Report on the

St. Clair County Commission

St. Clair County, Alabama

October 1, 2004 through September 30, 2005

Filed: November 3, 2006

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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State of Alabama

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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, 2004 through September 30, 2005.

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.

STATUS OF PRIOR AUDIT

The finding in the prior audit has been resolved.

Respectfully submitted,

Ashleigh O. Helton

Ashleigh O. Helton
Examiner of Public Accounts

Sworn to and subscribed before me this
the 6 day of October, 2006.

Martha S. Holmes
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, 2005, which collectively comprise the basic financial statements of the County's primary government 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.

The financial statements referred to above include only the primary government, the St. Clair County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include all the financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of St. Clair County, as of September 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government, the St. Clair County Commission, as of September 30, 2005, and the respective changes in financial position 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 May 26, 2006 on our consideration of the St. Clair County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

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

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

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

May 26, 2006

Management's Discussion and Analysis
(Required Supplementary Information)

ST. CLAIR COUNTY COMMISSION
Management's Discussion and Analysis (MD&A)
For the Year Ended September 30, 2005

INTRODUCTION

St. Clair County Commission Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended September 30, 2005. In order to look at the County's financial performance as a whole, readers should review the notes along with the financial statements to enhance their understanding of the County's financial position.

FINANCIAL HIGHLIGHTS

Items to note that incurred during the fiscal year include the following:

1. Total funds spent on capital outlays for 2005 fiscal year were $2,174,557.19. This is a decrease of $573,410.17 invested in capital assets compared to the 2004 fiscal year. The major costs of the assets purchased in 2005 includes the purchase of a building for Archives and Tourism Department, locks and repairs to the Ashville and Pell City jails, tractors purchased for the Road Department, sixteen vehicles purchased and distributed to the Reappraisal Department, Road Department, Forestry and Sheriff Departments. Two security systems were also purchased for the E-911 Operation/EMA facility and courthouse in Pell City. Grant funding for the chemical weapons destruction at the Anniston Army Depot allowed the purchase of seven warning sirens. A new plotter and scanner were also purchased for the Reappraisal Department.

2. The assets of the County exceeded liabilities at the close of the 2005 fiscal year by $30,177,426.49. This is an increase of $1,643,213.61 or 5% in assets compared to 2004 fiscal year.

3. At the end of the 2005 fiscal year, St. Clair County Commission's major funds reported combined ending fund balances of $12,138,000, an increase of $372,000 over the prior year.

BASIC FINANCIAL STATEMENTS

The basic financial statements include the following: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Below is a brief discussion of the basic financial statements, which distinguishes the relationships and differences between the statements.

Government-wide Financial Statements - are a significant change of reporting as required by the GASB 34 reporting model. The statements consist of a Statement of Net Assets and a Statement of Activities. The Statement of Net Assets is similar to a balance sheet, which shows assets minus liabilities equaling net assets. Net assets reported in this statement show the changes in net assets for the current and past years. The Statement of Activities is similar to an income statement, which shows expenses first, then revenues offsetting the expenses for the fiscal year. Expenses are shown by function, and revenues are classified as program revenues-operating grants, program revenues-capital grants, and general revenues. Program revenues are listed at the top of the statement of activities, and general revenues, such as taxes, are listed at the bottom of the statement of activities. These two statements report the county's financial position on the accrual basis of accounting rather than the modified accrual basis used in prior years. The emphasis is on the county's overall financial position and activities as a whole. The statements include information about governmental activities and exclude fiduciary activities that the county only holds as trustee.

Fund Financial Statements - provide detail information about the commission that is grouped by funds. Separate fund statements are reported into two: (1) governmental funds and (2) fiduciary funds. Some funds are established by law, bond covenants, or kept separate because of grants in order to properly monitor funds. The separate fund statements are summarized as follows:

1. Governmental Fund Statements - separate information by major funds. The General Fund is always a major fund. St. Clair County Commission has four major funds for fiscal year 2005, which includes the General Fund. The other funds include Gasoline Tax, Public Buildings, Roads & Bridges, and Reappraisal Fund. All other non-major funds are grouped together into a final column as other governmental funds. Each year the county will have to evaluate each fund to see if it is still a major fund or if another fund becomes a major fund. Governmental fund statements report a short-term view of the commission's general government operations and the basic services it provides.
2. Proprietary Fund Statements-include enterprise and internal service funds. St. Clair County Commission does not have proprietary funds.
3. Fiduciary Fund Statements - are funds not used by the commission, but are funds held by the commission as a trustee for individuals, organizations, or other governments. Fiduciary fund statements focus on net assets and the changes in net assets.

Fund statements provide a more detailed but short-term view of the St. Clair County Commission; whereas, government-wide statements provide information about the St. Clair County Commission as a whole but at a long-term view. Also, fund statements are based on the modified accrual approach, which measures cash and all other financial assets that can readily be converted to cash. Government-wide statements are based on the accrual basis similar to private companies, and all revenues and all expenses are accounted for regardless of when cash is received or paid.

COMMISSION'S OVERALL FINANCIAL POSITION

Below is a condensed version of the government-wide financial statements along with a brief analysis of St. Clair County Commission's overall financial position. Government-wide statements divide information into two activities: (1) Governmental activities, and (2) Business-type activities. St. Clair County Commission does not have any business-type activities, so only governmental activities are shown. Net assets can help in assessing how well a government is doing financially. Increases or decreases in net assets over time can indicate whether a government is improving or not improving.

Condensed Statement of Net Assets
As of September 30
Comparison of Fiscal Years 2004 to 2005

	Governmental Activities	
	As restated FY2004	**FY2005**
Current and other assets	$ 21,624,896.91	$ 24,595,741.28
Capital Assets, net depreciation	25,291,150.42	25,986,365.60
Total Assets	46,916,047.33	50,582,106.88
Current Liabilities	5,689,978.43	6,344,422.72
Long-term Liabilities		
Portion Due Within One Year	707,879.31	684,833.47
Portion Due After One Year	11,983,976.71	13,375,424.20
Long Term Liabilities	12,691,856.02	14,060,257.67
Total Liabilities	18,381,834.45	20,404,680.39
Net Assets:		
Invested in Capital Assets, Net of Related Debt	14,618,880.34	17,275,855.37
Restricted for Debt Service	36,948.32	
Restricted for Road Projects	1,045,479.89	2,962,629.90
Restricted for Other Purposes	746,128.07	880,250.01
Unrestricted	12,086,776.26	9,058,691.21
Total Net Assets	$28,534,212.88	$ 30,177,426.49

The St. Clair County Commission's assets exceeded liabilities by $30,177,426.49. This is an increase of $1,643,213.61 or 5% compared to fiscal year 2004.

Condensed Statement of Activities

As of September 30
Comparison of Fiscal Years 2004 & 2005

	As restated FY2004	FY2005
Revenues		
Program Revenues:		
Charges for Services	$ 3,255,716.66	$ 3,681,039.15
Operating Grants & Contributions	4,402,783.50	4,761,623.86
Capital Grants & Contributions	1,064,892.20	565,044.88
General Revenues:		
Property Taxes-General	3,026,353.05	2,855,940.15
Property Taxes-Specific	2,121,099.83	2,723,808.32
Sales Tax	5,045,258.02	5,456,430.41
Miscellaneous Taxes	1,287,027.52	1,128,322.78
Other Grants & Contributions	516,302.46	585,168.57
Earnings on Investments	161,242.69	200,598.50
Miscellaneous	541,482.39	695,389.64
Gain on Sale of Capital Assets	102,891.24	44,268.11
Total Revenues	21,525,049.56	22,697,634.37
Expenses		
Governmental Activities:		
General Government	5,667,877.80	6,342,221.91
Public Safety	7,734,455.96	8,472,360.35
Highways & Roads	4,032,280.43	4,529,911.66
Sanitation	206,000.00	400,000.00
Health	176,840.27	193,863.79
Welfare	53,087.26	96,566.96
Culture/Recreation	54,376.97	57,452.91
Education	92,000.00	32,000.00
Intergovernmental	528,938.84	389,485.24
Interest/fiscal charges	569,097.05	540,557.94
Total Expenses	19,114,954.58	21,054,420.76
Increase in Net Assets	2,410,094.98	1,643,213.61
Net Assets-Beg. of year as restated	26,124,117.90	28,534,212.88
Net Assets-End of year	$28,534,212.88	$30,177,426.49

The St. of Activities presents expenses before program revenues with a final column to show the net expense for each activity. Overall the net expense for all governmental activities was $12,046,712.87. General revenues offset net expense in the amount of $13,689,926.48 leaving a change in net assets of $1,643,213.61 for fiscal year 2005. In 2005, net assets did not increase as much as in fiscal year 2004 by the amount of $766,881.37 or 31%.

ANALYSIS OF INDIVIDUAL FUNDS

Governmental funds presented individually in St. Clair County Commission's 2005 statements include four major funds: the General Fund (always a major fund), Gasoline Tax, Public Buildings, Roads & Bridges, and Reappraisal. An analysis is presented below of the balances for each fund.

Major Fund Information (in thousands)	**General**	**Gas Tax**	**Public Bldgs. Road & Bridge**	**Reappraisal**
Revenues and Other Sources	$13,244	$3,700	$2,270	$1,448
Expenses and Other Uses	12,583	3,636	2,623	1,448
Increase (decrease) in Fund Balance	661	64	(353)	0
Fund Balances at beginning of Year -restated	10,181	81	1,504	0
Fund Balance at end of year	10,842	145	1,151	0

BUDGET

St. Clair County Commission is mandated by state law to establish policies and procedures for submitting and adopting annual budgets. St. Clair County Commission's 2005 budget was adopted on September 28, 2004. Throughout the year budget amendment requests are reviewed by the Commission and County Administrator and determined to be approved or denied.

General Fund

Exhibit 9 shows the changes made in the original general fund budget for fiscal year ended September 30, 2005. Actual revenues restated on a budgetary basis were higher than the original and final budgeted revenues primarily due to increases in taxes and charges for services. Expenditures were higher than original and final budget amounts due to unexpected expenditures for elected official's salary adjustments under the Omnibus Pay Bill, creation of a new Flood Management Department, increase in inmate medical cost, direct funding to Coosa Valley Water Supply District toward a new water treatment facility, and funding to municipalities for capital projects.

With the continued growth in St. Clair County, the actual amounts in budgetary basis were more than the final budget.

SIGNIFICANT FINANCIAL FACTS, DECISIONS OR CONDITIONS

At the time these financial statements were prepared, St. Clair County Commission was aware of several projects that could significantly affect the County's financial status. St. Clair County located in north central Alabama with Atlanta, Georgia, Huntsville and Montgomery, Alabama, and Chattanooga, Tennessee, located less than 150 miles, continues to be one of the fastest growing counties in the State of Alabama. Served by two interstates (I-20 and I-59) and three railroads, the county has seen sufficient growth in residential and several new commercial and private industries coming into the county. St. Clair County's revenues have increased due to this growth. The county's unemployment rate is also at a record low.

In 2006, the County received a grant for 5311 transportation for senior centers and the general public in selected areas. A loan of $193,916.00 was approved to the St. Clair County Airport Authority for airport expansion. Thirty-one new voting machines were purchased in the amount of $186,775.00 and a new VOIP county-wide telephone system was approved in the amount of $160,000. Increase cost of fuel products for law enforcement and roads will be a major impact on the county's operating budget.

St. Clair County is continuing their development of a new park/recreation facility and have completed a new sheriff department and transportation building for continued growth for county departments. The Commission will continue to partner with the municipalities, St. Clair County Economic Development and St. Clair County Industrial Development Board for continued growth and strong economic factors.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the Commission had over $25 million in capital assets. This amount includes capital assets less depreciation. The county's capital assets include land, buildings, construction equipment, office equipment and furniture, motor vehicles, data processing equipment, communication equipment, and other equipment.

Debt

At the end of fiscal year 2005, St. Clair County Commission had $14,060,257.67 outstanding in debt. This includes notes payable, warrants payable, and compensated absences, net of unamortized discount and deferred loss on refunding. In comparison to fiscal year 2004, debt increased approximately $1,575, 000 in fiscal year 2005. The majority of the increase is due to the Commission refinancing the 1999 RRR Gas Tax Warrant, and borrowing new money that will be paid with 4-cent revenue in the amount of $1,545,000. The combined amount for the 2005 debt was $3,445,000.

CONTACT INFORMATION

If you have any questions about this report or need additional financial information, please contact the St. Clair County Commission at (205) 594-2100 or P. O. Box 397, Ashville, Alabama 35953.

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Statement of Net Assets
September 30, 2005

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 13,890,102.21
Investments	1,500,000.00
Ad Valorem Taxes Receivable	5,226,490.16
Sales Tax Receivable	470,000.00
Accounts Receivable	141,744.59
Interest Receivable	7.48
Due from Other Governments	972,140.93
Restricted Cash with Fiscal Agent	4,183.98
Restricted Assets - Noncurrent Cash	451,740.26
Prepaid Items	6,177.98
Deferred Charges - Issuance Costs	71,962.76
Long-Term Notes Receivable (Note 14)	1,861,190.93
Capital Assets (Note 5):	
Nondepreciable	1,785,250.48
Depreciable, Net	24,201,115.12
Total Assets	50,582,106.88
Liabilities	
Accounts Payable	424,435.52
Due to Other Governments	34,579.22
Deferred Revenue	5,671,414.39
Accrued Wages Payable	88,747.16
Accrued Interest Payable	125,246.43
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	270,000.00
Unamortized Discount	(1,837.16)
Loss on Refunding	(9,776.46)
Obligation Under Funding Agreement	88,691.44
Notes Payable	312,522.55
Estimated Liability for Compensated Absences	25,233.10
Portion Due or Payable After One Year:	
Warrants Payable	10,545,000.00
Unamortized Discount	(24,954.81)
Loss on Refunding	(78,600.52)
Obligation Under Funding Agreement	1,027,948.30
Notes Payable	1,027,987.68
Estimated Liability for Compensated Absences	878,043.55
Total Liabilities	$ 20,404,680.39

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	$ 17,275,855.37
Restricted for Road Projects	2,962,629.90
Restricted for Other Purposes	880,250.01
Unrestricted	9,058,691.21
Total Net Assets	$ 30,177,426.49

Statement of Activities
For the Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 6,342,221.91	$ 1,930,178.26	$ 102,070.64
Public Safety	8,472,360.35	1,322,723.86	1,540,821.62
Highways and Roads	4,529,911.66	282,510.45	3,109,820.76
Sanitation	400,000.00	145,626.58	
Health	193,863.79		8,910.84
Welfare	96,566.96		
Culture and Recreation	57,452.91		
Education	32,000.00		
Intergovernmental	389,485.24		
Interest on Long-Term Debt	540,557.94		
Total Primary Government	$ 21,054,420.76	$ 3,681,039.15	$ 4,761,623.86

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

General Sales Tax

Miscellaneous Taxes

Grants and Contributions not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 13)

Net Assets - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Primary Government Total Governmental Activities
$	$ (4,309,973.01)
	(5,608,814.87)
513,054.88	(624,525.57)
51,990.00	(202,383.42)
	(184,952.95)
	(96,566.96)
	(57,452.91)
	(32,000.00)
	(389,485.24)
	(540,557.94)
$ 565,044.88	(12,046,712.87)
	2,855,940.15
	2,723,808.32
	5,456,430.41
	1,128,322.78
	585,168.57
	200,598.50
	739,657.75
	13,689,926.48
	1,643,213.61
	28,534,212.88
	$ 30,177,426.49

Balance Sheet
Governmental Funds
September 30, 2005

		General Fund		Gasoline Tax Fund
Assets				
Cash and Cash Equivalents	$	8,393,716.25	$	32,877.62
Cash with Fiscal Agent				
Investments				
Accounts Receivable		64,063.03		
Ad Valorem Taxes Receivable		2,798,658.50		
Sales Taxes Receivable		470,000.00		
Due from Other Funds		266,508.85		
Due from Other Governments		278,086.28		216,634.23
Interest Receivable				
Prepaid Item				
Long-Term Notes Receivable		1,861,190.93		
Total Assets		14,132,223.84		249,511.85
Liabilities and Fund Balances				
Liabilities				
Accounts Payable		217,551.82		86,043.31
Due to Other Funds				
Due to Other Governments				
Deferred Revenue		2,987,865.56		
Accrued Wages Payable		59,591.06		18,312.67
Accrued Interest Payable				
Estimated Liability for Compensated Absences		25,233.10		
Total Liabilities		3,290,241.54		104,355.98
Fund Balances				
Reserved for:				
Debt Service				
Capital Projects				
Encumbrances		45,533.90		6,829.28
Prepaid Item				
Unreserved, Reported in:				
General Fund		10,796,448.40		
Special Revenue Funds				138,326.59
Total Fund Balances		10,841,982.30		145,155.87
Total Liabilities and Fund Balances	$	14,132,223.84	$	249,511.85

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
$ 1,253,989.02	$ 232,156.85	$ 4,429,102.73	$ 14,341,842.47
		4,183.98	4,183.98
		1,500,000.00	1,500,000.00
14,461.69		63,219.87	141,744.59
1,370,949.66	1,056,882.00		5,226,490.16
			470,000.00
			266,508.85
392.64		477,027.78	972,140.93
		7.48	7.48
6,177.98			6,177.98
			1,861,190.93
2,645,970.99	1,289,038.85	6,473,541.84	24,790,287.37
31,380.00	60,846.67	28,613.72	424,435.52
		266,508.85	266,508.85
		34,579.22	34,579.22
1,462,948.89	1,220,599.94		5,671,414.39
	7,592.24	3,251.19	88,747.16
		3,268.13	3,268.13
			25,233.10
1,494,328.89	1,289,038.85	336,221.11	6,514,186.37
		1,273,949.13	1,273,949.13
		1,362,457.37	1,362,457.37
107,473.00		530,787.80	690,623.98
6,177.98			6,177.98
			10,796,448.40
1,037,991.12		2,970,126.43	4,146,444.14
1,151,642.10		6,137,320.73	18,276,101.00
$ 2,645,970.99	$ 1,289,038.85	$ 6,473,541.84	$ 24,790,287.37

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2005

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 18,276,101.00

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	$ 1,785,250.48	
Depreciable, Net	24,201,115.12	
Total		25,986,365.60

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. 71,962.76

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

	Current Liabilities	Noncurrent Liabilities	
Notes Payable	$ 312,522.55	1,027,987.68	
Warrants Payable	270,000.00	10,545,000.00	
Unamortized Discount	(1,837.16)	(24,954.81)	
Deferred Loss on Refunding	(9,776.46)	(78,600.52)	
Obligation Under Funding Agreement	88,691.44	1,027,948.30	
Accrued Interest Payable	121,978.30		
Estimated Liability for Compensated Absences		878,043.55	
Total Long-Term Liabilities	$ 781,578.67	$ 13,375,424.20	(14,157,002.87)
Total Net Assets - Governmental Activities (Exhibit 1)			$ 30,177,426.49

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, 2005

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 9,290,122.34	$
Licenses and Permits	117,205.09	
Intergovernmental	535,771.54	1,898,896.48
Charges for Services	2,370,975.16	117,769.47
Miscellaneous	198,053.86	280,683.18
Total Revenues	12,512,127.99	2,297,349.13
Expenditures		
Current:		
General Government	4,190,282.21	
Public Safety	6,170,605.05	
Highways and Roads		3,083,129.01
Sanitation	400,000.00	
Health	191,803.60	
Welfare	95,299.10	
Culture/Recreation	54,765.85	
Education	32,000.00	
Intergovernmental	370,284.38	
Capital Outlay	590,639.85	479,772.80
Debt Service:		
Principal Retirement	13,419.49	
Bond Issuance Costs		72,785.18
Interest and Fiscal Charges	4,570.30	
Total Expenditures	12,113,669.83	3,635,686.99
Excess (Deficiency) of Revenues Over Expenditures	398,458.16	(1,338,337.86)
Other Financing Sources (Uses)		
Transfers In	415,000.00	1,373,371.44
Sale of Capital Assets	17,059.01	28,961.33
Issuance of Long-Term Notes Payable	300,000.00	
Issuance of Gas Tax Warrants		
Payments to Escrow Agent		
Discount on Warrant Issuance		
Transfers Out	(469,243.91)	
Total Other Financing Sources (Uses)	262,815.10	1,402,332.77
Net Changes in Fund Balances	661,273.26	63,994.91
Fund Balances - Beginning of Year, as Restated (Note 13)	10,180,709.04	81,160.96
Fund Balances - End of Year	$ 10,841,982.30	$ 145,155.87

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
$ 1,466,973.62	$ 1,393,411.04	$ 13,994.66	$ 12,164,501.66
		77,637.50	194,842.59
23,114.23		3,454,055.06	5,911,837.31
	862.20	996,589.73	3,486,196.56
35,462.22	46,207.64	319,331.24	879,738.14
1,525,550.07	1,440,480.88	4,861,608.19	22,637,116.26
	1,347,217.88	470,344.98	6,007,845.07
		1,723,300.45	7,893,905.50
1,124.00		1,092,741.39	4,176,994.40
			400,000.00
			191,803.60
			95,299.10
			54,765.85
			32,000.00
		1,900.00	372,184.38
675,488.13	100,913.00	327,743.41	2,174,557.19
		898,115.71	911,535.20
			72,785.18
		557,864.72	562,435.02
676,612.13	1,448,130.88	5,072,010.66	22,946,110.49
848,937.94	(7,650.00)	(210,402.47)	(308,994.23)
	7,650.00	1,764,305.10	3,560,326.54
279,784.50		5,950.75	331,755.59
464,961.13			764,961.13
		3,445,000.00	3,445,000.00
		(1,990,432.24)	(1,990,432.24)
		(27,098.15)	(27,098.15)
(1,946,310.87)		(1,144,771.76)	(3,560,326.54)
(1,201,565.24)	7,650.00	2,052,953.70	2,524,186.33
(352,627.30)		1,842,551.23	2,215,192.10
1,504,269.40		4,294,769.50	16,060,908.90
$ 1,151,642.10	$	$ 6,137,320.73	$ 18,276,101.00

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, 2005

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$	2,215,192.10
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 ($2,174,557.19) exceeded depreciation ($1,208,104.53) in the current period.			966,452.66
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	$ 400,000.00		
Capital Lease Principal	591.34		
Long-term Note Principal	426,129.64		
Funding Agreement Principal	84,814.22		
Payments to Escrow Agent	1,990,432.24		
Total			2,901,967.44
Proceeds from issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.			
Notes Payable	(764,961.13)		
Warrants Payable	(3,445,000.00)		
Discount on Warrant Issued	27,098.15		
Issuance Costs of Warrant	72,785.18		
Total			(4,110,077.80)

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

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

Increase in Estimated Liability for Compensated Absences	(80,435.96)	
Decrease in Accrued Interest Payable	24,536.51	
Decrease in Deferred Issuance Costs	(822.42)	
Decrease in Unamortized Loss on Refunding	(2,055.26)	
Decrease in Unamortized Discount	(306.18)	
Total		(59,083.31)

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	331,755.59	
Donated Capital Asset - Land	(16,250.00)	
Gain on the Sale of Capital Asset	$ (44,268.11)	
Total		(271,237.48)
Change in Net Assets of Governmental Activities (Exhibit 2)		$ 1,643,213.61

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	$ 741,629.90	$ 89,016.01
Due from Other Governments	7,107.89	38,327.31
Capital Assets, Net of Depreciation (Note 5)	42,961.21	
Total Assets	791,699.00	127,343.32
Liabilities		
Due to Original Property Owner	241,259.28	
Accounts Payable	3,459.95	
Due to Other Governments		127,343.32
Total Liabilities	244,719.23	$ 127,343.32
Net Assets		
Invested in Capital Assets, Net of Related Debt	42,961.21	
Held in Trust for Other Purposes	504,018.56	
Total Net Assets	$ 546,979.77	

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, 2005

		Private-Purpose Trust Funds
Additions		
Contributions by:		
State and Local Governments	$	154,104.09
Fees		81,649.34
Interest		827.67
Miscellaneous		73,074.41
Total Additions		309,655.51
Deductions		
Administrative Expenses		191,092.67
Depreciation		19,595.28
Interest and Fiscal Charges		83.79
Total Deductions		210,771.74
Changes in Net Assets		98,883.77
Net Assets - Beginning of Year		448,096.00
Net Assets - End of Year	$	546,979.77

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"), except for the exclusion of the component units discussed below, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

Based on the application of the above criteria, the following entities are component units of the Commission: the St. Clair County Revenue Commissioner, Probate Judge, and Sheriff. Separate legal compliance examination reports are issued for these component units and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

The accompanying financial statements reflect the activity of the Commission (the primary government), and do not include all of the financial activities of the component units listed above as required by generally accepted accounting principles.

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. Also, accounted for in the general fund is employee dental insurance.

- ***Gasoline Tax Fund*** – This fund is used to account for the Commission's share of the statewide seven-cent gasoline tax. Revenues are earmarked for building and maintaining roads.

- ***Public Buildings, Roads and Bridges Fund*** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.

- ***Reappraisal Fund*** – This fund is used to account for the expenditures of special county property taxes for the reappraisal of real property located in the County.

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

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

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

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 proceeds from long-term notes 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

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

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 30 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 30 days.

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. Receivables also include various licenses, taxes, and fees collected and not yet remitted to the County and amounts due for housing the inmates of various cities in the County.

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

3. Prepaid Items

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

4. Restricted Assets

Certain resources set aside for various capital improvements and for the repayment of debt, are classified as restricted assets on the balance sheet because they are maintained separately and will not be used to finance current operations. The Capital Improvement Oil and Gas fund are used to accumulate resources that will be used to finance future capital commitments/improvements. The Debt Service Honda Fund is used to accumulate resources to pay principal and interest on the funding agreement as it becomes due.

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 50,000	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.

6. 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. Warrant discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred loss on refunding is deferred and amortized over the life of the refunded debt.

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

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

7. 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, 2005, the liability for accrued annual and sick leave is approximately $903,276.65. Of this portion, $25,233.10 is reported as Due Within One Year, and $878,043.55 is reported as Due After One Year.

8. 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

A. Budgets

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

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 Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

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

Note 4 – Deferred Revenue

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, 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes Receivable	$5,111,428.28	$396,268.17
Reappraisal Maintenance		163,717.94
Total Deferred/Unearned Revenue for Governmental Funds	$5,111,428.28	$559,986.11

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance 10/01/2004	Additions	Deletions	Balance 09/30/2005
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 531,353.10	$ 396,455.06	$	$ 927,808.16
Construction in Progress	200,545.00	130,931.52	(230,147.84)	101,328.68
Infrastructure in Progress	784,805.72	484,362.80	(513,054.88)	756,113.64
Total Capital Assets, Not Being Depreciated	1,516,703.82	1,011,749.38	(743,202.72)	1,785,250.48
Capital Assets Being Depreciated:				
Buildings and Improvements	14,697,188.89	400,518.84	(144,029.00)	14,953,678.73
Construction Equipment	1,926,832.25	213,260.26	(88,104.00)	2,051,988.51
Equipment and Furniture	5,322,467.04	802,877.55	(776,406.25)	5,348,938.34
Assets Under Capital Lease	7,450.98		(7,450.98)	
Infrastructure	9,418,213.00	513,054.88		9,931,267.88
Total Capital Assets, Being Depreciated	31,372,152.16	1,929,711.53	(1,015,990.23)	32,285,873.46
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,669,970.77)	(375,225.39)	103,989.60	(2,941,206.56)
Construction Equipment	(816,897.65)	(160,312.24)	79,293.60	(897,916.29)
Equipment and Furniture	(2,919,565.13)	(599,997.87)	537,768.57	(2,981,794.43)
Assets Under Capital Lease	(6,705.00)	(745.00)	7,450.00	
Infrastructure	(1,184,567.01)	(79,274.05)		(1,263,841.06)
Total Accumulated Depreciation	(7,597,705.56)	(1,215,554.55)	728,501.77	(8,084,758.34)
Total Capital Assets, Being Depreciated, Net	23,774,446.60	714,156.98	(287,488.46)	24,201,115.12
Total Governmental Activities Capital Assets, Net	$25,291,150.42	$ 1,725,906.36	$(1,030,691.18)	$25,986,365.60

	Balance 10/01/2004	Additions	Deletions	Balance 09/30/2005
Fiduciary Funds:				
Capital Assets, Being Depreciated:				
Equipment and Furniture	$115,459.87	$	$(17,483.45)	$ 97,976.42
Total Capital Assets, Being Depreciated	115,459.87		(17,483.45)	97,976.42
Less Accumulated Depreciation for:				
Equipment and Furniture	(52,903.38)	(19,595.28)	17,483.45	(55,015.21)
Total Capital Assets, Being Depreciated, Net	62,556.49	(19,595.28)		42,961.21
Total Fiduciary Funds Capital Assets, Net	$ 62,556.49	$(19,595.28)	$	$ 42,961.21

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 332,553.90
Public Safety	519,092.95
Highway and Roads	333,807.71
Health	1,394.19
Welfare	1,267.86
Culture/Recreation	2,687.06
Intergovernmental	17,300.86
Total Depreciation Expense - Governmental Activities	$1,208,104.53

Depreciation expense was charged to fiduciary funds as follows:

	Current Year Depreciation Expense
Fiduciary Funds:	
Depreciation	$19,595.28

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, 2005 was 8.67 percent based on the actuarial valuation performed as of September 30, 2003.

C. Annual Pension Cost

For the year ended September 30, 2005, the Commission's annual pension cost of $564,620 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, 2004, 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, 2004 was 20 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
9/30/2005	$564,620	100%	$0
9/30/2004	$497,902	100%	$0
9/30/2003	$322,883	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]
9/30/2004**	$13,944,296	$17,006,748	$3,062,452	82.00%	$5,960,989	51.40%
9/30/2003***	$13,182,488	$15,954,603	$2,772,115	82.60%	$5,654,014	49.00%
9/30/2002****	$12,569,679	$14,661,750	$2,092,071	86.00%	$5,343,264	39.00%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.
*** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
**** Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.

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, 2005, the Commission's expenditures to cover an average of 2 employees totaled $20,524.39.

Note 8 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The St. Clair County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2005 amounted to $23,038.18.

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

Note 9 – Long-Term Debt

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities. In 1992, General Obligation Warrants were issued to provide funds for the construction of a county jail. In 1998, warrants were issued to refund the 1992 Warrants and to obtain funds to renovate the Pell City Courthouse. The interest rate on these warrants varies from 4.0% to 5.1%.

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 varies from 3.25 percent to 3.80 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. St. Clair County entered into a funding agreement with several other entities to provide a source of payment of the bonds.

In March 2004, the County 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 County purchased 3.5 acres of land to establish a public park. The interest rate on the note payable is 6.5 percent per annum.

In May 2005, the County purchased three dump trucks for the road department financed with a long-term note payable. The interest rate on the note payable is 2.75 percent.

In September 2005, the County 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, 2005:

	Debt Outstanding October 1, 2004	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants	$ 7,630,000.00	$	$ (260,000.00)	$ 7,370,000.00	$270,000.00
Gas Tax Warrants	2,040,000.00	3,445,000.00	(2,040,000.00)	3,445,000.00	
Total Warrants Payable	9,670,000.00	3,445,000.00	(2,300,000.00)	10,815,000.00	270,000.00
Less: Unamortized Discount		(27,098.15)	306.18	(26,791.97)	1,837.16
Less: Deferred Loss on Refunding		(90,432.24)	2,055.26	(88,376.98)	9,776.46
Total Warrants Payable, Net	9,670,000.00	3,327,469.61	(2,297,638.56)	10,699,831.05	281,613.62
Other Liabilities:					
Capital Lease Contracts Payable	591.34		(591.34)		
Obligation Under Funding Agreement	1,201,453.96		(84,814.22)	1,116,639.74	88,691.44
Long-Term Notes Payable	1,001,678.74	764,961.13	(426,129.64)	1,340,510.23	312,522.55
Estimated Liability for Compensated Absences	818,131.98	85,144.67		903,276.65	25,233.10
Total Other Liabilities	3,021,856.02	850,105.80	(511,535.20)	3,360,426.62	426,447.09
Total Governmental Activities Long-Term Liabilities	$12,691,856.02	$4,177,575.41	$(2,809,173.76)	$14,060,257.67	$708,060.71

Payments on the general obligation bonds 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 several of the Commission’s governmental funds. In the past, approximately 65% has been paid by the General Fund, 31% by the Gasoline Tax Fund and the remainder by the other governmental funds.

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, 2006	$ 270,000.00	$ 351,378.76	$	$ 88,239.40
2007	285,000.00	339,271.88	200,000.00	114,952.50
2008	295,000.00	326,547.50	205,000.00	109,331.25
2009	310,000.00	313,160.00	210,000.00	103,260.00
2010	320,000.00	299,062.50	215,000.00	96,885.00
2011-2015	1,845,000.00	1,249,766.25	1,190,000.00	375,348.75
2016-2020	2,335,000.00	742,915.00	1,425,000.00	143,513.75
2021-2023	1,710,000.00	133,875.00		
Totals	$7,370,000.00	$3,755,976.89	$3,445,000.00	$1,031,530.65

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. The issuance costs and bond discount 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 Loss on Refunding	Discounts
Total Issuance Costs, Deferred Charges on Refunding and Premiums	$72,785.18	$90,432.24	$27,098.15
Current Amount Amortized	(822.42)	(2,055.26)	(306.18)
Balance Issuance Costs, Deferred Charges on Refunding and Premiums	$71,962.76	$88,376.98	$26,791.97

Obligation Under Funding Agreement		Long-Term Notes Payable		Total Principal and Interest
Principal	Interest	Principal	Interest	Requirements
$ 88,691.44	$ 57,184.17	$ 312,522.55	$ 44,546.82	$ 1,212,563.14
93,053.31	52,926.98	323,601.73	33,467.67	1,442,274.07
97,899.84	48,413.89	335,111.48	21,957.90	1,439,261.86
102,746.37	43,518.90	275,899.84	10,143.82	1,368,728.93
107,592.89	38,330.21	93,374.63	2,426.88	1,172,672.11
626,655.89	103,215.03			5,389,985.92
				4,646,428.75
				1,843,875.00
$1,116,639.74	$343,589.18	$1,340,510.23	$112,543.09	$18,515,789.78

Defeased Debt

On August 1, 2005, the Commission issued $3,445,000 in State Gasoline Tax Anticipation Warrants, Series 2005 with an interest rate of 3.25 percent to 3.80 percent to advance refund $1,900,000.00 of outstanding 1999 State Gasoline Tax Anticipation Warrants with an interest rate of 4.9 percent to 5.6 percent. The net proceeds of $1,990,432.24 (after payment of $1,454,567.76 in underwriting fees, insurance, other issuance costs, and new money borrowed by the Commission) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 State Gasoline Tax Anticipation Warrants. As a result, the 1999 State Gasoline Tax Anticipation Warrants are considered to be defeased and the liability for those warrants has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $90,432.24. This difference is being netted against the new debt and amortized over the remaining life of the old debt, which is shorter than the life of the new debt issued. As a result of the advance refunding, the Commission increased its total debt service requirements by $10,262.16, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $95,016.80.

Note 10 – Risk Management

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

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 County may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to $50,000 per incident with a $5,000 deductible and unlimited defense costs.

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

The Commission 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 cost 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
2004-2005	$8,891.83	$136,313.16	$135,055.42	$10,149.57
2003-2004	$7,918.14	$122,768.89	$121,795.20	$ 8,891.83
2002-2003	$5,388.40	$133,576.52	$131,046.78	$ 7,918.14

Note 11 – Interfund Receivables and Payables

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2005, were as follows:

	Due From Other Funds	
	General Fund	Total
Due to Other Funds:		
Other Governmental Funds	$266,508.85	$266,508.85
Total	$266,508.85	$266,508.85

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2005, were as follows:

	Transfers Out			
Transfers In	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Totals
General Fund	$	$	$ 415,000.00	$ 415,000.00
Gasoline Tax Fund	244,721.44	880,500.00	248,150.00	1,373,371.44
Reappraisal Fund	7,650.00			7,650.00
Other Governmental Funds	216,872.47	1,065,810.87	481,621.76	1,764,305.10
Totals	$469,243.91	$1,946,310.87	$1,144,771.76	$3,560,326.54

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 12 – Subsequent Events

On December 27, 2005, the Commission loaned the Coosa Valley Water Authority $100,000.00. On February 14, 2006, the Commission loaned the Coosa Valley Water Authority an additional $100,000.00. On March 2, 2006, the Commission loaned the Coosa Valley Water Authority an additional $100,000.00. On March 14, 2006, the Commission loaned the St. Clair County Airport Authority, Inc. $50,000.00. On April 26, 2006, the Commission loaned the St. Clair County Airport Authority, Inc. an additional $50,000.00. The Commission received promissory notes for these loans.

Note 13 – Restatements

Restatements were made to correct various errors from the prior period. These restatements were necessary to correct an error in the computation of various officials' salaries and to adjust for revenue received in the current period that was attributable to the prior period.

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

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2004, as Previously Reported	$10,239,950.81	$107,096.33	$1,504,269.40	$4,290,342.50	$16,141,659.04
Restatements	(59,241.77)	(25,935.37)		4,427.00	(80,750.14)
Fund Balance, September 30, 2004, as Restated	$10,180,709.04	$ 81,160.96	$1,504,269.40	$4,294,769.50	16,060,908.90
Net Assets Balance, September 30, 2004, as Previously Reported					28,614,963.02
Restatements of Fund Balance					(80,750.14)
Governmental Activities Net Assets, September 30, 2004, as Restated					$28,534,212.88

Note 14 – Notes Receivable

The Commission has made loans totaling $1,861,190.93 to various governmental entities for the purposes of economic development, sewer/improvement projects, and other capital purposes. The majority of the loans are to be repaid after the sale of development property begins. The remaining loans are to be repair over a three to five year period.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 8,991,210.27	$ 8,991,264.31	$ 9,168,938.32
Licenses and Permits	120,910.00	120,910.00	117,205.09
Intergovernmental	500,069.00	459,354.07	535,771.54
Charges for Services	2,190,880.00	2,190,880.00	2,370,975.16
Miscellaneous	107,823.13	151,042.31	198,053.86
Total Revenues	11,910,892.40	11,913,450.69	12,390,943.97
Expenditures			
Current:			
General Government	4,263,959.06	4,405,761.47	4,190,282.21
Public Safety	5,870,713.83	6,160,274.00	6,170,605.05
Sanitation	12,000.00	400,000.00	400,000.00
Health	201,254.40	201,254.40	191,803.60
Welfare	75,500.00	107,660.18	95,299.10
Culture and Recreation	53,767.00	58,767.00	54,765.85
Education	32,000.00	42,890.87	32,000.00
Intergovernmental	280,947.15	1,068,574.05	370,284.38
Capital Outlay	250,900.00	648,957.85	590,639.85
Debt Service:			
Principal	591.35	13,419.50	13,419.49
Interest and Fiscal Charges	8.65	4,870.29	4,570.30
Total Expenditures	11,041,641.44	13,112,429.61	12,113,669.83
Excess (Deficiency) of Revenues Over Expenditures	869,250.96	(1,198,978.92)	277,274.14
Other Financing Sources (Uses)			
Transfers In	1,757,681.97	2,098,006.97	415,000.00
Sale of Capital Assets			17,059.01
Issuance of Long-Term Notes Payable			300,000.00
Transfers Out	(1,677,872.97)	(2,284,015.24)	(469,243.91)
Total Other Financing Sources (Uses)	79,809.00	(186,008.27)	262,815.10
Net Change in Fund Balances	949,059.96	(1,384,987.19)	540,089.24
Fund Balances - Beginning of Year	10,385,320.93	10,385,320.93	10,035,338.92
Fund Balances - End of Year	$ 11,334,380.89	$ 9,000,333.74	$ 10,575,428.16

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 121,184.02	$ 9,290,122.34
		117,205.09
		535,771.54
		2,370,975.16
		198,053.86
	121,184.02	12,512,127.99
		4,190,282.21
		6,170,605.05
		400,000.00
		191,803.60
		95,299.10
		54,765.85
		32,000.00
		370,284.38
		590,639.85
		13,419.49
		4,570.30
		12,113,669.83
	121,184.02	398,458.16
		415,000.00
		17,059.01
		300,000.00
		(469,243.91)
		262,815.10
	121,184.02	661,273.26
(2)	145,370.12	10,180,709.04
	$ 266,554.14	$ 10,841,982.30

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2005

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 when they are earned. (Difference between prior year deferral $145,370.12 and current year deferral $266,554.14.)

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. (See Note 2 for a description of the Commission's budgetary accounting method.) 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.

$	121,184.02
$	121,184.02

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Gasoline Tax Fund For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	$ 1,346,449.68	$ 1,346,449.68	$ 1,898,896.48
Charges for Services	120,000.00	120,000.00	630,824.35
Miscellaneous	321,320.00	321,320.00	280,683.18
Total Revenues	1,787,769.68	1,787,769.68	2,810,404.01
Expenditures			
Current:			
Highways and Roads	2,781,722.68	3,323,378.65	3,596,183.89
Capital Outlay	27,000.00	36,887.00	479,772.80
Debt Service:			
Bond Issuance Costs			72,785.18
Total Expenditures	2,808,722.68	3,360,265.65	4,148,741.87
Excess (Deficiency) of Revenues Over Expenditures	(1,020,953.00)	(1,572,495.97)	(1,338,337.86)
Other Financing Sources (Uses)			
Transfers In	1,016,650.00	1,523,371.44	1,373,371.44
Sale of Capital Assets			28,961.33
Total Other Financing Sources (Uses)	1,016,650.00	1,523,371.44	1,402,332.77
Net Change in Fund Balances	(4,303.00)	(49,124.53)	63,994.91
Fund Balances - Beginning of Year	107,096.33	107,096.33	81,160.96
Fund Balances - End of Year	$ 102,793.33	$ 57,971.80	$ 145,155.87

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

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

Decrease in Intergovernmental Revenues

Decrease in Expenditures (Capital Outlay)

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

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	$	$ 1,898,896.48
(1)	(513,054.88)	117,769.47
		280,683.18
	(513,054.88)	2,297,349.13
(2)	513,054.88	3,083,129.01
		479,772.80
		72,785.18
	513,054.88	3,635,686.99
		(1,338,337.86)
		1,373,371.44
		28,961.33
		1,402,332.77
		63,994.91
		81,160.96
	$	$ 145,155.87

$	(513,054.88)
	513,054.88
$	

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Public Buildings, Roads and Bridges Fund For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 1,512,293.00	$ 1,512,293.00	$ 1,408,451.30
Intergovernmental	23,115.00	23,115.00	23,114.23
Miscellaneous	15,365.00	15,365.00	35,462.22
Total Revenues	1,550,773.00	1,550,773.00	1,467,027.75
Expenditures			
Current:			
Public Safety			
Highways and Roads		733.00	1,124.00
Capital Outlay		782,961.13	675,488.13
Total Expenditures		783,694.13	676,612.13
Excess (Deficiency) of Revenues Over Expenditures	1,550,773.00	767,078.87	790,415.62
Other Financing Sources (Uses)			
Transfers In			279,784.50
Sale of Capital Assets			464,961.13
Issuance of Long-Term Notes Payable			
Transfers Out	(1,485,589.10)	(1,948,095.89)	(1,946,310.87)
Total Other Financing Sources (Uses)	(1,485,589.10)	(1,948,095.89)	(1,201,565.24)
Net Change in Fund Balances	65,183.90	(1,181,017.02)	(411,149.62)
Fund Balances - Beginning of Year	1,575,471.11	1,575,471.11	1,433,067.69
Fund Balances - End of Year	$ 1,640,655.01	$ 394,454.09	$ 1,021,918.07

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 58,522.32	$ 1,466,973.62
		23,114.23
		35,462.22
	58,522.32	1,525,550.07
		1,124.00
		675,488.13
		676,612.13
	58,522.32	848,937.94
		279,784.50
		464,961.13
		(1,946,310.87)
		(1,201,565.24)
	58,522.32	(352,627.30)
(2)	71,201.71	1,504,269.40
	$ 129,724.03	$ 1,151,642.10

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2005

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.

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. (See Note 2 for a description of the Commission's budgetary accounting method.) 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.

$	58,522.32
$	58,522.32

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 1,433,648.97	$ 1,557,128.97	$ 1,393,411.04
Charges for Services			862.20
Miscellaneous		30,276.00	46,207.64
Total Revenues	1,433,648.97	1,587,404.97	1,440,480.88
Expenditures			
Current:			
General Government	1,442,128.97	1,459,279.97	1,347,217.88
Capital Outlay	115,000.00	128,125.00	100,913.00
Total Expenditures	1,557,128.97	1,587,404.97	1,448,130.88
Excess (Deficiency) of Revenues Over Expenditures	(123,480.00)		(7,650.00)
Other Financing Sources (Uses)			
Transfers In			7,650.00
Total Other Financing Sources (Uses)			7,650.00
Net Change in Fund Balances	(123,480.00)		
Fund Balances - Beginning of Year	123,480.00		
Fund Balances - End of Year	$	$	$

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 1,393,411.04
	862.20
	46,207.64
	1,440,480.88
	1,347,217.88
	100,913.00
	1,448,130.88
	(7,650.00)
	7,650.00
	7,650.00
$	$

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

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-CM-PF-04-013
Emergency Shelter Grants Program	14.231	ESG-03-017
Total U. S. Department of Housing and Urban Development		
U. S. Department of Justice		
Direct Program		
Public Safety Partnership and Community Policing Grants	16.710	2004CKWX0039
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Accountability Incentive Block Grants	16.523	03-JB-12-001
Juvenile Accountability Incentive Block Grants	16.523	02-JB-12-003
Sub-Total Juvenile Accountability Incentive Block Grants		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JF-C3-016
Title V - Delinquency Prevention Program	16.548	02-JP-JC-010
Title V - Delinquency Prevention Program	16.548	02-JP-JC-013
Title V - Delinquency Prevention Program	16.548	04-JP-JC-002
Sub-Total Title V - Delinquency Prevention Program		
Total U. S. Department of Justice		
U. S. Department of Homeland Security		
Passed Through Alabama Department of Emergency Management		
State Domestic Preparedness Equipment Support Program	97.004	SHAS PLAN
State and Local Homeland Security Exercise Support	97.006	3DOE
Hazard Mitigation Grant	97.039	SAFE-(1442)
Chemical Stockpile Emergency Preparedness Program (M)	97.040	
Emergency Management Performance Grants	97.042	05-EMPG-58
Pre-Disaster Mitigation	97.047	PDM-059
State and Local All Hazards Emergency Operations Planning	97.051	PLAN
Interoperable Communications Equipment	97.055	4 SHL
State Homeland Security Program	97.073	4 SHL
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
09/30/2005 - 04/15/2005	$ 696,243.00	$ 400,000.00	$ 51,990.00	$ 51,990.00
05/27/2003 - 05/26/2005	400,000.00	200,000.00	182,317.47	182,317.47
	1,096,243.00	600,000.00	234,307.47	234,307.47
02/26/2003 - 02/25/2005	98,948.00	98,948.00	98,774.00	98,774.00
11/03/2003 - 10/31/2004	52,823.00	47,541.00	47,540.58	47,540.58
05/01/2004 - 01/31/2005	90,788.00	81,710.00	28,722.21	28,722.21
	143,611.00	129,251.00	76,262.79	76,262.79
06/01/2005 - 05/31/2006	135,152.00	135,152.00	47,753.40	47,753.40
11/01/2003 - 10/31/2004	112,575.02	75,050.00	6,172.75	6,172.75
09/30/2004 - 04/13/2004	69,502.51	46,335.00	46,323.55	46,323.55
06/01/2005 - 10/31/2005	43,072.51	28,715.00	23,106.68	23,106.68
	225,150.04	150,100.00	75,602.98	75,602.98
	602,861.04	513,451.00	298,393.17	298,393.17
12/01/2003 - 09/30/2006	210,120.00	210,120.00	141,748.90	141,748.90
06/07/2005 - 12/31/2005	15,000.00	15,000.00	2,746.82	2,746.82
06/08/2004 - 09/30/2005	45,148.00	34,045.00	20,406.63	20,406.63
10/01/2002 - 09/30/2007	3,043,315.00	3,043,315.00	677,005.46	677,005.46
10/01/2004 - 09/30/2005	27,873.00	25,527.00	25,527.00	25,527.00
	14,400.00	10,800.00	1,296.00	1,296.00
12/17/2002 - 05/29/2004	5,000.00	5,000.00	4,999.68	4,999.68
02/22/2005 - 03/01/2005	71,600.00	71,600.00	64,874.00	64,874.00
05/14/2004 - 06/01/2006	100,000.00	100,000.00	74,128.08	74,128.08
	3,532,456.00	3,515,407.00	1,012,732.57	1,012,732.57
	$ 5,231,560.04	$ 4,628,858.00	$ 1,545,433.21	$ 1,545,433.21

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2005

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, 2004 through September 30, 2005

Commission Members			**Term Expires**
Hon. Stanley D. Batemon	Chairman	534 Eagle Pointe Lane Pell City, AL 35128	2006
Hon. Jeff Brown	Member	18801 Highway 11 Steele, AL 35987	2006
Hon. Michael E. Bowling	Member	60 Brian Knoll Odenville, AL 35120	2008
Hon. Paul Manning	Member	P. O. Box 119 Wattsville, AL 35182	2008
Hon. James S. (Jimmy) Roberts	Member	801 Old Wagon Road Pell City, AL 35125	2008

Administrative Personnel

Ms. Joy Thompson	Administrator/ Treasurer	P. O. Box 397 Ashville, AL 35953

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Commission as of and for the year ended September 30, 2005, which collectively comprise the St. Clair County Commission's basic financial statements and have issued our report thereon dated May 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Clair County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

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

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

May 26, 2006

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

Compliance

We have audited the compliance of the St. Clair County Commission with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to its major federal program for the year ended September 30, 2005. The St. Clair County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the St. Clair County Commission's management. Our responsibility is to express an opinion on the St. Clair County Commission's compliance based on our audit.

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

In our opinion, the St. Clair County Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

Internal Control Over Compliance

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

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

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

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

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

May 26, 2006

Section I - Summary of Examiner's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
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.	