06-LW-894
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Formula Grants for Other Than Urbanized Areas	20.509	
U. S. Department of Homeland Security		
Passed Through Alabama Emergency Management Agency		
Hazard Mitigation Grant	97.039	HMGP-1549-161
Chemical Stockpile Emergency Preparedness Program (M)	97.040	
Emergency Management Performance Grants	97.042	07-EMPG-59
Total Passed Through Alabama Emergency Management Agency		
Passed Through Alabama Department of Homeland Security		
Homeland Security Cluster:		
State Domestic Preparedness Equipment Support Program	97.004	4LET
State Domestic Preparedness Equipment Support Program	97.004	4SHL
Sub-Total State Domestic Preparedness Equipment Support Program		
Homeland Security Grant Program	97.067	5SHG
Homeland Security Grant Program	97.067	5SEC Round 2
Homeland Security Grant Program	97.067	5SMA
Sub-Total Homeland Security Grant Program		
Total Passed Through Alabama Department of Homeland Security/Homeland Security Cluster		
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
12/22/2006 - 00/00/0000	$ 240,000.00	$ 200,000.00	$ 114,549.27	$ 114,549.27
10/02/2006 - 00/00/0000	569,324.00	400,000.00	42,360.00	42,360.00
	809,324.00	600,000.00	156,909.27	156,909.27
03/13/2005 - 01/01/2009	53,900.00	26,950.00	26,950.00	26,950.00
10/01/2006 - 09/30/2007	91,642.00	38,085.00	38,085.00	38,085.00
09/15/2005 - 07/01/2007	11,550.00	11,550.00	11,177.00	11,177.00
10/01/2002 - 09/30/2007	3,532,435.27	3,532,435.27	1,344,140.69	1,344,140.69
10/01/2006 - 09/30/2007	32,508.00	30,019.00	30,019.00	30,019.00
	3,576,493.27	3,574,004.27	1,385,336.69	1,385,336.69
11/13/2006 - 03/03/2008	922.90	922.90	380.40	380.40
11/13/2006 - 03/03/2008	9,077.10	9,077.10	9,077.10	9,077.10
	10,000.00	10,000.00	9,457.50	9,457.50
04/01/2005 - 03/03/2008	100,000.00	100,000.00	78,097.29	78,097.29
08/28/2006 - 03/03/2008	84,130.00	84,130.00	56,313.62	56,313.62
04/01/2005 - 03/03/2008	15,000.00	15,000.00	14,639.48	14,639.48
	199,130.00	199,130.00	149,050.39	149,050.39
	209,130.00	209,130.00	158,507.89	158,507.89
	3,785,623.27	3,783,134.27	1,543,844.58	1,543,844.58
	$ 4,740,489.27	$ 4,448,169.27	$ 1,765,788.85	$ 1,765,788.85

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
General Services Administration		
Passed Through Alabama Department of		
Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 4,740,489.27	$ 4,448,169.27	$ 1,765,788.85	$ 1,765,788.85
			8,388.00	8,388.00
	$ 4,740,489.27	$ 4,448,169.27	$ 1,774,176.85	$ 1,774,176.85

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.

Additional Information

Commission Members and Administrative Personnel

October 1, 2006 through September 30, 2007

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

<u>Administrative Personnel</u>

Ms. Laura Lawley (*)	Acting Administrator/ Treasurer	5193 Co. Rd. 22 Ashville, AL 35953
Ms. Kim McPherson (**)	Administrator/ Treasurer	285 Majestic Pines Lane Trussville, AL 35173

(*) Appointed August 14, 2007
(**) Resigned August 14, 2007

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 (the "Commission") as of and for the year ended September 30, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, members of the St. Clair County Commission, the County Administrator, others within the entity, 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

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

August 13, 2008

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 (the "Commission") with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to its major federal program for the year ended September 30, 2007. The Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, members of the St. Clair County Commission, the County Administrator, others within the entity, 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

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

August 13, 2008

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.040	Chemical Stockpile Emergency Preparedness 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

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.	