

Report on the

# **Baldwin County Commission**

**Baldwin County, Alabama**

**October 1, 2003 through September 30, 2004**

Filed: December 30, 2005



## **Department of Examiners of Public Accounts**

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*Ronald L. Jones, Chief Examiner*



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Ronald L. Jones  
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Baldwin County Commission for the period October 1, 2003 through September 30, 2004.

**SCOPE AND OBJECTIVES**

This report encompasses an audit of the financial statements of the Baldwin 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 has 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 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 11), and notes to the financial statements.
5. **Required Supplementary Information** – includes Budget to Actual Comparisons (Exhibits 12 through 14), 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 15), 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 16) 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 17) – a report on internal control related to the financial statements and on whether the Commission has 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 Internal Control Over Compliance in Accordance With OMB Circular A-133**

(Exhibit 18) – 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 19) – 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 Baldwin County Commission provides for public safety; construction and maintenance of county roads and bridges; sanitation services; health and welfare services; and educational, cultural and recreational services to the citizens of Baldwin County.

**SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL**

The Commission appeared to have complied, in all material respects, with applicable laws and regulations governing its major federal programs.

There were no material weaknesses noted in the internal controls related to major federal programs.

**STATUS OF PRIOR AUDIT**

The findings in the prior audit were substantially resolved.

Sworn to and subscribed before me this  
the 18th day of November, 2005.

Debbie M. Robinson

Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Sept 30, 2008  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

Sworn to and subscribed before me this  
the 18th day of November, 2005.

Debbie M. Robinson

Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Sept 30, 2008  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

rb

Respectfully submitted,

Mary E. Dunckley

Mary E. Dunckley

Examiner of Public Accounts

Christina D. Nolte

Christina D. Nolte

Examiner of Public Accounts

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 11. These financial statements are the responsibility of the Baldwin 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.

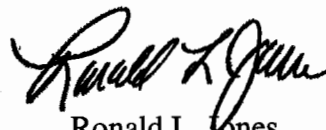
The financial statements referred to above include only the primary government, the Baldwin County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include all the financial 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 Baldwin County, as of September 30, 2004, and the changes in its financial position and its cash flows, where applicable, 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, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Baldwin County Commission, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005 on our consideration of the Baldwin 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 12 through 14) 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 Baldwin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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

August 12, 2005

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

## **Baldwin County Commission Management's Discussion and Analysis**

The Baldwin County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the County. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the County to meet future challenges.

The Management Discussion and Analysis (MD&A) focuses on the activities of the Baldwin County Commission for the fiscal year ended September 30, 2004. The reader should consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

### **Financial Highlights**

Baldwin County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2004 by \$41,770,832 in Governmental Activities and \$7,360,555 in Business-Type Activities for a total of \$49,131,387. Of these amounts \$15,494,854 and \$999,852.76 respectively were available to be used to meet the County's ongoing obligations to its citizens and creditors.

The County's net assets increased by \$6,419,641 or 18.2% for Governmental Activities and increased by \$861,619 or 13.3% for Business-Type Activities. The total net assets increased by \$7,281,260 or 17.4%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$56,398,937, which reflects an increase of \$7,965,091 or 16.4% over the prior year.

Governmental Fund revenues for the current fiscal year at \$71,706,804 were smaller than expenditures of \$86,599,206 by \$14,892,402.

Total long-term liabilities for the Baldwin County Commission for governmental activities increased by a net of \$15,861,658 or 27.6% during the current fiscal year. Total long-term liabilities for business-type activities increased by a net of \$50,850 or 2.0%.

## **Overview of Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of the following components:

Government-wide financial statements

Fund financial statements

Proprietary Funds statements

Fiduciary Funds statements

Notes to financial statements

This report also contains additional information that is relevant to the County's financial position.

## **Government-wide Financial Statements**

The Government-wide financial statements are designed to provide readers with an overview of the County's finances, in a manner similar to those used by private-sector businesses. The Statement of Net Assets includes all of the County's assets and liabilities. Current year revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. This Statement combines and consolidates Governmental Fund's current financial resources (short term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To properly evaluate the overall health of the County you may need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings and other facilities.

The Statement of Activities presents information based on both gross and net costs and shows how the County's net assets changed during the current fiscal year. This Statement is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The Governmental Activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreation, and education. The funding of these activities comes primarily from property taxes, sales taxes, motor fuel taxes, charges for services, and other miscellaneous revenues.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund financial statements more familiar. Fund financial statements provide more detailed information about the County's Funds focusing on its major Funds rather than the County as a whole. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Baldwin County like other state and local governments uses Fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, Fiduciary, and Proprietary are three categories of Fund types used to keep track of specific sources of funding and spending on particular County programs. Because the focus of Governmental Funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to aid in this comparison between Governmental Funds and Governmental Activities.

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-wide financial statements. Most of the County's basic services are included in Governmental Funds. Unlike the Government-wide financial statements, Governmental Fund financial statements focus on near-term inflows, outflows and balances of spendable resources. The Governmental Fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental Fund statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information is provided in Exhibits #4 and #6 to reconcile the difference between them.

Baldwin County maintains many Funds that are Governmental Funds. Separate information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Gasoline Tax Fund, Public Buildings, Roads, and Bridges Fund, 2004 B Warrant Construction Fund, and Oil and Gas Trust Fund. These Funds are deemed to be major Funds. Data from the remaining Funds are combined into a single aggregated presentation.



### **Proprietary Funds Statements**

The Proprietary Funds maintained by the County are considered Enterprise Funds. These Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the Funds be self supporting. The costs of providing goods or services to the general public on a continuing basis are financed or recovered through user charges.

Exhibits #7 (Statement of Net Assets), #8 (Statement of Revenues, Expenses, and Changes in Net Assets), and #9 (Statement of Cash Flows) account for the activities in the County's two Proprietary Funds (Solid Waste Collection Fund and Solid Waste Fund).

### **Fiduciary Funds Statements**

Fiduciary Funds are Funds in which the County is the trustee or fiduciary for assets that belong to others. The County is responsible for ensuring that the assets in these Funds are used only for their intended purpose and are properly recorded. All the County's fiduciary activities are reported in Exhibit #10 (Statement of Fiduciary Net Assets) and Exhibit #11 (Statement of Changes in Fiduciary Net Assets).

### **Notes to the Financial Statements**

The notes to the financial statements provided in this report offer additional essential information to achieve a full understanding of the data provided in the Government-wide and Fund financial statements. The notes follow the exhibits contained in this report.

### **Required Supplementary Information**

Required supplementary information is expressed in Exhibits #12 (Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund), Exhibit #13 (Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Gasoline Tax Fund), and Exhibit #14 (Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Public Buildings, Roads and Bridges Fund). These Schedules compare the County's budget to actual amounts for the major Governmental Funds. Baldwin County adopts an annual budget for these Funds and the comparison Schedules are presented to demonstrate compliance with the Fund budgets.

### **Additional Information**

With the implementation of Governmental Accounting Standards Board (GASB) Statement 34, the County has now begun to report and depreciate General Fund Assets. The County has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The fixed assets related to general government activities are valued and reported within the Governmental Activities column of the Government-wide statement.

## Government-wide Financial Analysis

The County governmental net assets increased by \$6,419,641 and the business-type net assets increased by \$861,619 for a total net increase of \$7,281,260. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$49,131,387 as of the fiscal year ending September 30, 2004.

The following table shows the condensed Statement of Net Assets. Comparative information between the current fiscal year and the previous fiscal year is illustrated.

### Statement of Net Assets Comparative Analysis

|  | Governmental Activities  |                       |                      |                      |
|--|--------------------------|-----------------------|----------------------|----------------------|
|  | As Of<br>9/30/2004       | As Of<br>9/30/2003    | Amount Of<br>Change  | Percent Of<br>Change |
| Current and Other Assets                           | \$ 45,215,716            | \$ 76,450,641         | \$ 10,042,100        | -40.9%               |
| Capital Assets, Net                                | 99,490,402               | 44,028,405            | 14,184,972           | 126.0%               |
| <b>Total Assets</b>                                | <b>\$ 144,706,118</b>    | <b>\$ 120,479,046</b> | <b>\$ 24,227,072</b> | <b>20.1%</b>         |
| Current & Other Liabilities                        | \$ 37,076,458            | \$ 27,607,260         | \$ 1,945,773         | 34.3%                |
| Long-Term Liabilities                              | 65,858,828               | 57,520,595            | 15,861,658           | 14.5%                |
| <b>Total Liabilities</b>                           | <b>\$ 102,935,286</b>    | <b>\$ 85,127,855</b>  | <b>\$ 17,807,431</b> | <b>20.9%</b>         |
| Net Assets:  |                          |                       |                      |                      |
| Invested in Capital Assets,<br>Net of Related Debt | \$ (428,978)             | \$ (1,103,073)        | \$ 3,462,900         | 61.1%                |
| Restricted   | 26,704,955               | 22,870,687            | 2,008,495            | 16.8%                |
| Unrestricted                                       | 15,494,855               | 13,583,577            | 948,246              | 14.1%                |
| <b>Total Net Assets</b>                            | <b>\$ 41,770,832</b>     | <b>\$ 35,351,191</b>  | <b>\$ 6,419,641</b>  | <b>18.2%</b>         |
|  |                          |                       |                      |                      |
|  | Business-Type Activities |                       |                      |                      |
|  | As Of<br>9/30/2004       | As Of<br>9/30/2003    | Amount Of<br>Change  | Percent Of<br>Change |
| Current and Other Assets                           | \$ 3,838,784             | \$ 3,513,796          | \$ 1,270,100         | 9.2%                 |
| Capital Assets, Net                                | 6,487,268                | 5,858,333             | (316,177)            | 10.7%                |
| <b>Total Assets</b>                                | <b>\$ 10,326,052</b>     | <b>\$ 9,372,129</b>   | <b>\$ 953,923</b>    | <b>10.2%</b>         |
| Current & Other Liabilities                        | \$ 716,533               | \$ 358,020            | \$ 41,454            | 100.1%               |
| Long-Term Liabilities                              | 2,248,964                | 2,515,173             | 50,850               | -10.6%               |
| <b>Total Liabilities</b>                           | <b>\$ 2,965,497</b>      | <b>\$ 2,873,193</b>   | <b>\$ 92,304</b>     | <b>3.2%</b>          |
| Net Assets:  |                          |                       |                      |                      |
| Invested in Capital Assets,<br>Net of Related Debt | \$ 5,415,591             | \$ 5,638,910          | \$ (223,319)         | -4.0%                |
| Restricted   | 945,111                  | 0                     | 0                    | 100.0%               |
| Unrestricted                                       | 999,853                  | 860,026               | 1,084,938            | 16.3%                |
| <b>Total Net Assets</b>                            | <b>\$ 7,360,555</b>      | <b>\$ 6,498,936</b>   | <b>\$ 861,619</b>    | <b>13.3%</b>         |

|  | Total Activities      |                       |                      |                      |
|--|-----------------------|-----------------------|----------------------|----------------------|
|  | As Of<br>9/30/2004    | As Of<br>9/30/2003    | Amount Of<br>Change  | Percent Of<br>Change |
| Current and Other Assets                           | \$ 49,054,500         | \$ 79,964,437         | \$ 11,312,200        | -38.7%               |
| Capital Assets, Net                                | 105,977,670           | 49,886,738            | 13,868,795           | 112.4%               |
| <b>Total Assets</b>                                | <b>\$ 155,032,170</b> | <b>\$ 129,851,175</b> | <b>\$ 25,180,995</b> | <b>19.4%</b>         |
| Current & Other Liabilities                        | \$ 37,792,991         | \$ 27,965,280         | \$ 1,987,227         | 35.1%                |
| Long-Term Liabilities                              | 68,107,792            | 60,035,768            | 15,912,508           | 13.4%                |
| <b>Total Liabilities</b>                           | <b>\$ 105,900,783</b> | <b>\$ 88,001,048</b>  | <b>\$ 17,899,735</b> | <b>20.3%</b>         |
| Net Assets:  |                       |                       |                      |                      |
| Invested in Capital Assets,<br>Net of Related Debt | \$ 4,986,613          | \$ 4,535,837          | \$ 3,239,581         | 9.9%                 |
| Restricted   | 27,650,066            | 22,870,687            | 2,008,495            | 20.9%                |
| Unrestricted                                       | 16,494,708            | 14,443,603            | 2,033,184            | 14.2%                |
| <b>Total Net Assets</b>                            | <b>\$ 49,131,387</b>  | <b>\$ 41,850,127</b>  | <b>\$ 7,281,260</b>  | <b>17.4%</b>         |

In Governmental Activities the largest portion of net assets is in the restricted assets. In Business-Type Activities the largest portion of net assets is in capital assets. The capital assets are not available for future spending. The County uses capital assets to provide services to citizens. While the County's capital assets are net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to pay or liquidate these liabilities. The unrestricted assets may be used to meet the County's ongoing obligations to citizens.

### **Statement of Activities**

The following schedules compare the revenues and expenses for the current and previous years. Government Activities increased the County's net assets by \$6,419,641 and Business-Type Activities increased net assets by \$861,619 for an overall increase of \$7,281,260. Property Taxes, Sales Taxes, and Gasoline Taxes were key elements in this increase. Cost control, holding expenses within budget also contributed to the increase in net assets.

**“CHANGES IN NET ASSETS COMPARATIVE ANALYSIS”  
CAN BE FOUND  
ON THE NEXT THREE PAGES**

## Changes in Net Assets Comparative Analysis

|                                   | Governmental         |                      | Activities            | Percent Of<br>Change |
|-----------------------------------|----------------------|----------------------|-----------------------|----------------------|
|                                   | As Of<br>9/30/2004   | As Of<br>9/30/2003   | Amount Of<br>Change   |                      |
| <b>REVENUES</b>                   |                      |                      |                       |                      |
| Program Revenues                  |                      |                      |                       |                      |
| Charges for Services              | \$ 9,901,207         | \$ 8,161,493         | \$ 1,739,714          | 21.3%                |
| Operating Grants & Contributions  | 15,251,471           | 8,029,141            | 7,222,330             | 90.0%                |
| Capital Grants & Contributions    | 360,062              | 264,808              | 95,254                | 36.0%                |
| General revenues                  |                      |                      |                       |                      |
| Property Taxes                    | 20,809,980           | 19,426,909           | 1,383,071             | 7.1%                 |
| General Sales Tax                 | 7,576,929            | 6,884,214            | 692,715               | 10.1%                |
| County Gasoline Sales Tax         | 6,752,603            | 7,051,086            | (298,483)             | -4.2%                |
| Miscellaneous Taxes               | 7,112,948            | 6,003,516            | 1,109,432             | 18.5%                |
| Grants and Contributions not      |                      |                      |                       |                      |
| Restricted for Specific Purposes  | 1,392,068            | 0                    | 1,392,068             |                      |
| Unrestricted Investment Earnings  | 1,226,368            | 1,322,033            | (95,665)              | -7.2%                |
| Miscellaneous                     | 1,455,445            | 3,367,288            | (1,911,843)           | -56.8%               |
| Transfers                         | 615,296              | 1,369,632            | (754,336)             | -55.1%               |
| Total Revenues                    | <u>\$ 72,454,377</u> | <u>\$ 61,880,120</u> | <u>\$ 10,574,257</u>  | 17.1%                |
| <b>EXPENSES</b>                   |                      |                      |                       |                      |
| Program Activities                |                      |                      |                       |                      |
| General Government                | \$ 17,309,848        | \$ 15,210,466        | \$ 2,099,382          | 13.8%                |
| Public Safety                     | 15,924,397           | 13,584,361           | 2,340,036             | 17.2%                |
| Highways & Roads                  | 26,398,541           | 12,665,005           | 13,733,536            | 108.4%               |
| Sanitation                        | 258                  | 269                  | (11)                  | -4.1%                |
| Health                            | 1,922,660            | 1,901,374            | 21,286                | 1.1%                 |
| Welfare                           | 300,384              | 264,294              | 36,090                | 13.7%                |
| Culture & Recreation              | 864,802              | 707,472              | 157,330               | 22.2%                |
| Education                         | 193,179              | 196,691              | (3,512)               | -1.8%                |
| Interest on Long Term Debt        | 3,002,605            | 3,345,733            | (343,128)             | -10.3%               |
| Intergovernmental                 | 118,062              | 133,813              | (15,751)              | -11.8%               |
| Landfill                          | 0                    | 0                    | 0                     |                      |
| Total Expenses                    | <u>\$ 66,034,736</u> | <u>\$ 48,009,478</u> | <u>\$ 18,025,258</u>  | 37.5%                |
| Increase (Decrease) in Net Assets | <u>\$ 6,419,641</u>  | <u>\$ 13,870,642</u> | <u>\$ (7,451,001)</u> | -53.7%               |

|                                   | Business-Type      |                     | Activities             |                         |
|-----------------------------------|--------------------|---------------------|------------------------|-------------------------|
|                                   | As Of<br>9/30/2004 | As Of<br>9/30/2003  | Amount<br>Of<br>Change | Percent<br>Of<br>Change |
| <b>REVENUES</b>                   |                    |                     |                        |                         |
| Program Revenues                  |                    |                     |                        |                         |
| Charges for Services              | \$8,557,850        | \$ 7,065,357        | \$1,492,493            | 21.1%                   |
| Capital Grants & Contributions    | 0                  | 7,500               | (7,500)                | -100.0%                 |
| General revenues                  |                    |                     |                        |                         |
| Unrestricted Investment Earnings  | 60,116             | 38,943              | 21,173                 | 54.4%                   |
| Miscellaneous                     | 251,363            | 219,356             | 32,007                 | 14.6%                   |
| Transfers                         | (615,296)          | (1,369,632)         | 754,336                | 55.1%                   |
| Total Revenues                    | <u>\$8,254,033</u> | <u>\$ 5,961,524</u> | <u>\$2,292,509</u>     | 38.5%                   |
| <b>EXPENSES</b>                   |                    |                     |                        |                         |
| Landfill                          | \$7,392,414        | \$ 6,504,675        | \$ 887,739             | 13.6%                   |
| Total Expenses                    | <u>\$7,392,414</u> | <u>\$ 6,504,675</u> | <u>\$ 887,739</u>      | 13.6%                   |
| Increase (Decrease) in Net Assets | <u>\$ 861,619</u>  | <u>\$ (543,151)</u> | <u>\$1,404,770</u>     | 358.6%                  |

|                                   | <b>Total Activities</b>    |                            |                             |                                  |
|-----------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------------|
|                                   | <b>As Of<br/>9/30/2004</b> | <b>As Of<br/>9/30/2003</b> | <b>Amount Of<br/>Change</b> | <b>Percent<br/>Of<br/>Change</b> |
| <b>REVENUES</b>                   |                            |                            |                             |                                  |
| Program Revenues                  |                            |                            |                             |                                  |
| Charges for Services              | \$ 18,459,057              | \$ 15,226,850              | \$ 3,232,207                | 21.2%                            |
| Operating Grants & Contributions  | 15,251,471                 | 8,029,141                  | 7,222,330                   | 90.0%                            |
| Capital Grants & Contributions    | 360,062                    | 272,308                    | 87,754                      | 32.2%                            |
| General revenues                  |                            |                            |                             |                                  |
| Property Taxes                    | 20,809,980                 | 19,426,909                 | 1,383,071                   | 7.1%                             |
| General Sales Tax                 | 7,576,929                  | 6,884,214                  | 692,715                     | 10.1%                            |
| County Gasoline Sales Tax         | 6,752,603                  | 7,051,086                  | (298,483)                   | -4.2%                            |
| Miscellaneous Taxes               | 7,112,948                  | 6,003,516                  | 1,109,432                   | 18.5%                            |
| Grants and Contributions not      |                            |                            |                             |                                  |
| Restricted for Specific Purposes  | 1,392,068                  | 0                          | 1,392,068                   |                                  |
| Unrestricted Investment Earnings  | 1,286,484                  | 1,360,976                  | (74,492)                    | -5.5%                            |
| Miscellaneous                     | 1,706,808                  | 3,586,644                  | (1,879,836)                 | -52.4%                           |
| Transfers                         | 0                          | 0                          | 0                           |                                  |
| Total Revenues                    | <u>\$ 80,708,410</u>       | <u>\$ 67,841,644</u>       | <u>\$ 12,866,766</u>        | 19.0%                            |
| <b>EXPENSES</b>                   |                            |                            |                             |                                  |
| Program Activities                |                            |                            |                             |                                  |
| General Government                | \$ 17,309,848              | \$ 15,210,466              | \$ 2,099,382                | 13.8%                            |
| Public Safety                     | 15,924,397                 | 13,584,361                 | 2,340,036                   | 17.2%                            |
| Highways & Roads                  | 26,398,541                 | 12,665,005                 | 13,733,536                  | 108.4%                           |
| Sanitation                        | 258                        | 269                        | (11)                        | -4.1%                            |
| Health                            | 1,922,660                  | 1,901,374                  | 21,286                      | 1.1%                             |
| Welfare                           | 300,384                    | 264,294                    | 36,090                      | 13.7%                            |
| Culture & Recreation              | 864,802                    | 707,472                    | 157,330                     | 22.2%                            |
| Education                         | 193,179                    | 196,691                    | (3,512)                     | -1.8%                            |
| Interest on Long Term Debt        | 3,002,605                  | 3,345,733                  | (343,128)                   | -10.3%                           |
| Intergovernmental                 | 118,062                    | 133,813                    | (15,751)                    | -11.8%                           |
| Landfill                          | 7,392,414                  | 6,504,675                  | 887,739                     | 13.6%                            |
| Total Expenses                    | <u>\$ 73,427,150</u>       | <u>\$ 54,514,153</u>       | <u>\$ 18,912,997</u>        | 34.7%                            |
| Increase (Decrease) in Net Assets | <u>\$ 7,281,260</u>        | <u>\$ 13,327,491</u>       | <u>\$(6,046,231)</u>        | -45.4%                           |

Property Taxes account for 25.8%, General Sales Tax accounts for 9.4%, County Gasoline Sales Tax accounts for 8.4%, and Total Taxes account for 52.4% of total County revenues for the fiscal year ended September 30, 2004. Total expenses for the County were \$73,427,150. Of this amount 23.6% went towards General Government, 21.7% towards Public Safety, and 36.0% towards Highways and Roads.

For the fiscal years ended September 30, 2004 and September 30, 2003, the following Attachment A is a graphic display of County sources of revenues, and the following Attachment B is a graphic display of County expenditures by activity.

**“ATTACHMENT ‘A’”  
AND  
“ATTACHMENT ‘B’”  
CAN BE FOUND  
ON THE FOLLOWING SIX PAGES**

**ATTACHMENT A**

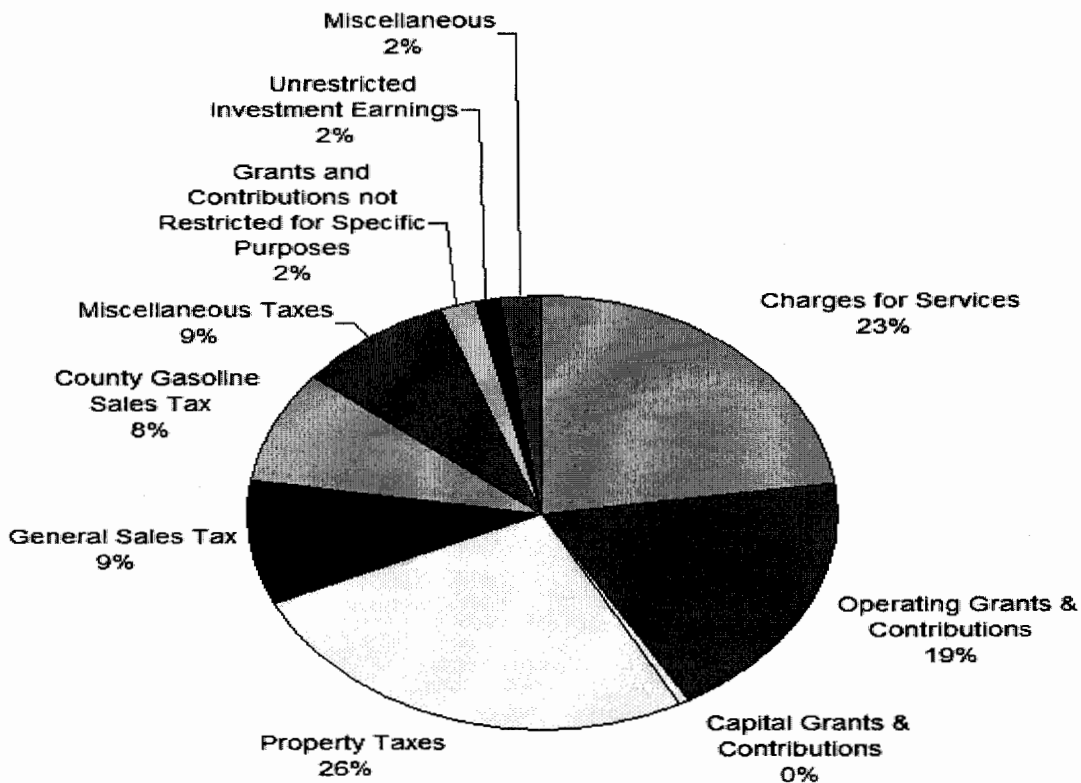
**BALDWIN COUNTY COMMISSION**

**SOURCES OF REVENUE**

**FISCAL YEARS ENDED SEPTEMBER 30, 2004 & SEPTEMBER 30, 2003**

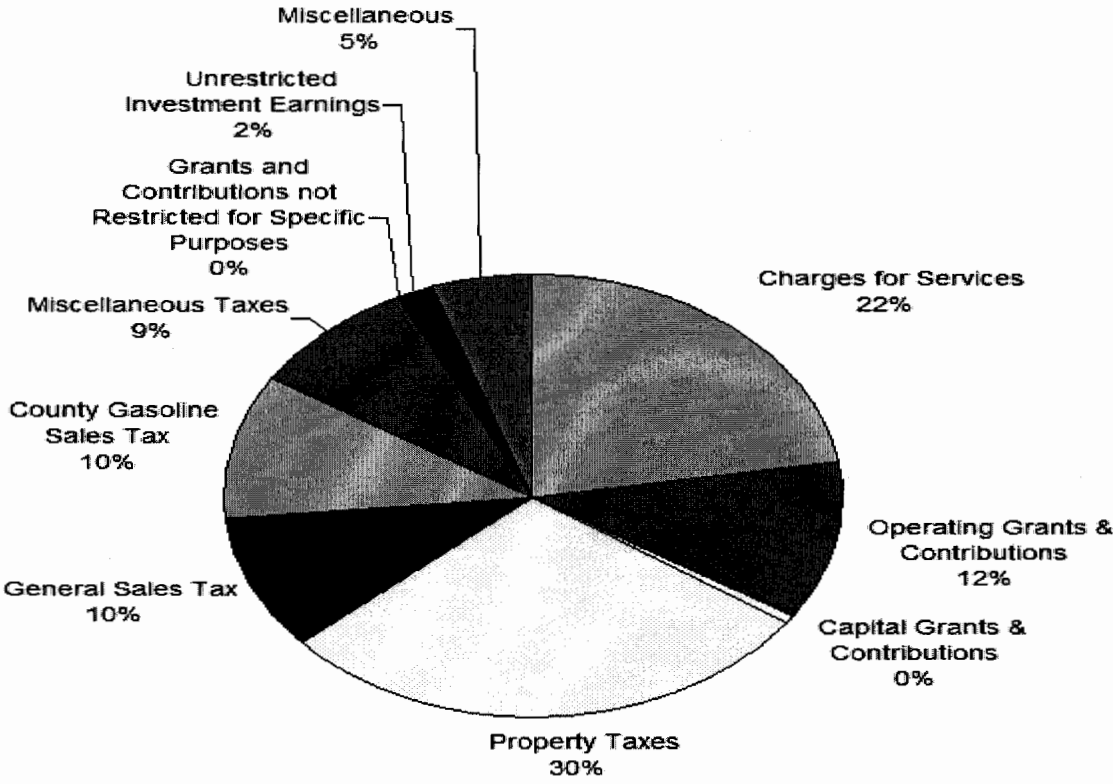
|   | <b>As Of<br/>9/30/2004</b> | <b>As Of<br/>9/30/2003</b> |
|---|----------------------------|----------------------------|
| Charges for Services  | \$18,459,057               | \$15,226,850               |
| Operating Grants & Contributions                              | 15,251,471                 | 8,029,141                  |
| Capital Grants & Contributions                                | 360,062                    | 272,308                    |
| Property Taxes  | 20,809,980                 | 19,426,909                 |
| General Sales Tax   | 7,576,929                  | 6,884,214                  |
| County Gasoline Sales Tax                                     | 6,752,603                  | 7,051,086                  |
| Miscellaneous Taxes   | 7,112,948                  | 6,003,516                  |
| Grants and Contributions not Restricted for Specific Purposes | 1,392,068                  | 0                          |
| Unrestricted Investment Earnings                              | 1,286,484                  | 1,360,976                  |
| Miscellaneous   | 1,706,808                  | 3,586,644                  |
| <b>Total Revenues</b>   | <b>\$80,708,410</b>        | <b>\$67,841,644</b>        |

As Of 9/30/2004





As Of 9/30/2003

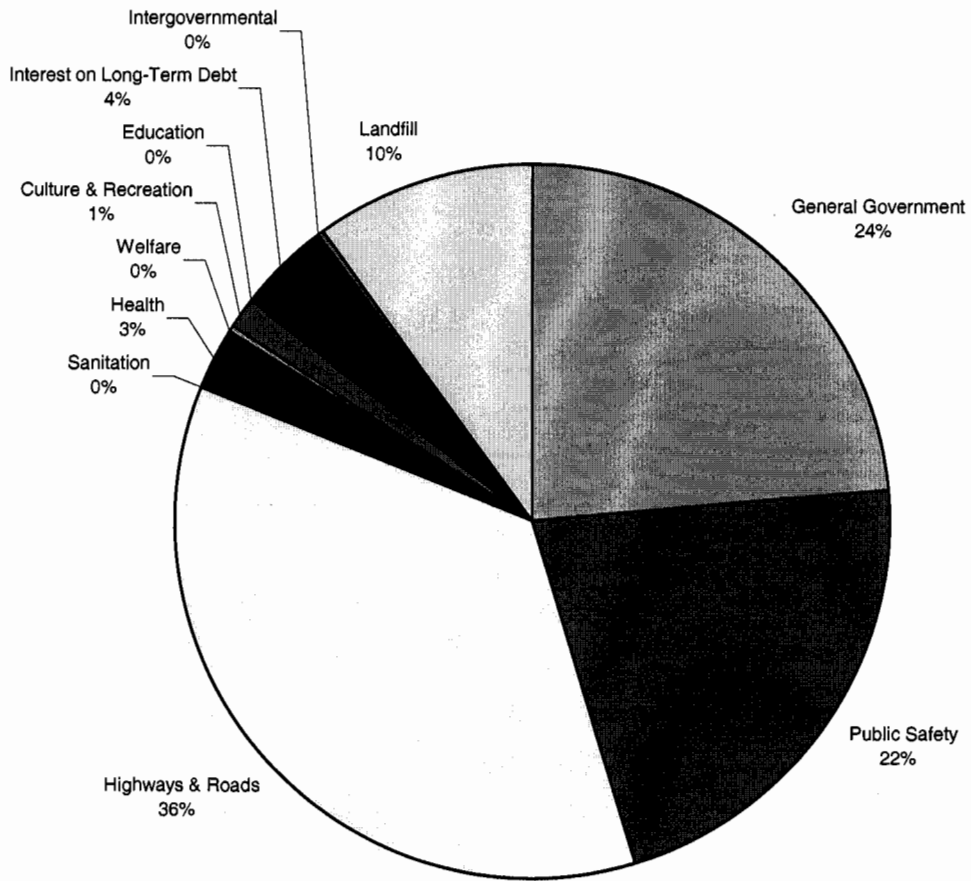


## ATTACHMENT B

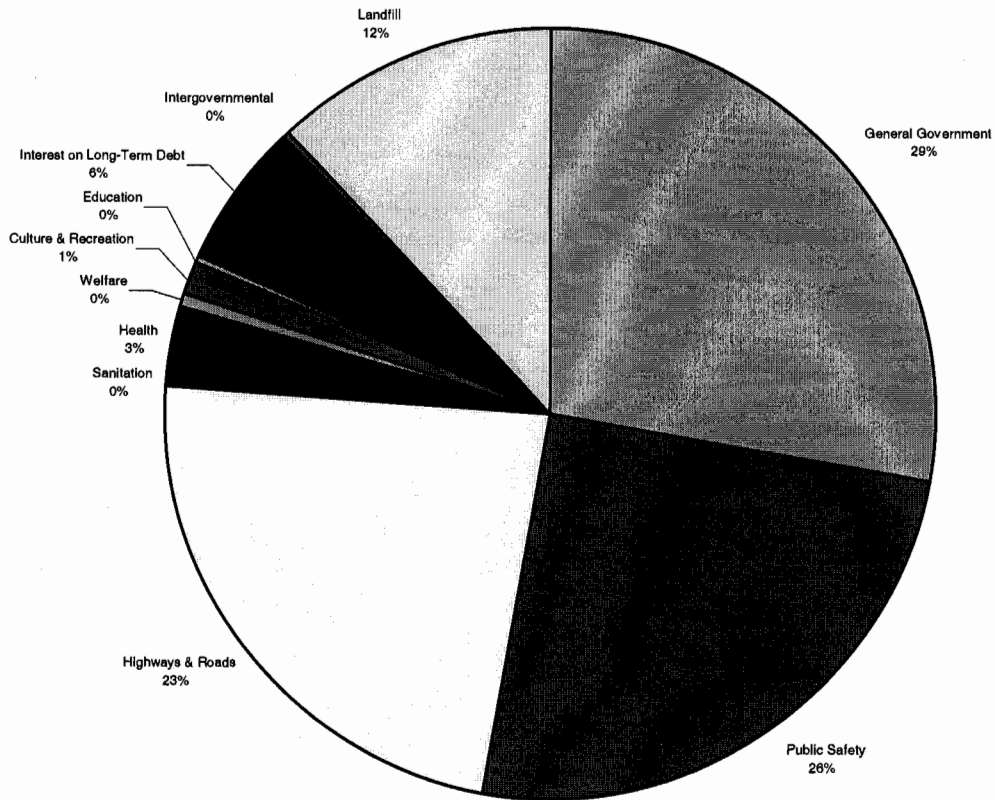
**BALDWIN COUNY COMMISSION  
EXPENDITURES BY ACTIVITY  
FISCAL YEARS ENDED SEPTEMBER 30, 2004 & SEPTEMBER 30, 2003**

|                            | <b>AS OF<br/>9/30/2004</b> | <b>AS OF<br/>9/30/2003</b> |
|----------------------------|----------------------------|----------------------------|
| General Government         | \$17,309,848               | \$15,210,466               |
| Public Safety              | 15,924,397                 | 13,584,361                 |
| Highways & Roads           | 26,398,541                 | 12,665,005                 |
| Sanitation                 | 258                        | 269                        |
| Health                     | 1,922,660                  | 1,901,374                  |
| Welfare                    | 300,384                    | 264,294                    |
| Culture & Recreation       | 864,802                    | 707,472                    |
| Education                  | 193,179                    | 196,691                    |
| Interest on Long-Term Debt | 3,002,605                  | 3,345,733                  |
| Intergovernmental          | 118,062                    | 133,813                    |
| Landfill                   | 7,392,414                  | 6,504,675                  |
| Total Expenditures         | <u>\$73,427,150</u>        | <u>\$54,514,153</u>        |

AS OF 09/30/2004



AS OF 09/30/2003



### Net Cost of Services

The Net Cost of Services is a comparison of the total cost of government functions and programs and the net cost remaining after reducing the total by the revenue generated from the specific function or program. For the current year total cost of services were \$73,427,150 and the combined charges for services plus operating and capital grants received were \$34,070,590 leaving a net cost to the County of \$39,356,560.

Charges for services amounted to \$18,459,057 and combined grants and contributions total \$15,611,533. The charges for services are the payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

**Net Cost of Services  
Comparative Analysis**

| <b>Function/Program</b>            | <b>As Of<br/>9/30/2004</b> | <b>As Of<br/>9/30/2003</b> | <b>Amount Of<br/>Change</b> | <b>Percent<br/>Of<br/>Change</b> |
|------------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------------|
| General Government                 | \$ 5,150,170               | \$ 6,833,799               | \$(1,683,629)               | -24.6%                           |
| Public Safety                      | 14,975,249                 | 12,597,148                 | 2,378,101                   | 18.9%                            |
| Highways and Roads                 | 15,033,901                 | 6,481,662                  | 8,552,239                   | 131.9%                           |
| Sanitation                         | 258                        | 269                        | (11)                        | -4.1%                            |
| Health                             | 1,843,655                  | 1,892,585                  | (48,930)                    | -2.6%                            |
| Welfare                            | 187,096                    | 111,284                    | 75,812                      | 68.1%                            |
| Culture and Recreation             | 864,802                    | 707,472                    | 157,330                     | 22.2%                            |
| Education                          | (653,802)                  | (549,730)                  | (104,072)                   | -18.9%                           |
| Interest on Long-Term Debt         | 3,002,605                  | 3,345,733                  | (343,128)                   | -10.3%                           |
| Intergovernmental                  | 118,062                    | 133,813                    | (15,751)                    | -11.8%                           |
| Landfill                           | (1,165,436)                | (568,181)                  | (597,255)                   | -105.1%                          |
| <b>Total Government Activities</b> | <b>\$39,356,560</b>        | <b>\$30,985,854</b>        | <b>\$ 8,370,706</b>         | <b>27.0%</b>                     |

**Financial Analysis of Fund Balances**

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund fund balances at the end of the fiscal year increased from \$48,433,846 to \$56,398,937. This increase of \$7,965,091 (16.4%) was primarily due to improved revenues and expense control. Exhibit #5 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of all Governmental Funds.

The following table provides a summary of changes in fund balances of the County's major Funds as well as the combined Other Governmental Funds.

| <b>Fund</b>                                  | <b>Beginning<br/>Fund<br/>Balance</b> | <b>Net<br/>Increase<br/>(Decrease)</b> | <b>Ending<br/>Fund<br/>Balance</b> |
|--|---------------------------------------|--|------------------------------------|
| General Fund                                 | \$ 10,201,268                         | \$ 2,276,933                           | \$ 12,478,201                      |
| Gasoline Tax Fund                            | 9,472,034                             | 1,551,549                              | 11,023,583                         |
| Public Buildings, Roads,<br>and Bridges Fund | 44,507                                | 726,803                                | 771,310                            |
| 2004B Warrant Const. Fund                    | 0                                     | 19,900                                 | 19,900                             |
| Oil and Gas Trust Fund                       | 10,786,258                            | 2,650,395                              | 13,436,653                         |
| Other Governmental Funds                     | 17,929,779                            | 739,511                                | 18,669,290                         |
| <b>Totals</b>                                | <b>\$ 48,433,846</b>                  | <b>\$ 7,965,091</b>                    | <b>\$ 56,398,937</b>               |

## **Budgetary Highlights - Major Funds**

### **General Fund**

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2004. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from increases from the Oil Production Privilege Tax and federal grants and contributions. Actual revenues exceeded final budgeted revenues by \$4,868,598 (14.9%), which was the result of larger than expected tax revenues and federal grants. The major change in budgeted expenses was in Public Safety. Actual total expenditures were greater than the final budgeted amount by \$1,473,149 (4.9%).

Total Other Financing Uses exceeded Total Other Financing Sources for both the budgeted and actual amounts. Actual Total Other Financing Sources (Uses) exceeded the final budgeted amount by \$224,769 (5.9%).

With actual revenues exceeding budget and also exceeding actual expenditures and other financing uses, the actual Net Change in Fund Balance resulted in an increase over what was budgeted.

### **Gasoline Tax Fund**

Exhibit #13 shows the changes made in the original budget for the fiscal year ended September 30, 2004. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from an increase in State Cost Sharing Revenue. Actual total revenue exceeded final budgeted revenue by \$4,392,629 (40.6%). The major change in budgeted expenses was in Highways and Roads. Actual Highways and Roads expenses were less than the final budgeted amount by \$2,107,242 (17.8%). Actual Capital Outlay exceeded the final budgeted amount by \$3,030,676 (142.5%). Actual total expenditures were greater than the final budgeted amount by \$151,777 (.9%).

Actual Transfers In were less than the amount budgeted by \$2,650,813 (30.4%). Actual Total Other Financing Sources (Uses) were less than the final budget amount by \$2,563,983 (49.6%).

With actual revenues exceeding budget and actual expenses only slightly higher than budget, the actual Net Change in Fund Balance resulted in a substantial increase over what was budgeted.

## Public Buildings, Roads, and Bridges Fund

Exhibit #14 shows the changes made to the original budget for the fiscal year ended September 30, 2004. Expenditures are budgeted and accounted for in the Gasoline Tax Fund. Total actual revenues exceeded the final budgeted amount by \$272,140 (4.6%).

## Capital Asset and Debt Administration

### Capital Assets

Depreciation of capital assets other than land and construction in progress projects is now reported on an annual basis using the straight-line method of depreciation. Infrastructure assets (roads and bridges) completed in the current and previous fiscal year are reported on the financial statements. By September 30, 2006 infrastructure assets going back 20 years will be completely reported.

At the end of fiscal year 2004, the County had invested over \$63 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$13 million, or 27.5 percent, over last year.

### **BALDWIN COUNTY COMMISSION CAPITAL ASSETS (Net of Depreciation)**

|  | GOVERNMENTAL         |                      |                      | PERCENT<br>OF<br>CHANGE |
|--|----------------------|----------------------|----------------------|-------------------------|
|  | ACTIVITIES           |                      | AMOUNT OF<br>CHANGE  |                         |
|  | 2004                 | 2003                 |                      |                         |
| Land   | \$ 5,064,251         | \$ 2,774,093         | \$ 2,290,158         | 82.6%                   |
| Infrastructure in Progress                   | 6,152,104            | 1,318,716            | 4,833,388            | 366.5%                  |
| Construction in Progress                     | 3,581,874            | 433,544              | 3,148,330            | 726.2%                  |
| Infrastructure                               | 8,244,633            | 3,115,034            | 5,129,599            | 164.7%                  |
| Buildings                                    | 25,347,850           | 26,176,561           | (828,711)            | -3.2%                   |
| Improvements Other than<br>Buildings         | 800,807              | 827,702              | (26,895)             | -3.2%                   |
| Computer and<br>Communication<br>Equipment   | 1,329,635            | 1,423,815            | (94,180)             | -6.6%                   |
| Equipment and Furniture                      | 235,974              | 191,734              | 44,240               | 23.1%                   |
| Motor Vehicles and<br>Construction Equipment | 4,661,238            | 4,792,762            | (131,524)            | -2.7%                   |
| Capital Assets Under<br>Capital Lease        | 2,795,011            | 2,974,444            | (179,433)            | -6.0%                   |
|  | <u>\$ 58,213,377</u> | <u>\$ 44,028,405</u> | <u>\$ 14,184,972</u> | 32.2%                   |

|  | <b>BUSINESS-TYPE</b> |                    |                             | <b>PERCENT<br/>OF<br/>CHANGE</b> |
|--|----------------------|--------------------|-----------------------------|----------------------------------|
|  | <b>ACTIVITIES</b>    |                    | <b>AMOUNT OF<br/>CHANGE</b> |                                  |
|  | <b>2004</b>          | <b>2003</b>        |                             |                                  |
| Land   | \$1,295,422          | \$1,295,422        | \$ 0                        | 0.0%                             |
| Infrastructure in Progress<br>Construction in Progress<br>Infrastructure |                      |                    |                             |                                  |
| Buildings  | 724,079              | 761,467            | (37,388)                    | -4.9%                            |
| Improvements Other than<br>Buildings                                     | 583,259              | 1,497,254          | (913,995)                   | -61.0%                           |
| Computer and<br>Communication<br>Equipment                               | 7,111                | 8,131              | (1,020)                     | -12.5%                           |
| Equipment and Furniture  | 24,411               | 26,986             | (2,575)                     | -9.5%                            |
| Motor Vehicles and<br>Construction Equipment                             | 1,609,028            | 861,426            | 747,602                     | 86.8%                            |
| Capital Assets Under<br>Capital Lease                                    | 1,298,846            | 1,544,405          | (245,559)                   | -15.9%                           |
|  | <u>\$5,542,156</u>   | <u>\$5,995,091</u> | <u>\$(452,935)</u>          | <u>-7.6%</u>                     |

|  | <b>TOTAL</b>         |                      |                             | <b>PERCENT<br/>OF<br/>CHANGE</b> |
|--|----------------------|----------------------|-----------------------------|----------------------------------|
|  | <b>ACTIVITIES</b>    |                      | <b>AMOUNT OF<br/>CHANGE</b> |                                  |
|  | <b>2004</b>          | <b>2003</b>          |                             |                                  |
| Land   | \$ 6,359,673         | \$ 4,069,515         | \$ 2,290,158                | 56.3%                            |
| Infrastructure in Progress<br>Construction in Progress<br>Infrastructure | 6,152,104            | 1,318,716            | 4,833,388                   | 366.5%                           |
| Buildings  | 3,581,874            | 433,544              | 3,148,330                   | 726.2%                           |
| Improvements Other than<br>Buildings                                     | 8,244,633            | 3,115,034            | 5,129,599                   | 164.7%                           |
| Computer and<br>Communication<br>Equipment                               | 26,071,929           | 26,938,028           | (866,099)                   | -3.2%                            |
| Equipment and Furniture  | 1,384,066            | 2,324,956            | (940,890)                   | -40.5%                           |
| Motor Vehicles and<br>Construction Equipment                             | 1,336,746            | 1,431,946            | (95,200)                    | -6.6%                            |
| Capital Assets Under<br>Capital Lease                                    | 260,385              | 218,720              | 41,665                      | 19.0%                            |
|  | 6,270,266            | 5,654,188            | 616,078                     | 10.9%                            |
|  | 4,093,857            | 4,518,849            | (424,992)                   | -9.4%                            |
|  | <u>\$ 63,755,533</u> | <u>\$ 50,023,496</u> | <u>\$ 13,732,037</u>        | <u>27.5%</u>                     |



## **Debt Outstanding**

At October 1, 2003, the County's long-term bonded indebtedness and notes payable totaled \$49,540,000. At September 30, 2004 the County's long-term bonded indebtedness and notes payable increased to \$67,439,506. During the fiscal year the County issued warrants for \$34,005,000, refunded \$11,555,000 worth of warrants, and repaid warrants and notes in the total amount of \$4,310,000.

At October 1, 2003 the County's capital lease debt was \$6,711,619. At September 30, 2004 the County's capital lease debt was \$4,512,015. The County entered into no additional capital leases during the year and made capital lease payments of \$2,199,604.

The liability for compensated absences at September 30, 2004 was \$1,747,791.

The total of all long-term debt for the County at September 30, 2004 was \$75,948,276 which was \$15,912,508 more than the prior year ending balance of \$60,035,768. This was an increase of 26.5%.

Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2004, Baldwin County's maximum debt limit was \$128,157,423. With total debt as of the end of the current fiscal year being \$75,948,276 the County was at 59.3% of the legal debt limit.

## **Economic Factors**

Agriculture, timber, commercial fishing and support industries are a large part of the basic economy, as are oil and gas development, manufacturing, and tourism and recreation. The major agricultural products of the County include greenhouse products such as sod and nursery plants, cattle, and to a lesser degree, soybeans, fruits, vegetables, and nuts. The major mineral products are oil and gas.

The County's population has experienced significant growth. From 1990 to 2000 the population of Baldwin County has increased by 42.9%.

The per capita income of Baldwin County, according to the U. S. Department of Commerce, has exceeded the Alabama state average since 1991. According to the U. S. Census Bureau, Census 2000, the median family income of Baldwin County has exceeded the Alabama state level since 1970.

In 2004 the Baldwin County unemployment rate was 4.6%. Based on data available from the Alabama Department of Industrial Relations, the unemployment rate for Baldwin County has been below the Alabama state and U. S. national averages since 1996.

According to the U. S. Census Bureau, Census 2000, approximately 82% of Baldwin County residents were high school graduates and approximately 23.1% of Baldwin County residents were college graduates. State averages were 75.3% and 19%, respectively.

Tourism in the County has steadily increased during each of the past years. Such trend is expected to continue in future years. The Alabama Bureau of Tourism and Travel vigorously promotes tourism in the state, and local organizations such as the Gulf Coast Convention and Visitors Bureau aggressively promote the County as a tourist destination.

According to a study prepared for the Alabama Bureau of Tourism and Travel entitled "Economic Impact, Alabama Travel Industry 2000, April 16, 2001," an estimated 18 million tourists visited the state in 2000. Of these 18 million tourists, 3.5 million (19%) visited Baldwin County.

### **Financial Information Contact**

The County's financial statements are designed to provide our citizens, taxpayers, customers, creditors, and readers with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning the report or requests for financial information should be directed to the County Administration Office located at 312 Courthouse Square, Suite 12, Bay Minette, Alabama 36507.

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**Statement of Net Assets**  
**September 30, 2004**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total            |
|--|----------------------------|-----------------------------|------------------|
| <b>Assets</b>                            |                            |                             |                  |
| <b>Current Assets</b>                    |                            |                             |                  |
| Cash and Cash Equivalents                | \$ 19,865,340.10           | \$ 2,102,789.06             | \$ 21,968,129.16 |
| Investment                               | 10,000.00                  |                             | 10,000.00        |
| Taxes Receivable, Net                    | 22,592,649.29              |                             | 22,592,649.29    |
| Receivables, Net (Note 4)                | 2,593,753.64               | 1,728,382.94                | 4,322,136.58     |
| Receivables from External Parties        | 13,072.44                  | 700.50                      | 13,772.94        |
| Internal Balances                        | 48.94                      | (48.94)                     |                  |
| Inventories                              | 25,719.69                  |                             | 25,719.69        |
| Prepaid Items                            | 18,981.26                  | 6,960.62                    | 25,941.88        |
| Deferred Charges                         | 96,150.90                  |                             | 96,150.90        |
| Total Current Assets                     | 45,215,716.26              | 3,838,784.18                | 49,054,500.44    |
| <b>Noncurrent Assets</b>                 |                            |                             |                  |
| Restricted Cash and Cash Equivalents     | 34,846,438.38              | 945,111.49                  | 35,791,549.87    |
| Restricted Cash with Fiscal Agent        | 5,127,520.01               |                             | 5,127,520.01     |
| Restricted Investments with Fiscal Agent | 1,002,990.00               |                             | 1,002,990.00     |
| Deferred Charges                         | 300,076.86                 |                             | 300,076.86       |
| Capital Assets (Note 6):                 |                            |                             |                  |
| Nondepreciable                           | 14,798,228.71              | 1,295,421.68                | 16,093,650.39    |
| Depreciable, Net                         | 43,415,148.22              | 4,246,734.78                | 47,661,883.00    |
| Total Noncurrent Assets                  | 99,490,402.18              | 6,487,267.95                | 105,977,670.13   |
| Total Assets                             | 144,706,118.44             | 10,326,052.13               | 155,032,170.57   |
| <b>Liabilities</b>                       |                            |                             |                  |
| <b>Current Liabilities</b>               |                            |                             |                  |
| Payables (Note 10)                       | 5,301,952.85               | 247,652.05                  | 5,549,604.90     |
| Payable to External Parties              |                            | 700.50                      | 700.50           |
| Accrued Interest Payable                 | 938,341.23                 |                             | 938,341.23       |
| Deferred Revenue                         | 22,202,557.40              |                             | 22,202,557.40    |
| Accrued Wages Payable                    | 1,110,181.30               | 151,121.55                  | 1,261,302.85     |
| Compensated Absences                     | 1,082,884.88               | 190,493.24                  | 1,273,378.12     |
| Long-Term Liabilities:                   |                            |                             |                  |
| Portion Payable Within One Year:         |                            |                             |                  |
| Notes Payable                            | 95,000.00                  | 30,000.00                   | 125,000.00       |
| Capital Leases Payable                   | 2,176,495.97               | 96,565.36                   | 2,273,061.33     |
| Warrants Payable                         | 4,270,000.00               |                             | 4,270,000.00     |
| Less: Unamortized Discount               | (7,034.04)                 |                             | (7,034.04)       |
| Plus: Unamortized Premium                | 426,070.57                 |                             | 426,070.57       |
| Less: Deferred Charges on Refunding      | (519,992.22)               |                             | (519,992.22)     |
| Total Current Liabilities                | \$ 37,076,457.94           | \$ 716,532.70               | \$ 37,792,990.64 |

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

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                   |
|--|----------------------------|-----------------------------|-------------------------|
| <b><u>Noncurrent Liabilities</u></b>                               |                            |                             |                         |
| Portion Payable After One Year:                                    |                            |                             |                         |
| Notes Payable  | \$ 165,000.00              | \$                          | \$ 165,000.00           |
| Capital Leases Payable   | 2,238,953.94               |                             | 2,238,953.94            |
| Warrants Payable   | 63,120,000.00              |                             | 63,120,000.00           |
| Less: Unamortized Discount   | (139,538.02)               |                             | (139,538.02)            |
| Compensated Absences   | 474,412.57                 |                             | 474,412.57              |
| Estimated Liability for Landfill Closure/<br>Postclosure Care Cost |                            | 2,248,964.08                | 2,248,964.08            |
| Total Noncurrent Liabilities                                       | <u>65,858,828.49</u>       | <u>2,248,964.08</u>         | <u>68,107,792.57</u>    |
| Total Liabilities  | <u>102,935,286.43</u>      | <u>2,965,496.78</u>         | <u>105,900,783.21</u>   |
| <b><u>Net Assets</u></b>   |                            |                             |                         |
| Invested in Capital Assets, Net of Related Debt                    | (428,977.64)               | 5,415,591.10                | 4,986,613.46            |
| Restricted for:  |                            |                             |                         |
| Landfill Closure and Postclosure Costs                             |                            | 945,111.49                  | 945,111.49              |
| Debt Service   | 1,981,326.42               |                             | 1,981,326.42            |
| Road Projects  | 11,520,318.66              |                             | 11,520,318.66           |
| Term Endowments  | 13,203,309.87              |                             | 13,203,309.87           |
| Unrestricted   | <u>15,494,854.70</u>       | <u>999,852.76</u>           | <u>16,494,707.46</u>    |
| Total Net Assets   | <u>\$ 41,770,832.01</u>    | <u>\$ 7,360,555.35</u>      | <u>\$ 49,131,387.36</u> |

**Statement of Activities**  
**For the Year Ended September 30, 2004**

| Functions/Programs               | Expenses         | Program Revenues     |                                    |
|----------------------------------|------------------|----------------------|------------------------------------|
|                                  |                  | Charges for Services | Operating Grants and Contributions |
| <b>Primary Government</b>        |                  |                      |                                    |
| <b>Governmental Activities:</b>  |                  |                      |                                    |
| General Government               | \$ 17,309,847.32 | \$ 8,112,499.97      | \$ 3,970,682.67                    |
| Public Safety                    | 15,924,396.92    | 750,506.82           | 198,641.60                         |
| Highways and Roads               | 26,398,541.06    | 112,214.17           | 10,968,858.52                      |
| Sanitation                       | 257.68           |                      |                                    |
| Health                           | 1,922,659.89     | 79,004.85            |                                    |
| Welfare                          | 300,384.25       |                      | 113,288.00                         |
| Culture and Recreation           | 864,802.03       |                      |                                    |
| Education                        | 193,179.28       | 846,981.47           |                                    |
| Interest on Long-Term Debt       | 3,002,604.82     |                      |                                    |
| Intergovernmental                | 118,062.27       |                      |                                    |
| Total Governmental Activities    | 66,034,735.52    | 9,901,207.28         | 15,251,470.79                      |
| <b>Business-Type Activities:</b> |                  |                      |                                    |
| Solid Waste                      | 7,392,414.20     | 8,557,850.69         |                                    |
| Total Business-Type Activities   | 7,392,414.20     | 8,557,850.69         |                                    |
| Total Primary Government         | \$ 73,427,149.72 | \$ 18,459,057.97     | \$ 15,251,470.79                   |

**General Revenues:**

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

General Sales Tax

County Gasoline Sales Tax

Miscellaneous Taxes

Grants and Contributions not Restricted for Specific Purposes

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 18)

Net Assets - End of Year

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

| <b>Net (Expenses) Revenues and Changes in Net Assets</b> |                                    |                                     |                   |
|--|------------------------------------|-------------------------------------|-------------------|
| <b>Primary Government</b>                                |                                    |                                     |                   |
| <b>Capital Grants<br/>and Contributions</b>              | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>      |
| \$ 76,494.18   | \$ (5,150,170.50)                  | \$                                  | \$ (5,150,170.50) |
|  | (14,975,248.50)                    |                                     | (14,975,248.50)   |
| 283,567.84   | (15,033,900.53)                    |                                     | (15,033,900.53)   |
|  | (257.68)                           |                                     | (257.68)          |
|  | (1,843,655.04)                     |                                     | (1,843,655.04)    |
|  | (187,096.25)                       |                                     | (187,096.25)      |
|  | (864,802.03)                       |                                     | (864,802.03)      |
|  | 653,802.19                         |                                     | 653,802.19        |
|  | (3,002,604.82)                     |                                     | (3,002,604.82)    |
|  | (118,062.27)                       |                                     | (118,062.27)      |
| 360,062.02   | (40,521,995.43)                    |                                     | (40,521,995.43)   |
|  |                                    | 1,165,436.49                        | 1,165,436.49      |
|  |                                    | 1,165,436.49                        | 1,165,436.49      |
| \$ 360,062.02  | (40,521,995.43)                    | 1,165,436.49                        | (39,356,558.94)   |
|  | 11,906,939.88                      |                                     | 11,906,939.88     |
|  | 8,903,039.69                       |                                     | 8,903,039.69      |
|  | 7,576,928.83                       |                                     | 7,576,928.83      |
|  | 6,752,603.10                       |                                     | 6,752,603.10      |
|  | 7,112,948.36                       |                                     | 7,112,948.36      |
|  | 1,392,067.82                       |                                     | 1,392,067.82      |
|  | 1,226,368.31                       | 60,116.12                           | 1,286,484.43      |
|  | 1,455,444.58                       | 251,362.63                          | 1,706,807.21      |
|  | 615,296.06                         | (615,296.06)                        |                   |
|  | 46,941,636.63                      | (303,817.31)                        | 46,637,819.32     |
|  | 6,419,641.20                       | 861,619.18                          | 7,281,260.38      |
|  | 35,351,190.81                      | 6,498,936.17                        | 41,850,126.98     |
| \$ 41,770,832.01   | \$ 7,360,555.35                    | \$                                  | \$ 49,131,387.36  |

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2004***

|   | General<br>Fund         | Gasoline Tax<br>Fund    |
|---|-------------------------|-------------------------|
| <b><u>Assets</u></b>                        |                         |                         |
| Cash and Cash Equivalents                   | \$ 14,388,801.17        | \$ 9,591,088.56         |
| Cash with Fiscal Agent                      | 543,574.11              | 1,718,081.71            |
| Investments                                 |                         |                         |
| Investments with Fiscal Agents              |                         |                         |
| Taxes Receivable, Net                       | 15,171,879.22           | 568,523.08              |
| Receivable, Net (Note 4)                    | 1,454,691.41            | 199,726.33              |
| Due From Other Funds                        | 1,236,996.40            | 76,625.37               |
| Inventories                                 | 25,719.69               |                         |
| Prepaid Items                               | 18,981.26               |                         |
| Advances to Enterprise Funds                | 135,200.00              |                         |
| Total Assets                                | <u>32,975,843.26</u>    | <u>12,154,045.05</u>    |
| <b><u>Liabilities and Fund Balances</u></b> |                         |                         |
| <b><u>Liabilities</u></b>                   |                         |                         |
| Payables (Note 10)                          | 4,029,097.29            | 429,262.07              |
| Due To Other Funds                          | 248,712.03              | 53,764.20               |
| Deferred Revenue                            | 15,060,518.98           |                         |
| Accrued Wages Payable                       | 691,414.82              | 279,843.25              |
| Compensated Absences                        | 467,899.55              | 367,592.05              |
| Total Liabilities                           | <u>20,497,642.67</u>    | <u>1,130,461.57</u>     |
| <b><u>Fund Balances</u></b>                 |                         |                         |
| Reserved for:                               |                         |                         |
| Inventories                                 | 25,719.69               |                         |
| Special Revenue                             |                         |                         |
| Debt Service                                |                         |                         |
| Capital Projects                            |                         |                         |
| Advances to Enterprise Fund                 | 135,200.00              |                         |
| Encumbrances                                | 585,106.35              | 717,510.88              |
| Prepaid Expenses                            | 18,981.26               |                         |
| Indigent Care                               | 248,337.87              |                         |
| Other Purposes                              | 2,874,800.07            | 1,438,700.28            |
| Unreserved, Reported in:                    |                         |                         |
| General Fund                                | 8,590,055.35            |                         |
| Special Revenue Funds                       |                         | 8,867,372.32            |
| Total Fund Balances                         | <u>12,478,200.59</u>    | <u>11,023,583.48</u>    |
| Total Liabilities and Fund Balances         | <u>\$ 32,975,843.26</u> | <u>\$ 12,154,045.05</u> |

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



| Public Buildings,<br>Roads and<br>Bridges Fund | 2004-B Warrant<br>Construction Fund | Oil and Gas<br>Trust Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------------------|---------------------------|--------------------------------|--------------------------------|
| \$ 951,033.57                                  | \$ 19,899.79                        | \$ 13,436,652.81          | \$ 16,324,302.58               | \$ 54,711,778.48               |
|  |                                     |                           | 2,865,864.19                   | 5,127,520.01                   |
|  |                                     |                           | 10,000.00                      | 10,000.00                      |
|  |                                     |                           | 1,002,990.00                   | 1,002,990.00                   |
| 5,712,113.37                                   |                                     |                           | 1,140,133.62                   | 22,592,649.29                  |
| 61,774.57                                      |                                     |                           | 877,561.33                     | 2,593,753.64                   |
|  |                                     |                           | 315,693.85                     | 1,629,315.62                   |
|  |                                     |                           |                                | 25,719.69                      |
|  |                                     |                           |                                | 18,981.26                      |
|  |                                     |                           |                                | 135,200.00                     |
| 6,724,921.51                                   | 19,899.79                           | 13,436,652.81             | 22,536,545.57                  | 87,847,907.99                  |
|  |                                     |                           | 843,593.49                     | 5,301,952.85                   |
|  |                                     |                           | 1,448,918.01                   | 1,751,394.24                   |
| 5,953,611.12                                   |                                     |                           | 1,188,427.30                   | 22,202,557.40                  |
|  |                                     |                           | 138,923.23                     | 1,110,181.30                   |
|  |                                     |                           | 247,393.28                     | 1,082,884.88                   |
| 5,953,611.12                                   |                                     |                           | 3,867,255.31                   | 31,448,970.67                  |
|  |                                     |                           |                                | 25,719.69                      |
|  |                                     |                           | 483,599.76                     | 483,599.76                     |
|  |                                     |                           | 2,923,410.71                   | 2,923,410.71                   |
|  | 19,899.79                           |                           | 12,077,823.55                  | 12,097,723.34                  |
|  |                                     |                           |                                | 135,200.00                     |
|  |                                     |                           | 60,607.92                      | 1,363,225.15                   |
|  |                                     |                           |                                | 18,981.26                      |
|  |                                     |                           |                                | 248,337.87                     |
|  |                                     | 13,436,652.81             |                                | 17,750,153.16                  |
|  |                                     |                           |                                | 8,590,055.35                   |
| 771,310.39                                     |                                     |                           | 3,123,848.32                   | 12,762,531.03                  |
| 771,310.39                                     | 19,899.79                           | 13,436,652.81             | 18,669,290.26                  | 56,398,937.32                  |
| \$ 6,724,921.51                                | \$ 19,899.79                        | \$ 13,436,652.81          | \$ 22,536,545.57               | \$ 87,847,907.99               |

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2004***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 56,398,937.32

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. These assets consist of:

|   |                        |               |
|---|------------------------|---------------|
| Land                                      | \$ 5,064,250.84        |               |
| Infrastructure                            | 8,359,815.43           |               |
| Infrastructure in Progress                | 6,152,104.19           |               |
| Construction in Progress                  | 3,581,873.68           |               |
| Building and Building Improvements        | 35,289,655.17          |               |
| Improvements Other Than Buildings         | 1,148,463.24           |               |
| Computer and Communication Equipment      | 8,201,307.79           |               |
| Equipment and Furniture                   | 1,071,979.55           |               |
| Motor Vehicle and Heavy Equipment         | 15,386,509.94          |               |
| Capital Asset Under Capital Lease         | 6,248,242.62           |               |
| Less: Accumulated Depreciation            | <u>(32,290,825.52)</u> |               |
| Total Capital Assets, Net of Depreciation |                        | 58,213,376.93 |

Deferred charges related to issuance costs of long-term liabilities are  
not reported in the funds. 396,227.76

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:

|   | <u>Due or Payable<br/>Within One Year</u> | <u>Due or Payable<br/>After One Year</u> |                        |
|---|---|--|------------------------|
| Accrued Interest Payable                          | \$ (938,341.23)                           |  |                        |
| Capital Lease Contracts Payable                   | (2,176,495.97)                            | (2,238,953.94)                           |                        |
| Notes Payable                                     | (95,000.00)                               | (165,000.00)                             |                        |
| Warrants Payable                                  | (4,270,000.00)                            | (63,120,000.00)                          |                        |
| Unamortized Discount                              | 7,034.04                                  | 139,538.02                               |                        |
| Unamortized Premium                               | (426,070.57)                              |  |                        |
| Deferred Charges on Refunding                     | 519,992.22                                |  |                        |
| Estimated Liabilities for<br>Compensated Absences |   | (474,412.57)                             |                        |
| Total Liabilities                                 | <u>\$ (7,378,881.51)</u>                  | <u>\$ (65,858,828.49)</u>                | <u>(73,237,710.00)</u> |

Total Net Assets - Governmental Activities (Exhibit 1) \$ 41,770,832.01

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, 2004***

|  | <b>General<br/>Fund</b> | <b>Gasoline Tax<br/>Fund</b> |
|--|-------------------------|------------------------------|
| <b><u>Revenues</u></b>                                   |                         |                              |
| Taxes  | \$ 23,542,718.89        | \$ 6,752,603.10              |
| Licenses and Permits                                     | 1,296,378.77            |                              |
| Intergovernmental  | 4,500,704.18            | 8,062,349.00                 |
| Charges for Services                                     | 7,406,957.11            | 83,378.23                    |
| Fines and Forfeits                                       | 39,337.62               |                              |
| Miscellaneous  | 837,730.97              | 323,746.11                   |
| Total Revenues   | <u>37,623,827.54</u>    | <u>15,222,076.44</u>         |
| <b><u>Expenditures</u></b>                               |                         |                              |
| Current:   |                         |                              |
| General Government                                       | 12,150,279.73           |                              |
| Public Safety  | 13,207,352.18           |                              |
| Highways and Roads                                       | 2,965.68                | 9,713,100.14                 |
| Sanitation   | 257.68                  |                              |
| Health   | 1,113,735.86            |                              |
| Welfare  | 663.56                  |                              |
| Culture and Recreation                                   | 195,716.63              |                              |
| Education  | 168,388.12              |                              |
| Intergovernmental  | 118,062.27              |                              |
| Capital Outlay   | 3,061,992.75            | 2,157,952.32                 |
| Infrastructure   | 753,508.93              | 2,998,873.27                 |
| Debt Service:  |                         |                              |
| Principal Retirement                                     | 519,053.56              | 1,296,291.10                 |
| Interest and Fiscal Charges                              | 52,119.25               | 106,631.34                   |
| Debt Issuance Costs                                      |                         |                              |
| Total Expenditures                                       | <u>31,344,096.20</u>    | <u>16,272,848.17</u>         |
| Excess (Deficiency) of Revenues Over Expenditures        | <u>6,279,731.34</u>     | <u>(1,050,771.73)</u>        |
| <b><u>Other Financing Sources (Uses)</u></b>             |                         |                              |
| Transfers In   | 844,182.01              | 6,065,365.02                 |
| Proceeds from Sale of Capital Assets                     | 47,618.02               | 79,160.00                    |
| Payments to Escrow Agent                                 |                         |                              |
| Debt Issued  |                         |                              |
| Discounts on Debt Issued                                 |                         |                              |
| Premiums on Debt Issued                                  |                         |                              |
| Transfers Out  | (4,894,598.96)          | (3,542,204.02)               |
| Total Other Financing Sources (Uses)                     | <u>(4,002,798.93)</u>   | <u>2,602,321.00</u>          |
| Changes in Fund Balances                                 | 2,276,932.41            | 1,551,549.27                 |
| Fund Balances - Beginning of Year, as Restated (Note 18) | 10,201,268.18           | 9,472,034.21                 |
| Fund Balances - End of Year                              | <u>\$ 12,478,200.59</u> | <u>\$ 11,023,583.48</u>      |

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

| Public Buildings,<br>Roads and<br>Bridges Fund | 2004-B Warrant<br>Construction Fund | Oil and Gas<br>Trust Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------------------|---------------------------|--------------------------------|--------------------------------|
| \$ 6,078,671.24                                | \$                                  | \$ 2,601,986.91           | \$ 3,276,479.72                | \$ 42,252,459.86               |
|  |                                     |                           |                                | 1,296,378.77                   |
|  |                                     |                           | 4,520,438.53                   | 17,083,491.71                  |
|  |                                     |                           | 895,313.81                     | 8,385,649.15                   |
|  |                                     |                           |                                | 39,337.62                      |
| 57,379.22                                      | 14,377.34                           | 255,263.73                | 1,160,989.29                   | 2,649,486.66                   |
| 6,136,050.46                                   | 14,377.34                           | 2,857,250.64              | 9,853,221.35                   | 71,706,803.77                  |
|  |                                     |                           | 3,309,806.95                   | 15,460,086.68                  |
|  |                                     |                           | 1,772,496.12                   | 14,979,848.30                  |
| 87,500.00                                      | 13,400,000.00                       |                           | 1,198,417.97                   | 24,401,983.79                  |
|  |                                     |                           |                                | 257.68                         |
|  |                                     |                           | 785,376.67                     | 1,899,112.53                   |
|  |                                     |                           | 292,885.13                     | 293,548.69                     |
|  |                                     |                           | 616,794.22                     | 812,510.85                     |
|  |                                     |                           |                                | 168,388.12                     |
|  |                                     |                           |                                | 118,062.27                     |
|  |                                     |                           | 651,433.97                     | 5,871,379.04                   |
|  |                                     |                           | 9,464,718.66                   | 13,217,100.86                  |
|  |                                     |                           | 4,601,401.26                   | 6,416,745.92                   |
|  |                                     |                           | 2,325,766.61                   | 2,484,517.20                   |
|  | 206,726.30                          |                           | 268,937.64                     | 475,663.94                     |
| 87,500.00                                      | 13,606,726.30                       |                           | 25,288,035.20                  | 86,599,205.87                  |
| 6,048,550.46                                   | (13,592,348.96)                     | 2,857,250.64              | (15,434,813.85)                | (14,892,402.10)                |
|  |                                     |                           | 8,939,141.66                   | 15,848,688.69                  |
|  |                                     |                           | 6,868.50                       | 133,646.52                     |
|  |                                     |                           | (12,594,984.44)                | (12,594,984.44)                |
|  | 13,680,000.00                       |                           | 20,325,000.00                  | 34,005,000.00                  |
|  | (67,751.25)                         |                           | (85,854.85)                    | (153,606.10)                   |
|  |                                     |                           | 852,141.15                     | 852,141.15                     |
| (5,321,747.02)                                 |                                     | (206,856.11)              | (1,267,986.52)                 | (15,233,392.63)                |
| (5,321,747.02)                                 | 13,612,248.75                       | (206,856.11)              | 16,174,325.50                  | 22,857,493.19                  |
| 726,803.44                                     | 19,899.79                           | 2,650,394.53              | 739,511.65                     | 7,965,091.09                   |
| 44,506.95                                      |                                     | 10,786,258.28             | 17,929,778.61                  | 48,433,846.23                  |
| \$ 771,310.39                                  | \$ 19,899.79                        | \$ 13,436,652.81          | \$ 18,669,290.26               | \$ 56,398,937.32               |

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***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, 2004***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 7,965,091.09

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

Governmental funds report capital outlays 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 outlays (\$19,088,479.90) exceeded depreciation (\$4,886,342.60) in the current period. 14,202,137.30

In the statement of activities, only the gain (\$128,373.23) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$129,666.36) from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold. (1,293.13)

In the statement of activities, only the loss (\$15,796.03) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$76.50) from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold. (15,872.53)

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. 6,416,745.92

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the changes in fund balance. However, in the Statement of Net Assets, issuing debt increases long term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. Discounts, premiums, issuance costs and deferred amounts on refunding are reported in the funds in the year the applicable debt is issued; however, these amounts are deferred and amortized over the life of the debt issued for discounts, premiums and issuance costs. Deferred amounts on refunding are deferred and amortized over the life of the debt refunded.

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

|   | <u>Prior Period Debt</u> | <u>New Debt</u> |                        |
|---|--------------------------|-----------------|------------------------|
| Debt Issued:  |                          |                 |                        |
| Series 2004 B Warrants, Refunding   |                          | (12,075,000.00) |                        |
| Series 2003 Warrants  |                          | (8,250,000.00)  |                        |
| Series 2004 B Warrants  |                          | (13,680,000.00) |                        |
| Premium on Warrants Issued  |                          | (852,141.15)    |                        |
| Discounts on Warrants Issued  |                          | 153,606.10      |                        |
| Amortization of Discounts on Debt Issued  |                          | (7,034.04)      |                        |
| Amortization of Debt Issuance Costs   | (1,857.19)               | (94,293.71)     |                        |
| Amortization of Deferred Amounts<br>on Refunding  |                          | (519,992.22)    |                        |
| Amortization of Premiums Issued   |                          | 426,070.58      |                        |
| Repayments:   |                          |                 |                        |
| To Paying Agent:  |                          |                 |                        |
| Warrants Refunded   |                          | 12,594,984.44   |                        |
| Issuance Costs  |                          | 475,663.94      |                        |
| Total   | (1,857.19)               | (21,828,136.06) |                        |
| Net Adjustment  |                          |                 | (21,829,993.25)        |
| Some expenses reported in the Statement of Activities that do not require the use of the current financial resources are not reported as expenditures in the funds. |                          |                 |                        |
| Net Increase in Accrued Interest Payable  |                          | (320,981.04)    |                        |
| Net Decrease in Compensated Absences  |                          | 3,806.84        |                        |
| Total Additional Expenditures   |                          |                 | (317,174.20)           |
| Change in Net Assets of Governmental Activities (Exhibit 2)   |                          |                 | <u>\$ 6,419,641.20</u> |

**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2004**

|  | <u>Enterprise Funds</u> |                        | <u>Total</u>           |
|--|-------------------------|------------------------|------------------------|
|  | <u>Solid</u>            | <u>Other</u>           | <u>Enterprise</u>      |
|  | <u>Waste Fund</u>       | <u>Enterprise Fund</u> | <u>Funds</u>           |
| <b>Assets</b>  |                         |                        |                        |
| <b>Current Assets</b>  |                         |                        |                        |
| Cash and Cash Equivalents  | \$ 2,142,791.46         | \$ 905,109.09          | \$ 3,047,900.55        |
| Accounts Receivable, Net   | 915,012.13              | 813,370.81             | 1,728,382.94           |
| Due From Other Funds   | 476,921.52              | 28,467.76              | 505,389.28             |
| Prepaid Items  | 1,131.02                | 5,829.60               | 6,960.62               |
| Total Current Assets   | <u>3,535,856.13</u>     | <u>1,752,777.26</u>    | <u>5,288,633.39</u>    |
| <b>Noncurrent Assets</b>   |                         |                        |                        |
| Capital Asset, Net (Note 5)  | 4,637,748.97            | 904,407.49             | 5,542,156.46           |
| Total Noncurrent Assets  | <u>4,637,748.97</u>     | <u>904,407.49</u>      | <u>5,542,156.46</u>    |
| Total Assets   | <u>8,173,605.10</u>     | <u>2,657,184.75</u>    | <u>10,830,789.85</u>   |
| <b>Liabilities</b>   |                         |                        |                        |
| <b>Current Liabilities</b>   |                         |                        |                        |
| Payables (Note 9)  | 106,126.62              | 141,525.43             | 247,652.05             |
| Due To Other Funds   | 242,026.78              | 128,211.44             | 370,238.22             |
| Accrued Wages Payable  | 90,814.67               | 60,306.88              | 151,121.55             |
| Compensated Absences   | 118,816.61              | 71,676.63              | 190,493.24             |
| Advance From General Fund  | 135,200.00              |                        | 135,200.00             |
| Long-Term Liabilities:   |                         |                        |                        |
| Portion Due With One Year:   |                         |                        |                        |
| Notes Payable  | 30,000.00               |                        | 30,000.00              |
| Capital Leases Payable   | 96,565.36               |                        | 96,565.36              |
| Total Current Liabilities  | <u>819,550.04</u>       | <u>401,720.38</u>      | <u>1,221,270.42</u>    |
| <b>Noncurrent Liabilities</b>                                      |                         |                        |                        |
| Long-Term Liabilities:   |                         |                        |                        |
| Portion Due After One Year:  |                         |                        |                        |
| Estimated Liability for Landfill Closure/<br>Postclosure Care Cost | 2,248,964.08            |                        | 2,248,964.08           |
| Total Noncurrent Liabilities                                       | <u>2,248,964.08</u>     |                        | <u>2,248,964.08</u>    |
| Total Liabilities  | <u>3,068,514.12</u>     | <u>401,720.38</u>      | <u>3,470,234.50</u>    |
| <b>Net Assets</b>  |                         |                        |                        |
| Invested in Capital Assets, Net of Related Debt                    | 4,511,183.61            | 904,407.49             | 5,415,591.10           |
| Restricted for:  |                         |                        |                        |
| Landfill Closure and Postclosure                                   | 945,111.49              |                        | 945,111.49             |
| Unrestricted   | (351,204.12)            | 1,351,056.88           | 999,852.76             |
| Total Net Assets   | <u>\$ 5,105,090.98</u>  | <u>\$ 2,255,464.37</u> | <u>\$ 7,360,555.35</u> |

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



***Statement of Revenues, Expenses and Changes in Fund Net Assets***  
***Proprietary Funds***  
***For the Year Ended September 30, 2004***

|  | <u>Enterprise Funds</u> |                        | <u>Total</u>           |
|--|-------------------------|------------------------|------------------------|
|  | <u>Solid</u>            | <u>Other</u>           | <u>Enterprise</u>      |
|  | <u>Waste Fund</u>       | <u>Enterprise Fund</u> | <u>Funds</u>           |
| <b><u>Revenues</u></b>   |                         |                        |                        |
| Charges for Services   | \$ 4,704,874.48         | \$ 3,852,976.21        | \$ 8,557,850.69        |
| Total Revenues   | <u>4,704,874.48</u>     | <u>3,852,976.21</u>    | <u>8,557,850.69</u>    |
| <b><u>Operating Expenses</u></b>                               |                         |                        |                        |
| Salaries and Benefits  | 1,579,996.42            | 1,353,237.58           | 2,933,234.00           |
| Contractual and Professional Services                          | 97,693.06               | 972,231.04             | 1,069,924.10           |
| Travel   | 8,065.07                | 1,127.54               | 9,192.61               |
| Materials and Supplies   | 568,483.65              | 498,193.33             | 1,066,676.98           |
| Utilities and Communications                                   | 138,930.84              | 27,238.18              | 166,169.02             |
| Other Expenses   | 6,288.94                | 239,676.86             | 245,965.80             |
| Depreciation   | 1,519,159.89            | 324,528.22             | 1,843,688.11           |
| Total Operating Expenses                                       | <u>3,918,617.87</u>     | <u>3,416,232.75</u>    | <u>7,334,850.62</u>    |
| Operating Income (Loss)  | <u>786,256.61</u>       | <u>436,743.46</u>      | <u>1,223,000.07</u>    |
| <b><u>Nonoperating Revenues (Expenses)</u></b>                 |                         |                        |                        |
| Other Miscellaneous  | 186,107.57              | 65,255.06              | 251,362.63             |
| Interest Earned  | 37,557.47               | 22,558.65              | 60,116.12              |
| Interest Expense   | (7,563.58)              |                        | (7,563.58)             |
| Intergovernmental  | (50,000.00)             |                        | (50,000.00)            |
| Total Nonoperating Revenues (Expenses)                         | <u>166,101.46</u>       | <u>87,813.71</u>       | <u>253,915.17</u>      |
| Income (Loss) Before Transfers                                 | <u>952,358.07</u>       | <u>524,557.17</u>      | <u>1,476,915.24</u>    |
| <b><u>Operating Transfers</u></b>                              |                         |                        |                        |
| Transfers In   | 88,737.82               |                        | 88,737.82              |
| Transfers Out  | (704,033.88)            |                        | (704,033.88)           |
| Total Operating Transfers                                      | <u>(615,296.06)</u>     |                        | <u>(615,296.06)</u>    |
| Changes in Net Assets  | 337,062.01              | 524,557.17             | 861,619.18             |
| Total Net Assets - Beginning of Year,<br>as Restated (Note 18) | <u>4,768,028.97</u>     | <u>1,730,907.20</u>    | <u>6,498,936.17</u>    |
| Total Net Assets - End of Year                                 | <u>\$ 5,105,090.98</u>  | <u>\$ 2,255,464.37</u> | <u>\$ 7,360,555.35</u> |

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

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Year Ended September 30, 2004***

|  | <b>Enterprise Funds</b> |                        | <b>Total</b>           |
|--|-------------------------|------------------------|------------------------|
|  | <b>Solid</b>            | <b>Other</b>           | <b>Enterprise</b>      |
|  | <b>Waste Fund</b>       | <b>Enterprise Fund</b> | <b>Funds</b>           |
| <b><u>Cash Flows from Operating Activities</u></b>                     |                         |                        |                        |
| Receipts from Customers  | \$ 4,295,172.09         | \$ 4,012,678.42        | \$ 8,307,850.51        |
| Payments to Suppliers  | (1,034,349.37)          | (2,569,179.72)         | (3,603,529.09)         |
| Payments to Employees  | (1,605,868.88)          | (1,221,254.07)         | (2,827,122.95)         |
| Net Cash Provided (Used) by Operating Activities                       | <u>1,654,953.84</u>     | <u>222,244.63</u>      | <u>1,877,198.47</u>    |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>          |                         |                        |                        |
| Cash Received From Other Funds   | 1,036,392.54            | (23,890.53)            | 1,012,502.01           |
| Cash Paid To Other Funds   | (37,275.00)             |                        | (37,275.00)            |
| Miscellaneous  | 23,857.88               | 3,510.90               | 27,368.78              |
| Transfers In   | 88,737.82               |                        | 88,737.82              |
| Intergovernmental  | (50,000.00)             |                        | (50,000.00)            |
| Interest Income  | 37,557.47               | 22,558.65              | 60,116.12              |
| Transfers Out  | (704,033.88)            |                        | (704,033.88)           |
| Net Cash Provided (Used) by Noncapital Financing Activities            | <u>395,236.83</u>       | <u>2,179.02</u>        | <u>(577,811.16)</u>    |
| <b><u>Cash Flows from Capital and Related Financing Activities</u></b> |                         |                        |                        |
| Sale of Assets   | 156,668.98              | 69,152.26              | 225,821.24             |
| Purchase of Capital Assets   | (1,239,552.04)          | (391,662.00)           | (1,631,214.04)         |
| Principal Paid on Capital Debt   | (92,857.89)             |                        | (92,857.89)            |
| Interest Paid on Capital Debt  | (7,563.58)              |                        | (7,563.58)             |
| Net Cash Provided (Used) by Capital and Related Financing Activities   | <u>(1,183,304.53)</u>   | <u>(322,509.74)</u>    | <u>(1,731,635.51)</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents                   | 866,886.14              | (98,086.09)            | 768,800.05             |
| Cash and Cash Equivalents - Beginning of Year                          | <u>1,275,905.32</u>     | <u>1,003,195.18</u>    | <u>2,279,100.50</u>    |
| Cash and Cash Equivalents - End of Year                                | <u>\$ 2,142,791.46</u>  | <u>\$ 905,109.09</u>   | <u>\$ 3,047,900.55</u> |

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

|   | <u>Enterprise Funds</u> |                        | <u>Total</u>           |
|---|-------------------------|------------------------|------------------------|
|   | <u>Solid</u>            | <u>Other</u>           | <u>Enterprise</u>      |
|   | <u>Waste Fund</u>       | <u>Enterprise Fund</u> | <u>Funds</u>           |
| <b><u>Reconciliation of Operating Income (Loss)</u></b>             |                         |                        |                        |
| <b><u>to Net Cash Provided (Used) by</u></b>                        |                         |                        |                        |
| <b><u>Operating Activities:</u></b>                                 |                         |                        |                        |
| Operating Income (Loss)   | \$ 786,256.61           | \$ 436,743.46          | \$ 1,223,000.07        |
| <b><u>Adjustments to Reconcile Operating</u></b>                    |                         |                        |                        |
| <b><u>Income to Net Cash Provided (Used)</u></b>                    |                         |                        |                        |
| <b><u>by Operating Activities:</u></b>                              |                         |                        |                        |
| Depreciation Expense  | 1,519,159.89            | 324,528.22             | 1,843,688.11           |
| Change in Assets and Liabilities:                                   |                         |                        |                        |
| (Increase)/Decrease Receivables, Net                                | (409,702.39)            | 159,284.21             | (250,418.18)           |
| (Increase)/Decrease Prepays   | 1,015.16                | 4,942.60               | 5,957.76               |
| Increase/(Decrease) Accounts Payable                                | (107,499.05)            | 100,656.05             | (6,843.00)             |
| Increase/(Decrease) Due to Other Funds                              | (100,988.28)            | (935,893.42)           | (1,036,881.70)         |
| Increase/(Decrease) Wages Payable                                   | 29,881.14               | 60,306.88              | 90,188.02              |
| Increase/(Decrease) Estimated Liability<br>for Compensated Absences | (55,753.60)             | 71,676.63              | 15,923.03              |
| Increase/(Decrease) Post Closure Cost                               | 127,784.36              |                        | 127,784.36             |
| Increase/(Decrease) Advance from General Fund                       | (135,200.00)            |                        | (135,200.00)           |
| Net Cash Provided by Operating Activities                           | <u>\$ 1,654,953.84</u>  | <u>\$ 222,244.63</u>   | <u>\$ 1,877,198.47</u> |

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***Statement of Fiduciary Net Assets***  
***Fiduciary Funds***  
***September 30, 2004***

|                                  | <b>Private-Purpose<br/>Trust Funds</b> | <b>Agency<br/>Funds</b> |
|----------------------------------|--|-------------------------|
| <b><u>Assets</u></b>             |  |                         |
| Cash and Cash Equivalents        | \$ 6,176,015.71                        | \$ 496,492.41           |
| Due From Other Funds             |  | 421,833.44              |
| Due From Other Governments       | 27,655.00                              |                         |
| Total Assets                     | <u>6,203,670.71</u>                    | <u>918,325.85</u>       |
| <b><u>Liabilities</u></b>        |  |                         |
| Accounts Payable                 | 15,473.33                              |                         |
| Due To Other Funds               | 12,108.44                              | 422,797.44              |
| Payable to External Parties      | 4,976,999.76                           | 495,528.41              |
| Total Liabilities                | <u>5,004,581.53</u>                    | <u>\$ 918,325.85</u>    |
| <b><u>Net Assets</u></b>         |  |                         |
| Held in Trust for Other Purposes | 1,199,089.18                           |                         |
| Total Net Assets                 | <u>\$ 1,199,089.18</u>                 |                         |

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

***Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended September 30, 2004***

|                                | <b>Private-Purpose<br/>Trust Funds</b> |
|--------------------------------|--|
| <b><u>Additions</u></b>        |  |
| Contributions from:            |  |
| State and Local Governments    | \$ 435,613.18                          |
| Fees                           | 755,307.30                             |
| Miscellaneous                  | 13,677.89                              |
| Interest                       | 13,079.85                              |
| Total Additions                | <u>1,217,678.22</u>                    |
| <b><u>Deductions</u></b>       |  |
| Administrative Expenses        | <u>658,974.31</u>                      |
| Total Deductions               | <u>658,974.31</u>                      |
| Changes in Net Assets          | 558,703.91                             |
| Net Assets - Beginning of Year | <u>640,385.27</u>                      |
| Net Assets - End of Year       | <u><u>\$ 1,199,089.18</u></u>          |

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### Note 1 – Summary of Significant Accounting Policies

The financial statements of the Baldwin 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.

In June 1999, the GASB approved Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Baldwin County Commission's overall financial position and results of operations.
- ◆ Government-wide financial statements prepared using full accrual accounting.
- ◆ Reporting infrastructure assets (roads, bridges, etc.).
- ◆ Recording of depreciation expense on all capital assets.
- ◆ A change in the fund financial statements to focus on major funds.
- ◆ Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund.

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Baldwin County Commission implemented the provisions of the Statement in the fiscal year 2003. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2002) by or before the fiscal year ending September 30, 2007.

#### 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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Based on the application of the above criteria, the following entities are component units of the Baldwin County Commission: 1) the Baldwin County Revenue Commissioner 2) the Baldwin County Probate Judge, and 3) the Baldwin County 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. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and 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, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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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.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges and right of ways.
- ◆ **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.
- ◆ **2004-B Warrant Construction Fund** – This fund is used to account for specific capital outlay projects as defined by the Commission related to public roads.
- ◆ **Oil and Gas Trust Fund** – This fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Commission’s programs or its citizenry.

The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for cost of providing solid waste service to commercial county residents and maintaining the county landfills.

The Commission reports the following fund types in the Other Governmental Funds column:

**Governmental Funds:**

- ◆ **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 Fund** – This fund is used to account for the accumulation of resources for, and the payment of, the Commission’s general long-term debt principal and interest.
- ◆ **Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### **Other Enterprise Fund:**

- ◆ **Solid Waste Collection Fund** – This fund is used to account for cost of providing solid waste service to county residents.

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 proprietary fund and 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. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, and can be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has not elected to follow subsequent private-sector guidance.

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

##### **1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

Investments are reported at fair value, based on quoted market prices.

##### **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 60 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 60 days.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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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 and amounts due from the state and other local governments.

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

Accounts receivable from customers are reflected in the Enterprise Fund along with an allowance for Doubtful Accounts that was calculated based upon past experiences with collections.

**3. Inventories**

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

**4. Prepaid Items**

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

**5. Restricted Assets**

Certain general obligation and special revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The General Fund includes funds for self-insurance activities. The Oil and Gas Trust Fund cash is restricted by local laws.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### 6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 and proprietary funds are as follows:

|                         | Capitalization<br>Threshold | Estimated<br>Useful Life |
|-------------------------|-----------------------------|--------------------------|
| Buildings               | \$1,500                     | 30 years                 |
| Improvements            | \$1,500                     | 10 years                 |
| Equipment and Furniture | \$1,500                     | 5 years                  |
| Roads                   | \$1,500                     | 20 years                 |
| Bridges                 | \$1,500                     | 40 years                 |

GASB Statement Number 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2003. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission will retroactively report its infrastructure built or acquired since June 30, 1980 at the beginning of fiscal year 2007.

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

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2004*

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**7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Warrants payable are reported gross with separate display of the applicable warrant premium or discount. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize warrant premiums and discounts, as well as warrant 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.

The Series 2002 Health Tax General Obligation Warrants contain deferred issue costs of \$18,571.91 that are being amortized over 10 years. At September 30, 2004, the unamortized deferred issue costs were \$14,857.53.

The Series 2003 General Obligation Warrants contain deferred issue costs of \$108,676.56 and deferred discount of \$85,854.85 that are being amortized over 21 years. At September 30, 2004, the unamortized amounts were \$103,501.49 and \$81,766.52, respectively.

The Series 2004 General Obligation Warrants contain deferred issue costs of \$160,261.08; deferred premium of \$852,141.15; and deferred charges on refunding of \$1,039,984.44 that are being amortized over 2 years. At September 30, 2004, the unamortized amounts were \$80,130.54; \$426,070.57; and \$519,992.22, respectively.

The Series 2004-B General Obligation Warrants contain deferred issue costs of \$206,726.30 and deferred discount of \$67,751.25 that are being amortized over 23 years. At September 30, 2004, the unamortized amounts were \$197,738.20 and \$64,805.54, respectively.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**8. Compensated Absences**

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

**Annual Leave**

Annual vacation leave accrues to full-time employees with 5 years or less service at the rate of 1 day per calendar month, for employees with 6-10 years service at the rate of 1 and  $\frac{1}{4}$  days per month, for employees with 11-15 years service at the rate of 1 and  $\frac{3}{4}$  days per month, and for employees with more than 15 years of service at the rate of 2 days per month. Unused annual vacation leave in excess of three times the amount earned by employee classification at the end of any fiscal year is forfeited. Upon separation from county service, the employee may be paid for all unused accrued annual leave.

**Sick Leave**

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month worked to a maximum accrual of 90 days. Upon retirement, an employee shall be paid  $\frac{1}{2}$  of their accumulated sick leave not to exceed 360 hours.

The Commission uses the vesting method to accrue its sick leave liability. Under this method an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

As of September 30, 2004, the liability for accrued annual and sick leave is approximately \$1,747,790.69. Of this amount \$1,082,884.88 is reported in the governmental funds and \$190,493.24 is reported in the enterprise funds as current. Current indicates an amount expected to be paid using expendable available financial resources. The remainder \$474,412.57 is classified as noncurrent in the governmental activities on the Statement of Net Assets.

**9. Net Assets/Fund Equity**

Net assets are reported on the government-wide and proprietary fund 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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- ◆ **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. Designations of fund balance represent tentative management plans that are subject to change.

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

**Budgets**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year-end.

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

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### Note 3 – Deposits and Investments

##### Deposits

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.

##### Investments

Statutes authorize the Commission to invest in obligations of the U. S. Treasury and federal agency securities. The Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department or agent but not in the Commission's name.

|                                      | Category            |                     |           | Fair Value            |
|--------------------------------------|---------------------|---------------------|-----------|-----------------------|
|                                      | 1                   | 2                   | 3         |                       |
| U. S. Government Treasury Securities | \$500,000.00        | \$502,990.00        | \$        | \$1,002,990.00        |
| Agency Securities Total              | <u>\$500,000.00</u> | <u>\$502,990.00</u> | <u>\$</u> | 1,002,990.00          |
| Money Market and Mutual Funds        |                     |                     |           | 5,127,520.01          |
| Total Investments                    |                     |                     |           | <u>\$6,130,510.01</u> |

A certificate of deposit in the amount of \$10,000.00 is included with "Deposits" for purposes of determining insurance and collateralization: however, it is classified as "Investments" on the financial statements. Money Market and Mutual Funds totaling \$5,127,520.01, respectively, are classified for the purposes of GASB Statement Number 3, as investments, but are included in cash with fiscal agent on the financial statements.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

**Note 4 – Receivables**

On September 30, 2004, receivables for the Commission’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                       | General Fund          | Gasoline Tax Fund   | Public Buildings and Bridges Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|-----------------------|---------------------|-----------------------------------|--------------------------|--------------------------|
| <b>Receivables:</b>                   |                       |                     |                                   |                          |                          |
| Accounts Receivable                   | \$ 5,442.82           | \$ 26,304.32        | \$                                | \$ 303.78                | \$ 32,050.92             |
| Intergovernmental                     | 1,449,248.59          | 173,422.01          | 61,774.57                         | 877,257.55               | 2,561,702.72             |
| Gross Receivables                     | 1,454,691.41          | 199,726.33          | 61,774.57                         | 877,561.33               | 2,593,753.64             |
| Less: Allowance for Doubtful Accounts |                       |                     |                                   |                          |                          |
| Net Total Receivables                 | <u>\$1,454,691.41</u> | <u>\$199,726.33</u> | <u>\$61,774.57</u>                | <u>\$877,561.33</u>      | <u>\$2,593,753.64</u>    |

|                                       | Solid Waste Fund    | Other Enterprise Fund | Total Enterprise Funds |
|---------------------------------------|---------------------|-----------------------|------------------------|
| <b>Accounts Receivables:</b>          |                     |                       |                        |
| Accounts Receivable                   | \$952,431.65        | \$903,598.59          | \$1,856,030.24         |
| Intergovernmental                     |                     |                       |                        |
| Gross Receivables                     | 952,431.65          | 903,598.59            | 1,856,030.24           |
| Less: Allowance for Doubtful Accounts | (37,419.52)         | (90,227.78)           | (127,647.30)           |
| Net Total Receivables                 | <u>\$915,012.13</u> | <u>\$813,370.81</u>   | <u>\$1,728,382.94</u>  |

**Note 5 – 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, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|  | Unavailable            | Unearned            |
|--|------------------------|---------------------|
| Ad Valorem Taxes Receivable                            | \$21,423,585.12        | \$                  |
| Motor Vehicle Ad Valorem Taxes                         |                        | 778,972.28          |
| Total Deferred/Unearned Revenue for Governmental Funds | <u>\$21,423,585.12</u> | <u>\$778,972.28</u> |

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2004, was as follows:

|   | Restated<br>Balance<br>10/01/2003 | Additions              | Retirements           | Balance<br>9/30/2004   |
|---|-----------------------------------|------------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>               |                                   |                        |                       |                        |
| <b>Capital Assets, not Being Depreciated:</b> |                                   |                        |                       |                        |
| Land  | \$ 2,774,092.76                   | \$ 2,290,158.08        | \$                    | \$ 5,064,250.84        |
| Infrastructure in Progress                    | 1,318,716.55                      | 4,833,387.64           |                       | 6,152,104.19           |
| Construction in Progress                      | 433,544.35                        | 3,148,329.33           |                       | 3,581,873.68           |
| Total Capital Assets, not Being Depreciated   | <u>4,526,353.66</u>               | <u>10,271,875.05</u>   |                       | <u>14,798,228.71</u>   |
| <b>Capital Assets Being Depreciated:</b>      |                                   |                        |                       |                        |
| Infrastructure                                | 3,124,431.54                      | 5,235,383.89           |                       | 8,359,815.43           |
| Buildings                                     | 34,960,916.02                     | 328,739.15             |                       | 35,289,655.17          |
| Improvements Other Than Building              | 1,137,263.24                      | 11,200.00              |                       | 1,148,463.24           |
| Computer and Communication Equipment          | 7,994,537.47                      | 485,035.09             | (278,264.77)          | 8,201,307.79           |
| Equipment and Furniture                       | 991,669.96                        | 123,156.29             | (42,846.70)           | 1,071,979.55           |
| Motor Vehicles and Construction Equipment     | 15,460,363.99                     | 1,567,729.43           | (1,641,583.48)        | 15,386,509.94          |
| Capital Asset Under Capital Lease             | 5,182,881.62                      | 1,065,361.00           |                       | 6,248,242.62           |
| Total Capital Assets Being Depreciated        | <u>68,852,063.84</u>              | <u>8,816,604.85</u>    | <u>(1,962,694.95)</u> | <u>75,705,973.74</u>   |
| <b>Less Accumulated Depreciation for:</b>     |                                   |                        |                       |                        |
| Buildings                                     | (8,784,354.69)                    | (1,157,450.40)         |                       | (9,941,805.09)         |
| Infrastructure                                | (9,397.82)                        | (105,784.29)           |                       | (115,182.11)           |
| Improvements Other Than Building              | (309,561.14)                      | (38,095.14)            |                       | (347,656.28)           |
| Computer and Communication Equipment          | (6,570,722.56)                    | (576,438.81)           | 275,488.88            | (6,871,672.49)         |
| Equipment and Furniture                       | (799,936.38)                      | (78,916.20)            | 42,846.70             | (836,005.88)           |
| Assets Under Capital Lease                    | (2,208,437.65)                    | (1,244,794.40)         |                       | (3,453,232.05)         |
| Motor Vehicles and Construction Equipment     | (10,667,601.97)                   | (1,684,863.36)         | 1,627,193.71          | (10,725,271.62)        |
| Total Accumulated Depreciation                | <u>(29,350,012.21)</u>            | <u>(4,886,342.60)</u>  | <u>1,945,529.29</u>   | <u>(32,290,825.52)</u> |
| Total Capital Assets, Being Depreciated, Net  | <u>39,502,051.63</u>              | <u>3,930,262.25</u>    | <u>(17,165.66)</u>    | <u>43,415,148.22</u>   |
| Governmental Activities Capital Assets, Net   | <u>\$ 44,028,405.29</u>           | <u>\$14,202,137.30</u> | <u>\$ (17,165.66)</u> | <u>\$58,213,376.93</u> |

The beginning balance of governmental activities' capital assets was restated by \$124,272.88 to correct prior period errors in depreciation and to account for changes as a result of a physical inventory and reclassifications.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

|   | Restated<br>Balance<br>10/01/2003 | Additions              | Retirements            | Balance<br>9/30/2004   |
|---|-----------------------------------|------------------------|------------------------|------------------------|
| <b>Business-Type Activities:</b>                    |                                   |                        |                        |                        |
| <b>Capital Assets, not Being Depreciated:</b>       |                                   |                        |                        |                        |
| Land  | \$ 1,295,421.68                   | \$                     | \$                     | \$ 1,295,421.68        |
| <b>Total Capital Assets, not Being Depreciated</b>  | <u>1,295,421.68</u>               |                        |                        | <u>1,295,421.68</u>    |
| <b>Capital Assets Being Depreciated:</b>            |                                   |                        |                        |                        |
| Buildings   | 1,139,714.85                      |                        |                        | 1,139,714.85           |
| Improvements Other Than Building                    | 6,238,679.87                      |                        | (20,785.97)            | 6,217,893.90           |
| Computer and Communication Equipment                | 203,207.84                        | 5,074.04               | (6,180.00)             | 202,101.88             |
| Motor Vehicle and Construction Equipment            | 4,999,314.76                      | 1,619,965.00           | (1,318,780.24)         | 5,300,499.52           |
| Equipment and Furniture                             | 109,958.64                        | 6,175.00               |                        | 116,133.64             |
| Capital Assets Under Capital Lease                  | 1,699,926.66                      |                        |                        | 1,699,926.66           |
| <b>Total Capital Assets Being Depreciated</b>       | <u>14,390,802.62</u>              | <u>1,631,214.04</u>    | <u>(1,345,746.21)</u>  | <u>14,676,270.45</u>   |
| <b>Less Accumulated Depreciation for:</b>           |                                   |                        |                        |                        |
| Buildings   | (378,248.02)                      | (37,387.32)            |                        | (415,635.34)           |
| Improvements Other than Building                    | (4,741,425.51)                    | (913,995.85)           | 20,785.97              | (5,634,635.39)         |
| Computer and Communication Equipment                | (195,076.84)                      | (6,093.56)             | 6,180.00               | (194,990.40)           |
| Motor Vehicle and Construction Equipment            | (4,137,886.55)                    | (631,904.25)           | 1,078,319.85           | (3,691,470.95)         |
| Equipment and Furniture                             | (82,972.60)                       | (8,749.91)             |                        | (91,722.51)            |
| Capital Assets Under Capital Lease                  | (155,523.86)                      | (245,557.22)           |                        | (401,081.08)           |
| <b>Total Accumulated Depreciation</b>               | <u>(9,728,946.38)</u>             | <u>(1,843,688.11)</u>  | <u>1,105,285.82</u>    | <u>(10,429,535.67)</u> |
| <b>Total Capital Assets, Being Depreciated, Net</b> | <u>4,699,669.24</u>               | <u>(212,470.07)</u>    | <u>(240,460.39)</u>    | <u>4,246,734.78</u>    |
| <b>Business-Type Activities Capital Assets, Net</b> | <u>\$ 5,995,090.92</u>            | <u>\$ (212,470.07)</u> | <u>\$ (240,460.39)</u> | <u>\$ 5,542,156.46</u> |

The beginning balance of business-type activities' net capital assets was restated by \$44,762.85 to correct prior period errors in depreciation and reconcilements with physical inventory.

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

|   | Current Year<br>Depreciation<br>Expense |
|---|---|
| <b>Governmental Activities:</b>                             |   |
| General Government  | \$1,837,771.45                          |
| Public Safety   | 944,548.62                              |
| Highway and Roads   | 1,996,557.27                            |
| Health  | 23,547.36                               |
| Welfare   | 6,835.56                                |
| Culture and Recreation                                      | 52,291.18                               |
| Education   | 24,791.16                               |
| <b>Total Depreciation Expense - Governmental Activities</b> | <u>\$4,886,342.60</u>                   |

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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|   | Current Year<br>Depreciation<br>Expense |
|---|---|
| <b>Business-Type Activities:</b>                      |   |
| Solid Waste   | \$1,843,688.11                          |
| Total Depreciation Expense - Business-Type Activities | \$1,843,688.11                          |

**Note 7 – Defined Benefit Pension Plan**

**A. Plan Description**

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

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2004 was 5.97 percent based on the actuarial valuation performed as of September 30, 2002.

**C. Annual Pension Cost**

For the year ended September 30, 2004, the Commission's annual pension cost of \$877,482.90 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, 2003, 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, 2003 was 20 years.

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

| Fiscal Year<br>Ending | Annual Pension<br>Cost (APC) | Percentage of APC<br>Contributed | Net Pension<br>Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 9/30/2002             | \$748,869                    | 100%                             | \$0                       |
| 9/30/2003             | \$944,803                    | 100%                             | \$0                       |
| 9/30/2004             | \$877,483                    | 100%                             | \$0                       |

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

**Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll | Percentage of Covered Payroll [(b-a)/c] |
|--------------------------|-------------------------------|---|---------------------------|--------------------|-----------------|---|
| 9/30/2003*               | \$25,660,049                  | \$28,006,738                            | \$2,346,689               | 91.6%              | \$14,055,915    | 16.7%                                   |
| 9/30/2002**              | \$23,951,354                  | \$25,453,997                            | \$1,502,643               | 94.0%              | \$13,129,356    | 11.0%                                   |
| 9/30/2001***             | \$22,959,743                  | \$33,902,785                            | \$2,022,119               | 94.0%              | \$18,506,184    | 10.9%                                   |

\* 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.

\*\*\* Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

**Note 8 – Construction and Other Significant Commitments**

The Commission is in the process of completing the construction and renovation of five projects. They are as follows:

| Project Name                          | Amount Remaining      |
|---------------------------------------|-----------------------|
| Trail Construction                    | \$ 109,961.22         |
| Renovation of Packard Hughes Building | 719,837.32            |
| New Probate Offices                   | 535,891.06            |
| Addition to Board of Education        | 869,883.30            |
| Archives Building                     | 1,007,840.00          |
| Total                                 | <u>\$3,243,412.90</u> |

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

**Note 9 – Contingent Liabilities**

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Baldwin 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, 2004 amounted to \$70,094.73.

**Note 10 – Payables**

On September 30, 2004, payables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

|                                       | Accounts<br>Payable   | Due To Other<br>Government | Other<br>Payables  | Total<br>Payables     |
|---------------------------------------|-----------------------|----------------------------|--------------------|-----------------------|
| <b><u>Governmental Activities</u></b> |                       |                            |                    |                       |
| General                               | \$1,729,131.04        | \$2,299,966.25             | \$                 | \$4,029,097.29        |
| Gasoline Tax                          | 429,262.07            |                            |                    | 429,262.07            |
| Other Governmental                    | 802,476.82            | 345.55                     | 40,771.12          | 843,593.49            |
| Total - Governmental Activities       | <u>\$2,960,869.93</u> | <u>\$2,300,311.80</u>      | <u>\$40,771.12</u> | <u>\$5,301,952.85</u> |

|  | Accounts<br>Payables | Other<br>Payables | Total<br>Payables   |
|--|----------------------|-------------------|---------------------|
| <b><u>Business-Type Activities</u></b> |                      |                   |                     |
| Solid Waste                            | \$106,443.24         | \$(316.62)        | \$106,126.62        |
| Other Enterprise Fund                  | 141,525.43           |                   | 141,525.43          |
| Total Business-Type Activities         | <u>\$247,968.67</u>  | <u>\$(316.62)</u> | <u>\$247,652.05</u> |

|                               | Accounts<br>Payables | Payable to<br>External Parties | Total<br>Payables     |
|-------------------------------|----------------------|--------------------------------|-----------------------|
| <b><u>Fiduciary Funds</u></b> |                      |                                |                       |
| Private Purpose Trust         | \$15,473.33          | \$4,976,999.76                 | \$4,992,473.09        |
| Agency                        |                      | 495,528.41                     | 495,528.41            |
| Total                         | <u>\$15,473.33</u>   | <u>\$5,472,528.17</u>          | <u>\$5,488,001.50</u> |



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Note 11 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$6,248,242.62 for governmental activities and \$1,842,742.66 for business-type activities at September 30, 2004. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

| Fiscal Year Ending                          | Governmental<br>Activities | Business-Type<br>Activities |
|---|----------------------------|-----------------------------|
| September 30, 2005                          | \$2,314,694.63             | \$100,421.17                |
| 2006  | 1,484,618.78               |                             |
| 2007  | 840,901.83                 |                             |
| Total Minimum Lease Payments                | 4,640,215.24               | 100,421.17                  |
| Less: Amount Representing Interest          | (224,765.33)               | (3,855.81)                  |
| Present Value of Net Minimum Lease Payments | \$4,415,449.91             | \$ 96,565.36                |

**Note 12 – Long-Term Debt**

In November 1994, General Obligation Warrants, with a variable interest rate of 5.95 to 6.05 percent, were issued to provide funds for the construction of certain road and bridge improvements, the construction and equipping of a facility to be used by the rural transportation system, the construction and equipping of a facility to be used by the County Health Department, and the retirement of a temporary warrant. Debt payments are made by the General Fund and Gasoline Tax Fund.

In February 1996, General Obligation Warrants, with a variable interest rate of 4.60 to 5.30 percent, were issued to provide funds, in part, for the expansion of the Corrections Facility, expansion of the Foley Courthouse, Foley Storage Building, expansion of Fairhope Courthouse, EOC and Sheriff's Dispatch Building, purchase of Bay Minette City Hall and Public Safety Building, renovation of Bay Minette City Hall, purchase church property and renovate, renovation of Bay Minette Courthouse, Public Works Building, Landfill Truck Wash and Fueling Facility, and Transfer Station Expansion. Debt payments are made by the General Fund.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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In July 1998, General Obligation Warrants, with variable interest rates of 4.20 to 4.40 percent, were issued to provide funds for redemption of certain Outstanding Warrants, capital improvements to the county's landfill, road improvements, and the acquisition of capital equipment. Debt payments are made by the General Fund and Gasoline Tax Fund.

In March 1999, General Obligation Warrants, with variable interest rates of 4.00 to 5.05 percent, were issued to provide funds for road improvements, landfill improvements, vehicles, Courthouse renovations, Courthouse Annex renovations, new Board of Education building, old Board of education building renovations, renovate old Bay Minette Police Station, Convenience Station/Recycling center Building, and Landfill equipment. Debt payments are made by the General Fund, Gasoline Tax Fund and the Solid Waste Fund.

In September 2001, General Obligation Warrants, with variable interest rates of 3.20 to 4.50 percent, were issued to provide funding for various acquisitions of the Refunded Series 1994 Warrants. Debt payments are made by the General Fund and Gasoline Tax Fund.

In March 2002, General Obligation Warrants, with an interest rate of 2.60 to 5.10 percent, was issued to provide funds for bridge construction, construction of shelled in top floor of jail, acquisition of Packard Hughes Building in Robertsedale, and construction of facilities and capital purchases for Wilderness Intervention Programs for juveniles. Debt payments are made by the General Fund and Gasoline Tax Fund.

In December 2002, General Obligation Warrants, with an interest rate of 4.90 percent were issued to provide funds for facilities and equipment necessary or desirable for the protection and preservation of the public health and safety of the residents of Baldwin County. Debt payments are made by the Health Tax Fund.

In December 2003, General Obligation Warrants, with an interest rate of 1.45 to 4.70 percent, were issued to provide funds for an additional Subtitle D cell at Magnolia Landfill, renovate store for use as Probate offices, renovate Bay Minette Courthouse, new archives building, additional offices at school board, renovate Packard Hughes building, and create a fiber network. Debt payments are made by General Fund, Archives Fund, and Solid Waste Fund.

In April 2004, General Obligation Warrants, with an interest rate of 2 to 5 percent, were issued to provide funds for current refunding of Series 1994 Warrants, advanced refunding of Series 1996 Warrants, and acquisition of capital improvements. Debt payments are made by General Fund and Gasoline Tax Fund.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

In June 2004, General Obligation Warrants, with an interest rate of 2.6 to 5.25 percent, were issued to provide funds for capital improvements to public roads, including preliminary engineering costs and Phase 1 County Road-64 to U. S. Highway 90 costs as estimated in that certain agreement between the State of Alabama and Baldwin County dated May 6, 2004. Debt payments are made by Gasoline Tax Fund.

Notes Payable: Promissory notes were used to finance property acquisition of the Koontz Building, a dirt pit for road materials, and land for use by the McBride Landfill.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2004:

|  | Debt<br>Outstanding<br>10/1/2003 | Issued/<br>Increased | Repaid/<br>Decreased | Debt<br>Outstanding<br>9/30/2004 | Amounts Due<br>within One<br>Year |
|--|----------------------------------|----------------------|----------------------|----------------------------------|-----------------------------------|
| <b>Governmental Activities</b>                                   |                                  |                      |                      |                                  |                                   |
| <b>Warrants and Notes Payable:</b>                               |                                  |                      |                      |                                  |                                   |
| General Obligation, 1994   | \$ 2,790,000.00                  |                      | \$ (2,790,000.00)    |                                  | \$                                |
| General Obligation, 1996   | 13,480,000.00                    |                      | (11,080,000.00)      | 2,400,000.00                     | 1,005,000.00                      |
| General Obligation, 1998   | 2,375,000.00                     |                      | (595,000.00)         | 1,780,000.00                     | 520,000.00                        |
| General Obligation, 1999   | 6,690,000.00                     |                      | (1,185,000.00)       | 5,505,000.00                     | 560,000.00                        |
| General Obligation, 2001   | 7,265,000.00                     |                      | (120,000.00)         | 7,145,000.00                     | 120,000.00                        |
| General Obligation, 2002   | 16,475,000.00                    |                      |                      | 16,475,000.00                    | 470,000.00                        |
| General Obligation, 2002   | 90,000.00                        |                      | (10,000.00)          | 80,000.00                        | 10,000.00                         |
| General Obligation, 2003   |                                  | 8,250,000.00         |                      | 8,250,000.00                     |                                   |
| General Obligation, 2004   |                                  | 12,075,000.00        |                      | 12,075,000.00                    | 1,585,000.00                      |
| General Obligation, 2004-B                                       |                                  | 13,680,000.00        |                      | 13,680,000.00                    |                                   |
| Less: Unamortized Discount                                       |                                  | (153,606.10)         | 7,034.04             | (146,572.06)                     | (7,034.04)                        |
| Plus: Unamortized Premium  |                                  | 852,141.15           | (426,070.58)         | 426,070.57                       | 426,070.57                        |
| Less: Deferred Charges on Refunding                              |                                  | (1,039,984.44)       | 519,992.22           | (519,992.22)                     | (519,992.22)                      |
| Long-Term Notes Payable  | 345,000.00                       |                      | (85,000.00)          | 260,000.00                       | 95,000.00                         |
| Total Warrants and Notes Payable                                 | 49,510,000.00                    | 33,663,550.61        | (15,764,044.32)      | 67,409,506.29                    | 4,264,044.31                      |
| <b>Other Liabilities:</b>  |                                  |                      |                      |                                  |                                   |
| Capital Leases   | 6,522,195.83                     |                      | (2,106,745.92)       | 4,415,449.91                     | 2,176,495.97                      |
| Compensated Absences   | 1,488,399.28                     | 72,705.01            | (3,806.84)           | 1,557,297.45                     | 1,082,884.88                      |
| Total Other Liabilities  | 8,010,595.11                     | 72,705.01            | (2,110,552.76)       | 5,972,747.36                     | 3,259,380.85                      |
| Governmental Activities Long-Term Liabilities                    | 57,520,595.11                    | 33,736,255.62        | (17,874,597.08)      | 73,382,253.65                    | 7,523,425.16                      |
| <b>Business-Type Activities:</b>                                 |                                  |                      |                      |                                  |                                   |
| Note Payable   | 30,000.00                        |                      |                      | 30,000.00                        | 30,000.00                         |
| Total Note Payable   | 30,000.00                        |                      |                      | 30,000.00                        | 30,000.00                         |
| <b>Other Liabilities:</b>  |                                  |                      |                      |                                  |                                   |
| Capital Lease Contracts Payable                                  | 189,422.95                       |                      | (92,857.59)          | 96,565.36                        | 96,565.36                         |
| Compensated Absences   | 174,570.21                       | 17,530.33            | (1,607.30)           | 190,493.24                       | 190,493.24                        |
| Estimated Liability for Landfill Closure/Post Closure Care Costs | 2,121,179.72                     | 127,784.36           |                      | 2,248,964.08                     |                                   |
| Total Other Liabilities  | 2,485,172.88                     | 145,314.69           | (94,464.89)          | 2,536,022.68                     | 287,058.60                        |
| Business-Type Activities Long-Term Liabilities                   | \$ 2,515,172.88                  | \$ 145,314.69        | \$ (94,464.89)       | \$ 2,566,022.68                  | \$ 317,058.60                     |

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds with funds transferred from the General, Gasoline Tax, Health Tax, and Solid Waste Funds. The long-term note payable is paid by the General Fund (90%) and the Solid Waste Fund (10%). The capital lease liability for the governmental activities will be liquidated by the General (23%), Gasoline Tax (59%), and Reappraisal Fund (18%). The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 63% has been paid by the General Fund, 25% by the Gasoline Tax, and the remainder by the other governmental funds.

The notes payable that pertain to the Commission's business-type activities are paid by the Solid Waste Fund.

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

| Fiscal Year Ending | Governmental Activities     |                        |                                  |                     |                     |           | Total Principal and Interest Requirements to Maturity |
|--------------------|-----------------------------|------------------------|----------------------------------|---------------------|---------------------|-----------|---|
|                    | General Obligation Warrants |                        | Capital Leases Contracts Payable |                     | Notes Payable       |           |   |
|                    | Principal                   | Interest               | Principal                        | Interest            | Principal           | Interest  |   |
| September 30, 2005 | \$ 4,270,000.00             | \$ 2,846,565.00        | \$2,176,495.97                   | \$138,198.66        | \$ 95,000.00        | \$        | \$ 9,526,259.63                                       |
| 2006               | 4,725,000.00                | 2,691,210.00           | 1,418,615.47                     | 66,003.31           | 60,000.00           |           | 8,960,828.78  |
| 2007               | 5,365,000.00                | 2,502,415.00           | 820,338.47                       | 20,563.36           | 60,000.00           |           | 8,768,316.83  |
| 2008               | 4,870,000.00                | 2,323,671.25           |                                  |                     | 45,000.00           |           | 7,238,671.25  |
| 2009               | 4,945,000.00                | 2,146,845.00           |                                  |                     |                     |           | 7,091,845.00  |
| 2010-2014          | 15,750,000.00               | 8,431,073.75           |                                  |                     |                     |           | 24,181,073.75   |
| 2015-2019          | 10,835,000.00               | 4,918,965.00           |                                  |                     |                     |           | 15,753,965.00   |
| 2020-2024          | 14,025,000.00               | 1,917,502.50           |                                  |                     |                     |           | 15,942,502.50   |
| 2025-2026          | 2,605,000.00                | 165,982.50             |                                  |                     |                     |           | 2,770,982.50  |
| <b>Total</b>       | <b>\$67,390,000.00</b>      | <b>\$27,944,230.00</b> | <b>\$4,415,449.91</b>            | <b>\$224,765.33</b> | <b>\$260,000.00</b> | <b>\$</b> | <b>\$100,234,445.24</b>                               |

| Fiscal Year Ending | Business-Type Activities |                   |                                 |                   | Total Principal and Interest Requirements to Maturity |
|--------------------|--------------------------|-------------------|---------------------------------|-------------------|---|
|                    | Notes Payable            |                   | Capital Lease Contracts Payable |                   |   |
|                    | Principal                | Interest          | Principal                       | Interest          |   |
| September 30, 2005 | \$30,000.00              | \$1,050.00        | \$96,565.36                     | \$3,855.81        | \$131,471.17  |
| <b>Total</b>       | <b>\$30,000.00</b>       | <b>\$1,050.00</b> | <b>\$96,565.36</b>              | <b>\$3,855.81</b> | <b>\$131,471.17</b>                                   |

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Bond Issuance Costs, Deferred Charges on Refunding and Discounts**

The Commission has bond issuance costs as well as bond premiums and discounts in connection with the issuance of its 2002, 2003, 2004, and 2004-B General Obligation Warrants. The issuance costs are being amortized using the straight- line method over a period of years.

|  | Issuance<br>Costs   | Deferred<br>Charges on<br>Refunding | (Discount)            | Premium             |
|--|---------------------|-------------------------------------|-----------------------|---------------------|
| Total Issuance Costs, Deferred Charges on Refunding and Discount/Premium   | \$494,235.85        | \$1,039,984.44                      | \$(153,606.10)        | \$852,141.15        |
| Amount Amortized Prior Years   | 1,857.19            |                                     |                       |                     |
| Balance Issuance Costs, Deferred Charges on Refunding and Discount/Premium | 492,378.66          | 1,039,984.44                        | (153,606.10)          | 852,141.15          |
| Current Amount Amortized   | 96,150.90           | 519,992.22                          | (7,034.04)            | 426,070.58          |
| Balance Issuance Costs, Deferred Charges on Refunding and Discount/Premium | <u>\$396,227.76</u> | <u>\$ 519,992.22</u>                | <u>\$(146,572.06)</u> | <u>\$426,070.57</u> |

**Defeased Debt**

On April 1, 2004, the Commission issued \$12,075,000.00 in General Obligation Warrants, Series 2004 with an interest rate ranging from 2 percent to 5 percent to, in part, advance refund \$10,120,000.00 of outstanding 1996 Series Warrants with an interest rate of 4.7 percent to 5 percent. The amount of \$11,091,022.83 was 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 1996 Series Warrants. As a result, the 1996 Series Warrants are considered to be defeased and the liability for those warrants has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$971,922.83. 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 advanced refunding, the Commission increased its total debt service requirements by \$1,287,640.98, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$699,242.59.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Refunded Debt**

On April 1, 2004, Baldwin County Commission issued \$12,075,000 in General Obligation Warrants, Series 2004 with interest rates ranging from 2 percent to 5 percent for, in part, the current refunding of Series 1994 Warrants for \$1,503,061.61. The Series 1994 General Obligation Warrants, with an outstanding amount of \$1,435,000.00 were redeemed on August 1, 2004 and have therefore been removed. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$68,061.51. 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. As a result of the current refunding, the Commission increased its total debt service requirements by \$404,649.13, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$161,203.71.

**Note 13 – Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,248,964.08, as of September 30, 2004, which is based on 45.47% usage (filled) of the landfill. It is estimated that an additional \$2,697,000.92 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$4,945,965.00) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2004. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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The Commission is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The Commission is in compliance with these requirements, and at September 30, 2004, funds of \$945,111.49 are held for these purposes. These funds are deposits on hand and are presented on the Commission's balance sheet as "restrictive cash and cash equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments held by the trustee. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

**Note 14 – 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 \$1,000,000 per claim (or up to \$500,000 per claim for premises damage) for a maximum total coverage of \$5,000,000.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission 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.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

**Note 15 – Interfund Receivables and Payables**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2004, were as follows:

|                                  | Due from Other Funds  |                      |                                |                     |
|----------------------------------|-----------------------|----------------------|--------------------------------|---------------------|
|                                  | General<br>Fund       | Gasoline<br>Tax Fund | Other<br>Governmental<br>Funds | Solid Waste<br>Fund |
| <b><u>Due to Other Funds</u></b> |                       |                      |                                |                     |
| General Fund                     | \$                    | \$11,047.63          | \$237,605.67                   | \$ 58.73            |
| Gasoline Tax Fund                | 51,787.54             |                      | 209.66                         | 1,767.00            |
| Other Governmental Funds         | 999,684.13            | 58,892.80            | 22,453.52                      | 367,887.56          |
| Solid Waste Fund                 | 154,349.29            | 4,485.23             | 55,425.00                      |                     |
| Other Enterprise Fund            | 18,103.00             | 2,199.71             |                                | 107,208.23          |
| Private-Purpose Trust Funds      | 12,108.44             |                      |                                |                     |
| Agency Funds                     | 964.00                |                      |                                |                     |
| <b>Total</b>                     | <b>\$1,236,996.40</b> | <b>\$76,625.37</b>   | <b>\$315,693.85</b>            | <b>\$476,921.52</b> |

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2004, were as follows:

|   | Operating Transfers In |                       |                                |                        | Total                  |
|---|------------------------|-----------------------|--------------------------------|------------------------|------------------------|
|   | General<br>Fund        | Gasoline<br>Tax Fund  | Other<br>Governmental<br>Funds | Solid<br>Waste<br>Fund |                        |
| <b><u>Operating Transfers Out</u></b>       |                        |                       |                                |                        |                        |
| General Fund                                | \$                     | \$ 174,618.00         | \$4,718,762.96                 | \$ 1,218.00            | \$ 4,894,598.96        |
| Gasoline Tax Fund                           |                        |                       | 3,542,104.02                   | 100.00                 | 3,542,204.02           |
| Public Buildings, Roads and<br>Bridges Fund |                        | 5,321,747.02          |                                |                        | 5,321,747.02           |
| Oil and Gas Trust Fund                      | 206,856.11             |                       |                                |                        | 206,856.11             |
| Other Governmental Funds                    | 252,474.90             | 569,000.00            | 359,091.80                     | 87,419.82              | 1,267,986.52           |
| Solid Waste Fund                            | 384,851.00             |                       | 319,182.88                     |                        | 704,033.88             |
| <b>Total</b>                                | <b>\$844,182.01</b>    | <b>\$6,065,365.02</b> | <b>\$8,939,141.66</b>          | <b>\$88,737.82</b>     | <b>\$15,937,426.51</b> |

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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| Due from Other Funds        |                                |                 |                |
|-----------------------------|--------------------------------|-----------------|----------------|
| Other<br>Enterprise<br>Fund | Private-Purpose<br>Trust Funds | Agency<br>Funds | Total          |
| \$                          | \$                             | \$              | \$ 248,712.03  |
|                             |                                |                 | 53,764.20      |
| 27,767.26                   |                                |                 | 1,448,918.01   |
|                             |                                | 700.50          | 242,026.78     |
|                             |                                |                 | 128,211.44     |
| 700.50                      |                                | 421,132.94      | 12,108.44      |
| \$28,467.76                 | \$                             | \$421,833.44    | \$2,556,538.34 |

**Note 16 – Related Parties**

One of the Baldwin County Commissioners, Jonathan H. Armstrong, serves as Executive Director of Baldwin Court Services, Inc. The Commission provides office space and telephone service to Baldwin Court Services, Inc. at the Bay Minette, Fairhope and Foley courthouses in its capacity as a contractor to the Alabama court system. The provision of providing office space and telephone service began before Commissioner Armstrong took office.

**Note 17 – Subsequent Event**

On November 2, 2004, the Baldwin County Commission issued General Obligation Warrant Series 2004-C for the amount of \$25,000,000.00. The warrants were authorized by the Commission in regular session assembled November 2, 2004. Warrant closing occurred November 3, 2004. This warrant was obtained to establish a line of credit to provide for the orderly payment of certain emergency hurricane expenses.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Note 18 – Restatements**

Restatements were necessary to correct various prior period errors.

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

|   | General<br>Fund        | Gasoline<br>Tax Fund  | Public Buildings,<br>Roads and<br>Bridges Funds |
|---|------------------------|-----------------------|---|
| Fund Balance, September 30, 2003,<br>as Previously Reported   | \$10,195,317.67        | \$9,453,374.80        | \$44,506.95                                     |
| Restatements  | 5,950.51               | 18,659.41             |   |
| Fund Balance, September 30, 2002,<br>as Restated  | <u>\$10,201,268.18</u> | <u>\$9,472,034.21</u> | <u>\$44,506.95</u>                              |
| Net Assets Balance, September 30, 2003,<br>as Previously Reported   |                        |                       |   |
| Restatements  |                        |                       |   |
| Effect of Prior Period Errors on Capital Assets<br>Governmental Activities Net Assets,<br>September 30, 2003, as Restated |                        |                       |   |

|  | Solid Waste<br>Fund   | Other Enterprise<br>Fund | Total                 |
|--|-----------------------|--------------------------|-----------------------|
| Net Assets, September 30, 2003, as Previously Reported | \$4,620,379.28        | \$1,731,325.20           | \$6,351,704.48        |
| Restatements   | 147,649.69            | (418.00)                 | 147,231.69            |
| Net Assets, September 30, 2003, as Restated            | <u>\$4,768,028.97</u> | <u>\$1,730,907.20</u>    | <u>\$6,498,936.17</u> |

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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| Oil and Gas<br>Trust Fund | Other<br>Governmental<br>Funds | Total                                      |
|---------------------------|--------------------------------|--|
| \$10,786,258.28           | \$18,014,805.41<br>(85,026.80) | \$48,494,263.11<br>(60,416.88)             |
| \$10,786,258.28           | \$17,929,778.61                | 48,433,846.23                              |
|                           |                                | 35,287,334.81<br>(60,416.88)<br>124,272.88 |
|                           |                                | <u>\$35,351,190.81</u>                     |

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2004***

|   | <b>Budgeted Amounts</b> |                       |
|---|-------------------------|-----------------------|
|   | <b>Original</b>         | <b>Final</b>          |
| <b><u>Revenues</u></b>                            |                         |                       |
| Taxes   | \$ 20,578,100.00        | \$ 21,666,048.00      |
| Licenses and Permits                              | 978,010.00              | 1,000,378.00          |
| Intergovernmental                                 | 1,618,818.00            | 2,760,501.00          |
| Charges for Services                              | 6,234,140.00            | 6,448,756.00          |
| Fines and Forfeits                                |                         |                       |
| Miscellaneous                                     | 754,650.00              | 879,547.00            |
| Total Revenues                                    | <u>30,163,718.00</u>    | <u>32,755,230.00</u>  |
| <b><u>Expenditures</u></b>                        |                         |                       |
| Current:  |                         |                       |
| General Government                                | 11,750,762.00           | 12,421,546.00         |
| Public Safety                                     | 12,489,419.00           | 13,441,019.00         |
| Highways and Roads                                |                         |                       |
| Sanitation  |                         |                       |
| Health  | 1,003,452.00            | 1,145,785.00          |
| Welfare   | 800.00                  | 800.00                |
| Culture and Recreation                            | 85,000.00               | 911,998.00            |
| Education   | 174,961.00              | 174,961.00            |
| Capital Outlay                                    | 554,750.00              | 1,271,750.00          |
| Debt Service:                                     |                         |                       |
| Principal Retirement                              | 760,287.00              | 417,588.00            |
| Interest and Fiscal Charges                       |                         |                       |
| Intergovernmental                                 | 85,500.00               | 85,500.00             |
| Total Expenditures                                | <u>26,904,931.00</u>    | <u>29,870,947.00</u>  |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,258,787.00</u>     | <u>2,884,283.00</u>   |
| <b><u>Other Financing Sources (Uses)</u></b>      |                         |                       |
| Transfers In                                      | 1,223,801.00            | 1,375,900.00          |
| Sale of Capital Assets                            |                         |                       |
| Transfers Out                                     | (4,766,935.00)          | (5,153,930.00)        |
| Total Other Financing Sources (Uses)              | <u>(3,543,134.00)</u>   | <u>(3,778,030.00)</u> |
| Net Change in Fund Balances                       | (284,347.00)            | (893,747.00)          |
| Fund Balances at Beginning of Year                | <u>284,347.00</u>       | <u>1,473,715.00</u>   |
| Fund Balances at End of Year                      | <u>\$</u>               | <u>\$ 579,968.00</u>  |

| <b>Actual Amounts<br/>Budgetary Basis</b> | <b>Actual<br/>Amounts GAAP</b> |
|---|--------------------------------|
| \$ 23,542,718.89                          | \$ 23,542,718.89               |
| 1,296,378.77                              | 1,296,378.77                   |
| 4,500,704.18                              | 4,500,704.18                   |
| 7,406,957.11                              | 7,406,957.11                   |
| 39,337.62                                 | 39,337.62                      |
| 837,730.97                                | 837,730.97                     |
| <u>37,623,827.54</u>                      | <u>37,623,827.54</u>           |
| 12,150,279.73                             | 12,150,279.73                  |
| 13,207,352.18                             | 13,207,352.18                  |
| 2,965.68                                  | 2,965.68                       |
| 257.68                                    | 257.68                         |
| 1,113,735.86                              | 1,113,735.86                   |
| 663.56                                    | 663.56                         |
| 195,716.63                                | 195,716.63                     |
| 168,388.12                                | 168,388.12                     |
| 3,815,501.68                              | 3,815,501.68                   |
| 519,053.56                                | 519,053.56                     |
| 52,119.25                                 | 52,119.25                      |
| 118,062.27                                | 118,062.27                     |
| <u>31,344,096.20</u>                      | <u>31,344,096.20</u>           |
| <u>6,279,731.34</u>                       | <u>6,279,731.34</u>            |
| 844,182.01                                | 844,182.01                     |
| 47,618.02                                 | 47,618.02                      |
| <u>(4,894,598.96)</u>                     | <u>(4,894,598.96)</u>          |
| <u>(4,002,798.93)</u>                     | <u>(4,002,798.93)</u>          |
| 2,276,932.41                              | 2,276,932.41                   |
| <u>10,201,268.18</u>                      | <u>10,201,268.18</u>           |
| <u>\$ 12,478,200.59</u>                   | <u>\$ 12,478,200.59</u>        |

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2004***

|   | <b>Budgeted Amounts</b> |                        |
|---|-------------------------|------------------------|
|   | <b>Original</b>         | <b>Final</b>           |
| <b><u>Revenues</u></b>                            |                         |                        |
| Taxes   | \$ 6,450,800.00         | \$ 6,550,000.00        |
| Intergovernmental                                 | 2,693,000.00            | 3,655,968.00           |
| Charges for Services                              | 3,200.00                | 42,000.00              |
| Miscellaneous                                     | 386,000.00              | 581,479.00             |
| Total Revenues                                    | <u>9,533,000.00</u>     | <u>10,829,447.00</u>   |
| <b><u>Expenditures</u></b>                        |                         |                        |
| Current:  |                         |                        |
| Highways and Roads                                | 9,928,057.00            | 11,820,342.00          |
| Capital Outlay                                    | 2,126,150.00            | 2,126,150.00           |
| Debt Service:                                     |                         |                        |
| Principal Retirement                              | 1,974,579.00            | 2,174,579.00           |
| Interest and Fiscal Charges                       |                         |                        |
| Total Expenditures                                | <u>14,028,786.00</u>    | <u>16,121,071.00</u>   |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(4,495,786.00)</u>   | <u>(5,291,624.00)</u>  |
| <b><u>Other Financing Sources (Uses)</u></b>      |                         |                        |
| Transfers In                                      | 8,045,560.00            | 8,716,178.00           |
| Sale of Capital Assets                            |                         |                        |
| Transfers Out                                     | <u>(3,549,774.00)</u>   | <u>(3,549,874.00)</u>  |
| Total Other Financing Sources (Uses)              | <u>4,495,786.00</u>     | <u>5,166,304.00</u>    |
| Net Changes in Fund Balances                      |                         | (125,320.00)           |
| Fund Balances at Beginning of Year                |                         | <u>1,552,677.00</u>    |
| Fund Balances at End of Year                      | <u>\$</u>               | <u>\$ 1,427,357.00</u> |



| <b>Actual Amounts<br/>Budgetary Basis</b> | <b>Actual<br/>Amounts GAAP</b> |
|---|--------------------------------|
| \$ 6,752,603.10                           | \$ 6,752,603.10                |
| 8,062,349.00                              | 8,062,349.00                   |
| 83,378.23                                 | 83,378.23                      |
| 323,746.11                                | 323,746.11                     |
| <u>15,222,076.44</u>                      | <u>15,222,076.44</u>           |
| <br>                                      |                                |
| 9,713,100.14                              | 9,713,100.14                   |
| 5,156,825.59                              | 5,156,825.59                   |
| <br>                                      |                                |
| 1,296,291.10                              | 1,296,291.10                   |
| 106,631.34                                | 106,631.34                     |
| <u>16,272,848.17</u>                      | <u>16,272,848.17</u>           |
| <br>                                      |                                |
| <u>(1,050,771.73)</u>                     | <u>(1,050,771.73)</u>          |
| <br>                                      |                                |
| 6,065,365.02                              | 6,065,365.02                   |
| 79,160.00                                 | 79,160.00                      |
| <u>(3,542,204.02)</u>                     | <u>(3,542,204.02)</u>          |
| <u>2,602,321.00</u>                       | <u>2,602,321.00</u>            |
| <br>                                      |                                |
| 1,551,549.27                              | 1,551,549.27                   |
| <br>                                      |                                |
| <u>9,472,034.21</u>                       | <u>9,472,034.21</u>            |
| <br>                                      |                                |
| <u>\$ 11,023,583.48</u>                   | <u>\$ 11,023,583.48</u>        |

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Public Buildings, Roads and Bridges Fund  
For the Year Ended September 30, 2004***

|   | <b>Budgeted Amounts</b> |                       |
|---|-------------------------|-----------------------|
|   | <b>Original</b>         | <b>Final</b>          |
| <b><u>Revenues</u></b>                            |                         |                       |
| Taxes   | \$ 5,040,410.00         | \$ 5,589,910.00       |
| Intergovernmental                                 | 211,000.00              | 211,000.00            |
| Miscellaneous                                     | 63,000.00               | 63,000.00             |
| Total Revenues                                    | <u>5,314,410.00</u>     | <u>5,863,910.00</u>   |
| <b><u>Expenditures</u></b>                        |                         |                       |
| Current:  |                         |                       |
| Highway and Roads                                 |                         | 87,500.00             |
| Total Expenditures                                |                         | <u>87,500.00</u>      |
| Excess (Deficiency) of Revenues Over Expenditures | <u>5,314,410.00</u>     | <u>5,776,410.00</u>   |
| <b><u>Other Financing Sources (Uses)</u></b>      |                         |                       |
| Transfers Out                                     | <u>(5,314,410.00)</u>   | <u>(5,776,410.00)</u> |
| Total Other Financing Sources (Uses)              | <u>(5,314,410.00)</u>   | <u>(5,776,410.00)</u> |
| Net Change in Fund Balances                       |                         |                       |
| Fund Balances at Beginning of Year                |                         |                       |
| Fund Balances at End of Year                      | <u>\$</u>               | <u>\$</u>             |

| <b>Actual Amounts<br/>Budgetary Basis</b> | <b>Actual<br/>Amounts GAAP</b> |
|---|--------------------------------|
| \$ 6,078,671.24                           | \$ 6,078,671.24                |
| <u>57,379.22</u>                          | <u>57,379.22</u>               |
| <u>6,136,050.46</u>                       | <u>6,136,050.46</u>            |
| <br>                                      | <br>                           |
| <u>87,500.00</u>                          | <u>87,500.00</u>               |
| <u>87,500.00</u>                          | <u>87,500.00</u>               |
| <br>                                      | <br>                           |
| <u>6,048,550.46</u>                       | <u>6,048,550.46</u>            |
| <br>                                      | <br>                           |
| <u>(5,321,747.02)</u>                     | <u>(5,321,747.02)</u>          |
| <u>(5,321,747.02)</u>                     | <u>(5,321,747.02)</u>          |
| <br>                                      | <br>                           |
| 726,803.44                                | 726,803.44                     |
| <br>                                      | <br>                           |
| <u>44,506.95</u>                          | <u>44,506.95</u>               |
| <br>                                      | <br>                           |
| <u>\$ 771,310.39</u>                      | <u>\$ 771,310.39</u>           |

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</b>               | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> |
|---|------------------------------------|--|
| <b><u>U. S. Department of Agriculture</u></b>                                     |                                    |  |
| <b><u>Direct Program</u></b>  |                                    |  |
| Emergency Watershed Protection  | 10.904                             | 69-4101-3-6                                  |
| <b><u>Passed Through Alabama Department of Education</u></b>                      |                                    |  |
| Child Nutrition Cluster:  |                                    |  |
| School Breakfast Program  | 10.553                             | 690-1660                                     |
| National School Lunch Program   | 10.555                             | 690-1660                                     |
| Sub-Total Child Nutrition Cluster   |                                    |  |
| Total U. S. Department of Agriculture   |                                    |  |
| <b><u>U. S. Department of Commerce</u></b>  |                                    |  |
| <b><u>Direct Program</u></b>  |                                    |  |
| Coastal Zone Management Administration Awards                                     | 11.419                             | NA170Z2037                                   |
| <b><u>Passed Through Alabama Department of Environmental Management</u></b>       |                                    |  |
| Financial Assistance for National Centers<br>for Coastal Ocean Science            | 11.426                             | C40598021                                    |
| Total U. S. Department of Commerce  |                                    |  |
| <b><u>U. S. Department of Housing and Urban Development</u></b>                   |                                    |  |
| <b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b> |                                    |  |
| Community Development Block<br>Grant (Kirkman Lane Sewer Project)                 | 14.228                             | CY-SF-PF-03-001                              |
| Community Development Block Grant (Perdido Water Project)                         | 14.228                             | CY-CM-PF-02-001                              |
| Sub-Total CDBG Grants   |                                    |  |
| Emergency Shelter Grants Program  | 14.231                             | ESG-03-004                                   |
| Total U. S. Department of Housing and Urban Development                           |                                    |  |
| Sub-Total Forward   |                                    |  |

| Assistance<br>Period    | Budget              |                     | Revenue<br>Recognized | Expenditures        |
|-------------------------|---------------------|---------------------|-----------------------|---------------------|
|                         | Total               | Federal<br>Share    |                       |                     |
| 09/18/2003 - 04/23/2004 | \$ 146,900.00       | \$ 146,900.00       | \$ 139,363.00         | \$ 139,363.00       |
| 10/01/2003 - 09/30/2004 | 9,814.16            | 9,814.16            | 9,814.16              | 9,814.16            |
| 10/01/2003 - 09/30/2004 | 18,078.37           | 18,078.37           | 18,078.37             | 18,078.37           |
|                         | <u>27,892.53</u>    | <u>27,892.53</u>    | <u>27,892.53</u>      | <u>27,892.53</u>    |
|                         | <u>174,792.53</u>   | <u>174,792.53</u>   | <u>167,255.53</u>     | <u>167,255.53</u>   |
| 12/01/2001 - 11/30/2004 | 3,137,416.00        | 3,137,416.00        | 1,598,508.71          | 1,598,508.71        |
| 10/01/2003 - 09/30/2004 | 90,000.00           | 20,000.00           | 20,000.00             | 20,000.00           |
|                         | <u>3,227,416.00</u> | <u>3,157,416.00</u> | <u>1,618,508.71</u>   | <u>1,618,508.71</u> |
| 08/19/2003 - 08/19/2005 | 400,000.00          | 350,000.00          | 49,185.30             | 49,185.30           |
| 08/23/2002 - 02/05/2005 | 550,000.00          | 500,000.00          | 204,729.14            | 204,729.14          |
|                         | <u>950,000.00</u>   | <u>850,000.00</u>   | <u>253,914.44</u>     | <u>253,914.44</u>   |
| 05/27/2003 - 05/26/2005 | 16,000.00           | 8,000.00            | 2,037.08              | 2,037.08            |
|                         | <u>966,000.00</u>   | <u>858,000.00</u>   | <u>255,951.52</u>     | <u>255,951.52</u>   |
|                         | \$ 4,368,208.53     | \$ 4,190,208.53     | \$ 2,041,715.76       | \$ 2,041,715.76     |

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</b>                   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> |
|---|------------------------------------|--|
| Sub-Total Brought Forward   |                                    |  |
| <b><u>U. S. Department of Justice</u></b>   |                                    |  |
| <b><u>Direct Program</u></b>  |                                    |  |
| Local Law Enforcement Block Grants Program  | 16.592                             | 2003-LB-BX-1607                              |
| <b><u>Passed Through Alabama Emergency Management Agency</u></b>                      |                                    |  |
| State Domestic Preparedness Equipment Support Program                                 | 16.007                             | 2DOJ   |
| <b><u>Passed Through Alabama Department of<br/>Economic and Community Affairs</u></b> |                                    |  |
| Title V-Delinquency Prevention Program  | 16.548                             | 01-JP-JC-007                                 |
| Total U. S. Department of Justice   |                                    |  |
| <b><u>U. S. Department of Transportation</u></b>                                      |                                    |  |
| <b><u>Passed Through Alabama Department of Transportation</u></b>                     |                                    |  |
| Recreational Trails Program (Eastern Shore)   | 20.219                             | HPP-1602(534)                                |
| Recreational Trails Program (Eastern Shore-Montrose Section)                          | 20.219                             | TCSP-SP02(912)                               |
| Total Recreational Trails Program (M)   |                                    |  |
| Formula Grants for Other Than Urbanized Areas (Section 5311)                          | 20.509                             | RPTO-100041606/07                            |
| Formula Grants for Other Than Urbanized Areas (Section 3037)                          | 20.509                             | RPTO-100044327                               |
| Formula Grants for Other Than Urbanized Areas (Section 3037)                          | 20.509                             | RPTO-100044327                               |
| Total Formula Grants for Other Than Urbanized Areas                                   |                                    |  |
| Total U. S. Department of Transportation  |                                    |  |
| <b><u>U. S. Environmental Protection Agency</u></b>                                   |                                    |  |
| <b><u>Direct Program</u></b>  |                                    |  |
| Wetland Program Development Grants  | 66.461                             | CD-984821-99-00                              |
| <b><u>U. S. Department of Energy</u></b>  |                                    |  |
| <b><u>Passed Through Alabama Department<br/>of Energy Conservation</u></b>            |                                    |  |
| State Energy Program  | 81.041                             |  |
| Sub-Total Forward   |                                    |  |



| Assistance<br>Period    | Budget          |                  | Revenue<br>Recognized | Expenditures    |
|-------------------------|-----------------|------------------|-----------------------|-----------------|
|                         | Total           | Federal<br>Share |                       |                 |
|                         | \$ 4,368,208.53 | \$ 4,190,208.53  | \$ 2,041,715.76       | \$ 2,041,715.76 |
| 10/01/2002 - 09/30/2004 | 12,619.00       | 12,619.00        | 12,619.00             | 12,619.00       |
| 12/16/2002 - 05/31/2004 | 99,679.99       | 99,679.99        | 36,386.23             | 36,386.23       |
| 10/01/2002 - 03/31/2004 | 29,062.52       | 19,375.00        | 5,843.05              | 5,843.05        |
|                         | 141,361.51      | 131,673.99       | 54,848.28             | 54,848.28       |
| 11/04/2003 - 01/15/2007 | 983,748.80      | 786,999.04       | 628,446.28            | 628,446.28      |
| 10/24/2002 - completion | 1,486,961.00    | 1,486,961.00     | 120,220.08            | 120,220.08      |
|                         | 2,470,709.80    | 2,273,960.04     | 748,666.36            | 748,666.36      |
| 10/01/2003 - 09/30/2004 | 445,805.00      | 304,402.00       | 304,402.00            | 304,402.00      |
| 10/01/2003 - 09/30/2004 | 55,554.00       | 55,554.00        | 55,553.00             | 55,553.00       |
| 10/01/2002 - 09/30/2003 | 24,379.00       | 24,379.00        | 7,379.00              | 7,379.00        |
|                         | 525,738.00      | 384,335.00       | 367,334.00            | 367,334.00      |
|                         | 2,996,447.80    | 2,658,295.04     | 1,116,000.36          | 1,116,000.36    |
| 09/01/1999 - 12/31/2003 | 271,200.00      | 203,400.00       | 7,332.50              | 7,332.50        |
| 04/30/2004 - 06/60/2004 | 13,856.00       | 10,000.00        | 10,000.00             | 10,000.00       |
|                         | \$ 7,791,073.84 | \$ 7,193,577.56  | \$ 3,229,896.90       | \$ 3,229,896.90 |

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</b>                     | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> |
|---|------------------------------------|--|
| Sub-Total Brought Forward   |                                    |  |
| <b><u>U. S. Department of Homeland Security</u></b>                                     |                                    |  |
| <b><u>Passed Through Alabama Emergency Management Agency</u></b>                        |                                    |  |
| Emergency Management Performance Grants   | 97.042                             | EMPG: 04-05                                  |
| Public Assistance Grants  | 97.036                             | FEMA-1438-DR-AL-PA                           |
| Flood Mitigation (M)  | 97.029                             | FMA-PL04AL                                   |
| Hazard Mitigation Grant (M)   | 97.039                             | EMA-2000-DR-0095-003                         |
| Community Emergency Response Teams  | 97.054                             | 3CERT  |
| Community Emergency Response Teams  | 97.054                             | 2CERT  |
| Community Emergency Response Teams  | 97.054                             | 2CICO  |
| Total Community Emergency Response Teams  |                                    |  |
| Total U. S. Department of Homeland Security   |                                    |  |
| <b><u>U. S. Department of Health and Human Services</u></b>                             |                                    |  |
| <b><u>Passed Through South Alabama</u></b>  |                                    |  |
| <b><u>Regional Planning Commission</u></b>  |                                    |  |
| Special Programs for the Aging -<br>Title III, Part C - Nutrition Services              | 93.045                             | 302-AAA-2003                                 |
| <b><u>Passed Through Alabama Emergency Management Agency</u></b>                        |                                    |  |
| Centers for Disease Control and Prevention -<br>Investigations and Technical Assistance | 93.283                             | 04SNS  |
| Total U. S. Department of Health and Human Services                                     |                                    |  |
| <b><u>Social Security Administration</u></b>  |                                    |  |
| Social Security - Disability Insurance  | 96.001                             |  |
| <b><u>General Services Administration</u></b>   |                                    |  |
| <b><u>Passed Through Alabama Department of</u></b>                                      |                                    |  |
| <b><u>Economic and Community Affairs</u></b>  |                                    |  |
| Donation of Federal Surplus Personal Property (N)                                       | 39.003                             |  |
| Total Expenditures of Federal Awards  |                                    |  |

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

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

| Assistance<br>Period    | Budget           |                  | Revenue<br>Recognized | Expenditures    |
|-------------------------|------------------|------------------|-----------------------|-----------------|
|                         | Total            | Federal<br>Share |                       |                 |
|                         | \$ 7,791,073.84  | \$ 7,193,577.56  | \$ 3,229,896.90       | \$ 3,229,896.90 |
| 10/01/2003 - 09/30/2004 | 52,976.00        | 43,821.00        | 43,821.00             | 43,821.00       |
| 10/09/2002 - completion | 558,243.77       | 418,682.83       | 71,834.89             | 71,834.89       |
| 03/12/2003 - 12/01/2004 | 191,692.00       | 143,770.00       | 120,098.15            | 120,098.15      |
| 12/14/2002 - completion | 1,396,308.00     | 1,047,232.00     | 99,073.00             | 99,073.00       |
| 06/13/2003 - 03/31/2004 | 35,000.00        | 35,000.00        | 35,000.00             | 35,000.00       |
| 03/26/2003 - 12/30/2003 | 60,000.00        | 60,000.00        | 51,234.67             | 51,234.67       |
| 03/26/2003 - 12/30/2003 | 10,000.00        | 10,000.00        | 10,000.00             | 10,000.00       |
|                         | 105,000.00       | 105,000.00       | 96,234.67             | 96,234.67       |
|                         | 2,304,219.77     | 1,758,505.83     | 431,061.71            | 431,061.71      |
| 10/01/2003 - 09/30/2004 | 287,760.00       | 103,288.00       | 103,288.00            | 103,288.00      |
| 01/01/2004 - 09/30/2004 | 4,427.00         | 4,427.00         | 4,427.00              | 4,427.00        |
|                         | 292,187.00       | 107,715.00       | 107,715.00            | 107,715.00      |
| 10/01/2003 - 09/30/2004 | 2,800.00         | 2,800.00         | 2,800.00              | 2,800.00        |
| 10/01/2003 - 09/30/2004 |                  |                  | 22.72                 | 22.72           |
|                         | \$ 10,390,280.61 | \$ 9,062,598.39  | \$ 3,771,496.33       | \$ 3,771,496.33 |

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2004***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Baldwin 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.

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2003 through September 30, 2004***

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| <b>Commission Members</b>    |          |   | <b>Term Expires</b> |
|------------------------------|----------|---|---------------------|
| Hon. Jonathan H. Armstrong*  | Chairman | 101 Colonial Court<br>Daphne, AL 36526            | November 8,<br>2004 |
| Hon. Frank Burt, Jr.**       | Chairman | 46780 Rockhill Road<br>Bay Minette, AL 36507      | November 8,<br>2004 |
| Hon. George A. Price         | Member   | 11600 George Price Lane<br>Lillian, AL 36549      | November 8,<br>2004 |
| Hon. Mary Frances Stewart*** | Member   |   | Deceased            |
| Hon. Albert Lipscomb****     | Member   | Post Office Box 209<br>Magnolia Springs, AL 36555 | November 8,<br>2004 |
| Hon. Charles A. Browdy       | Member   | 1929 Highway 180 West<br>Gulf Shores, AL 36542    | November 8,<br>2004 |
| Hon. David Ed Bishop         | Member   | 687 Greenwood Avenue<br>Fairhope, AL 36532        | November 8,<br>2004 |
| Hon. Allen D. Perdue         | Member   | Post Office Box 189<br>Daphne, AL 36526           | November 8,<br>2004 |

**Administrative Personnel**

|                                       |                     |  |            |
|---------------------------------------|---------------------|--|------------|
| Locke W. Williams,<br>Clerk/Treasurer | Clerk/<br>Treasurer | 696 Greenwood Avenue<br>Fairhope, AL 36532 | Indefinite |
|---------------------------------------|---------------------|--|------------|

\*Chairman through November 11, 2003

\*\*Chairman beginning November 11, 2003

\*\*\*Through April 17, 2004

\*\*\*\*Beginning June 1, 2004

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

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission as of and for the year ended September 30, 2004, which collectively comprise Baldwin County Commission's basic financial statements and have issued our report thereon dated August 12, 2005. 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 Baldwin County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinions 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 Baldwin 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*.

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

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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

August 12, 2005



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

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## **Compliance**

We have audited the compliance of the Baldwin 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 each of its major federal programs for the year ended September 30, 2004. The Baldwin County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion on the Baldwin 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 Baldwin 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 on the Baldwin County Commission's compliance with those requirements.

In our opinion, the Baldwin County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

## **Internal Control Over Compliance**

The management of the Baldwin 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 Baldwin 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.

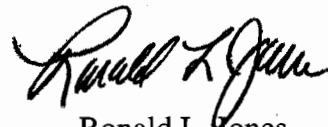
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***Report on Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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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

August 12, 2005

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2004***

**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 |
|----------------|------------------------------------|
| 20.219         | Recreational Trails Program        |
| 97.029         | Flood Mitigation                   |
| 97.039         | Hazard Mitigation Grant            |

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

Auditee qualified as low-risk auditee?  X  Yes    \_\_\_\_\_ No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2004***

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

| Ref.<br>No. | Type of<br>Finding | Finding/Noncompliance       | Questioned<br>Costs |
|-------------|--------------------|-----------------------------|---------------------|
|             |                    | No matters were reportable. |                     |

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

| Ref.<br>No. | CFDA<br>No. | Program | Finding/Noncompliance       | Questioned<br>Costs |
|-------------|-------------|---------|-----------------------------|---------------------|
|             |             |         | No matters were reportable. |                     |