

Report on the

Baldwin County Commission

Baldwin County, Alabama

October 1, 2004 through September 30, 2005



STATE OF ALABAMA
DEPARTMENT OF
EXAMINERS OF PUBLIC ACCOUNTS
MONTGOMERY, ALABAMA

RONALD L. JONES, CHIEF EXAMINER

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Baldwin County Commission for the period October 1, 2004 through September 30, 2005.

SCOPE AND OBJECTIVES

This report encompasses an audit of the financial statements of the 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 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 complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

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

Sworn to and subscribed before me this
the 13th day of Sept., 2006.

Melissa Hoge
Notary Public *Comm. exp. 2-21-06*

Sworn to and subscribed before me this
the 14th day of September, 2006.

Diane S. Bissette
Notary Public

Sworn to and subscribed before me this
the 14th day of September, 2006.

Diane S. Bissette
Notary Public

Respectfully submitted,

Samantha L. Grimes
Samantha L. Grimes
Examiner of Public Accounts

John Geary
John Geary
Examiner of Public Accounts

Christina D. Nolte
Christina D. Nolte
Examiner of Public Accounts

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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, 2005, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 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 Baldwin County 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, 2005, 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, 2005, 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 June 16, 2006 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

June 16, 2006

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, 2005. 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, 2005, by \$161,278,701 in Governmental Activities and \$19,020,284 in Business-Type Activities for a total of \$180,298,985. Of these amounts \$26,797,670 and \$11,649,021 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 \$12,660,545 or 8.5% for Governmental Activities and increased by \$11,702,283 or 159.9% for Business-Type Activities. The total net assets increased by \$24,362,828 or 15.6%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$58,537,520, which reflects an increase of \$2,232,012 or 4.0% over the prior year.

Governmental Fund revenues for the current fiscal year at \$113,695,434 were smaller than expenditures of \$132,436,375 by \$18,740,941.

Total long-term liabilities for the Baldwin County Commission for governmental activities decreased by a net of \$1,591,505 or 2.2% during the current fiscal year. Total long-term liabilities for business-type activities increased by a net of \$46,073 or 1.8%.

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, FEMA Fund, Debt Service Fund, and Oil and Gas Severance Tax 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 Capital Assets. The County has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The capital 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 \$12,660,545 and the business-type net assets increased by \$11,702,283 for a total net increase of \$24,362,828. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$180,298,985 as of the fiscal year ending September 30, 2005.

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 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
Current and Other Assets	\$92,512,055	\$86,399,311	\$6,112,744	7.1%
Capital Assets, Net	174,007,080	165,154,131	8,852,949	5.4%
Total Assets	\$266,519,135	\$251,553,442	\$14,965,693	5.9%
Current & Other Liabilities	\$40,752,663	\$37,076,458	\$3,676,205	9.9%
Long-Term Liabilities	64,487,771	65,858,828	(1,371,057)	-2.1%
Total Liabilities	\$105,240,434	\$102,935,286	\$2,305,148	2.2%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$106,035,269	\$106,511,776	(\$476,507)	-0.4%
Restricted	28,445,762	26,704,955	1,740,807	6.5%
Unrestricted	26,797,670	15,401,425	11,396,245	74.0%
Total Net Assets	\$161,278,701	\$148,618,156	\$12,660,545	8.5%

Business Type Activities				
	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
Current and Other Assets	\$15,673,483	\$4,783,896	\$10,889,587	227.6%
Capital Assets, Net	6,292,194	5,499,602	792,592	14.4%
Total Assets	\$21,965,677	\$10,283,498	\$11,682,179	113.6%
Current & Other Liabilities	\$561,081	\$716,533	(\$155,452)	-21.7%
Long-Term Liabilities	2,384,312	2,248,964	135,348	6.0%
Total Liabilities	\$2,945,393	\$2,965,497	(\$20,104)	-0.7%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$6,292,194	\$5,373,037	\$919,157	17.1%
Restricted	1,079,069	945,111	133,958	14.2%
Unrestricted	11,649,021	999,853	10,649,168	1065.1%
Total Net Assets	\$19,020,284	\$7,318,001	\$11,702,283	159.9%

	Total Activities			
	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
Current and Other Assets	\$108,185,538	\$91,183,207	\$17,002,331	18.7%
Capital Assets, Net	180,299,274	170,653,733	9,645,541	5.7%
Total Assets	\$288,484,812	\$261,836,940	\$26,647,872	10.2%
Current & Other Liabilities	\$41,313,744	\$37,792,991	\$3,520,753	9.3%
Long-Term Liabilities	66,872,083	68,107,792	(1,235,709)	-1.8%
Total Liabilities	\$108,185,827	\$105,900,783	\$2,285,044	2.2%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$112,327,463	\$111,884,813	\$442,650	0.4%
Restricted	29,524,831	27,650,066	1,874,765	6.8%
Unrestricted	38,446,691	16,401,278	22,045,413	134.4%
Total Net Assets	\$180,298,985	\$155,936,157	24,362,828	15.6%

In Governmental Activities the largest portion of net assets is in capital 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 \$12,660,545 and Business-Type Activities increased net assets by \$11,702,283 for an overall increase of \$24,362,828. Hurricane related grants and landfill revenues account for the major portion of this increase. Property Taxes, Sales Taxes, and Gasoline Taxes were also 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 Change
	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	
REVENUES				
Program Revenues				
Charges for Services	\$10,730,716	\$9,901,207	\$829,509	8.4%
Operating Grants & Contributions	51,165,740	15,251,471	35,914,269	235.5%
Capital Grants & Contributions	461,314	360,062	101,252	28.1%
General revenues				
Property Taxes	22,478,614	20,809,980	1,668,634	8.0%
General Sales Tax	8,802,591	7,576,929	1,225,662	16.2%
County Gasoline Sales Tax	7,132,220	6,752,603	379,617	5.6%
Miscellaneous Taxes	7,280,521	7,112,948	167,573	2.4%
Grants and Contributions not Restricted for Specific Purposes	1,526,580	1,392,068	134,512	9.7%
Unrestricted Investment Earnings	2,317,296	1,226,368	1,090,928	89.0%
Miscellaneous	1,799,843	1,455,445	344,398	23.7%
Gain on Disposition of Capital Assets	612,725	0	612,725	100.0%
Transfers	(554,533)	615,296	(1,169,829)	-190.1%
Total Revenues	<u>\$113,753,627</u>	<u>\$72,454,377</u>	<u>\$41,299,250</u>	57.0%
EXPENSES				
Program Activities				
General Government	\$20,396,261	\$17,309,848	\$3,086,413	17.8%
Public Safety	19,138,014	15,924,397	3,213,617	20.2%
Highways & Roads	54,167,549	26,398,541	27,769,008	105.2%
Sanitation	507	258	249	96.5%
Health	2,421,674	1,922,660	499,014	26.0%
Welfare	445,472	300,384	145,088	48.3%
Culture & Recreation	661,385	864,802	(203,417)	-23.5%
Education	197,171	193,179	3,992	2.1%
Interest on Long Term Debt	3,622,416	3,002,605	619,811	20.6%
Intergovernmental	42,633	118,062	(75,429)	-63.9%
Landfill	0	0	0	0.0%
Total Expenses	<u>\$101,093,082</u>	<u>\$66,034,736</u>	<u>\$35,058,346</u>	53.1%
Increase (Decrease) in Net Assets	<u>\$12,660,545</u>	<u>\$6,419,641</u>	<u>\$6,240,904</u>	97.2%

	Business Type Activities			
	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
REVENUES				
Program Revenues				
Charges for Services	\$19,338,143	\$8,557,850	\$10,780,293	126.0%
Capital Grants & Contributions	0	0	0	0.0%
General revenues				
Unrestricted Investment Earnings	398,212	60,116	338,096	562.4%
Miscellaneous	76,789	251,363	(174,574)	-69.5%
Transfers	554,533	(615,296)	1,169,829	290.1%
Total Revenues	<u>\$20,367,677</u>	<u>\$8,254,033</u>	<u>\$12,113,644</u>	146.8%
EXPENSES				
Landfill	8,665,394	7,392,414	1,272,980	17.2%
Total Expenses	<u>\$8,665,394</u>	<u>\$7,392,414</u>	<u>\$1,272,980</u>	17.2%
Increase (Decrease) in Net Assets	<u>\$11,702,283</u>	<u>\$861,619</u>	<u>\$10,840,664</u>	1258.2%

	Total Activities			
	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
REVENUES				
Program Revenues				
Charges for Services	\$30,068,859	\$18,459,057	\$11,609,802	62.9%
Operating Grants & Contributions	51,165,740	15,251,471	35,914,269	235.5%
Capital Grants & Contributions	461,314	360,062	101,252	28.1%
General revenues				
Property Taxes	22,478,614	20,809,980	1,668,634	8.0%
General Sales Tax	8,802,591	7,576,929	1,225,662	16.2%
County Gasoline Sales Tax	7,132,220	6,752,603	379,617	5.6%
Miscellaneous Taxes	7,280,521	7,112,948	167,573	2.4%
Grants & Contributions not Restricted to Specific Purposes	1,526,580	1,392,068	134,512	9.7%
Unrestricted Investment Earnings	2,715,508	1,286,484	1,429,024	111.1%
Miscellaneous	1,876,632	1,706,808	169,824	9.9%
Gain on Disposition of Capital Assets	612,725	0	612,725	100.0%
Transfers	0	0	0	0.0%
Total Revenues	<u>\$134,121,304</u>	<u>\$80,708,410</u>	<u>\$53,412,894</u>	66.2%

EXPENSES

Program Activities				
General Government	\$20,396,261	\$17,309,848	\$3,086,413	17.8%
Public Safety	19,138,014	15,924,397	3,213,617	20.2%
Highways & Roads	54,167,549	26,398,541	27,769,008	105.2%
Sanitation	507	258	249	96.5%
Health	2,421,674	1,922,660	499,014	26.0%
Welfare	445,472	300,384	145,088	48.3%
Culture & Recreation	661,385	864,802	(203,417)	-23.5%
Education	197,171	193,179	3,992	2.1%
Interest on Long Term Debt	3,622,416	3,002,605	619,811	20.6%
Intergovernmental	42,633	118,062	(75,429)	-63.9%
Landfill	8,665,394	7,392,414	1,272,980	17.2%
Total Expenses	<u>\$109,758,476</u>	<u>\$73,427,150</u>	<u>\$36,331,326</u>	49.5%
 Increase (Decrease) in Net Assets	 <u>\$24,362,828</u>	 <u>\$7,281,260</u>	 <u>\$17,081,568</u>	 234.6%

Charges for Services account for 22.4% and Operating Grants and Contributions account for 38.1% of total County revenues for the fiscal year ended September 30, 2005. Property Taxes, General Sales Tax, and County Gasoline Sales Tax each had continued growth for the fiscal year ended September 30, 2005. Total expenses for the County were \$109,758,476. Of this amount 18.6% went towards General Government, 17.4% towards Public Safety, and 49.4% towards Highways and Roads. In the Governmental Activities, hurricane related grants account for the major increase in operating grants and contributions, which resulted in increased expenditures as well. In the Business-Type Activities, increased usage of the landfill for hurricane debris disposal accounted for a significant increase in landfill fees (Charge for Services). Also, due to increased cash flow from the hurricane related inflows, investment earnings increased significantly during the year.

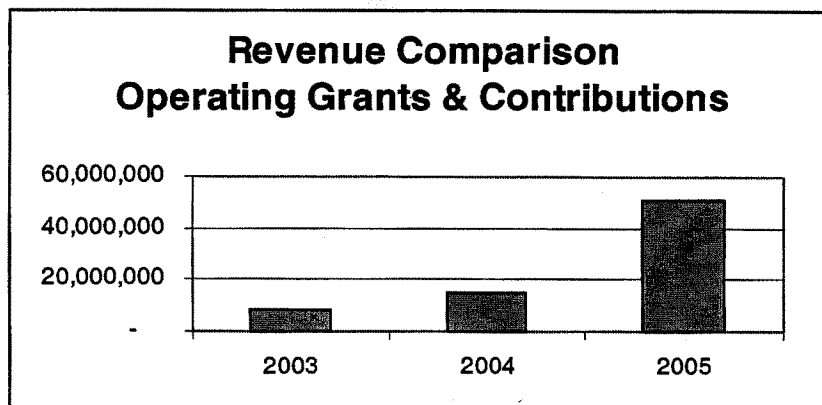
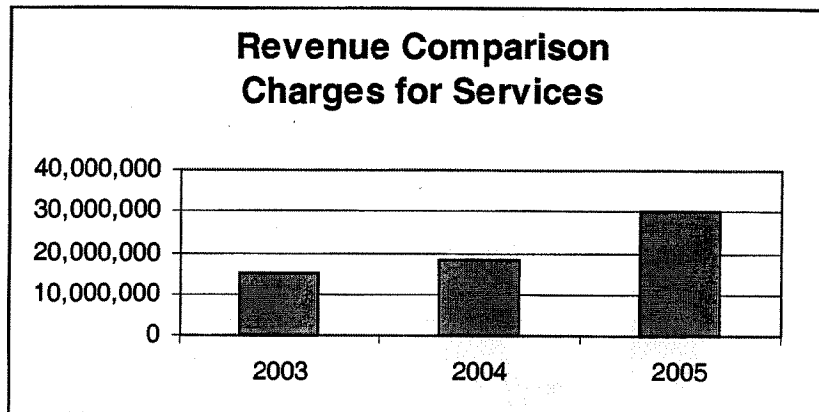
For the fiscal years ended September 30, 2005, September 30, 2004, and September 30, 2003, the following Attachment A is a graphic comparison of County sources of revenues, and the following Attachment B is a graphic comparison of County expenditures by activity.

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

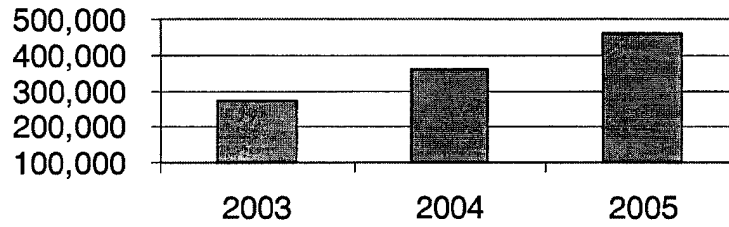
ATTACHMENT A

**BALDWIN COUNTY COMMISSION
SOURCES OF REVENUE
MULTIPLE YEAR COMPARISON**

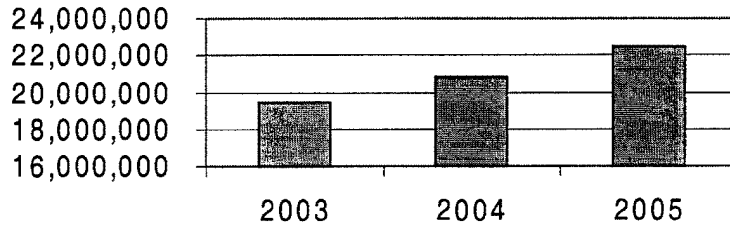
	As Of 9/30/2005	As Of 9/30/2004	As Of 9/30/2003
Charges for Services	\$ 30,068,859	\$ 18,459,057	\$ 15,226,850
Operating Grants & Contributions	51,165,740	15,251,471	8,029,141
Capital Grants & Contributions	461,314	360,062	272,308
Property Taxes	22,478,614	20,809,980	19,426,909
General Sales Tax	8,802,591	7,576,929	6,884,214
County Gasoline Sales Tax	7,132,220	6,752,603	7,051,086
Miscellaneous Taxes	7,280,521	7,112,948	6,003,516
Grants and Contributions not Restricted	1,526,580	1,392,068	-
Unrestricted Investment Earnings	2,715,508	1,286,484	1,360,976
Gain on Disposition of Capital Assets	1,876,632	-	-
Miscellaneous	612,725	1,706,808	3,586,644
Total Revenues	\$ 134,121,304	\$ 80,708,410	\$ 67,841,644



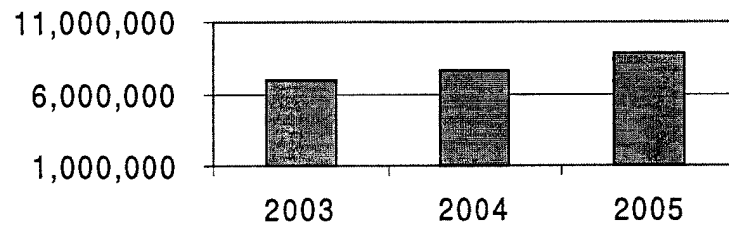
Revenue Comparison Capital Grants & Contributions



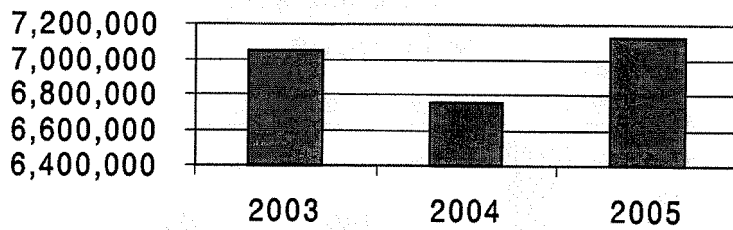
Revenue Comparison Property Taxes



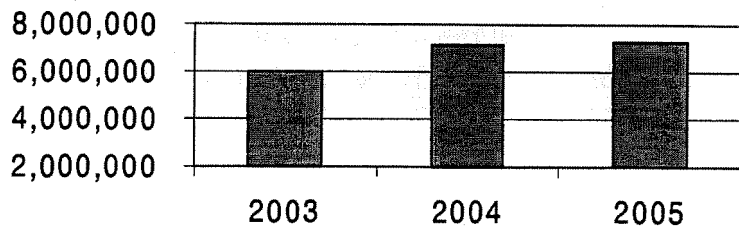
Revenue Comparison General Sales Tax



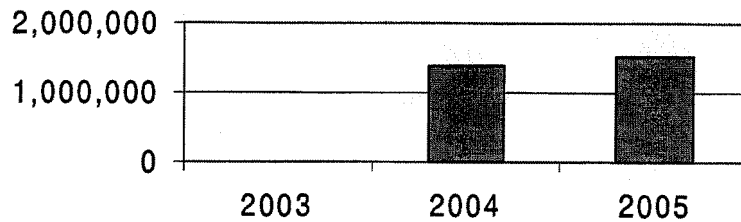
**Revenue Comparison
County Gasoline Sales Tax**



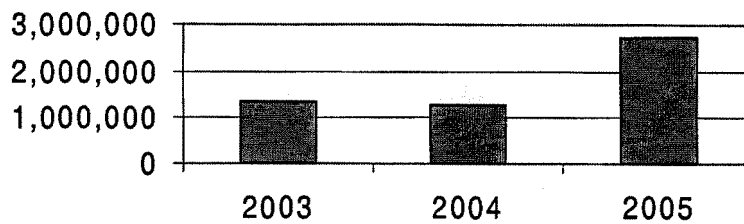
**Revenue Comparison
Miscellaneous Taxes**



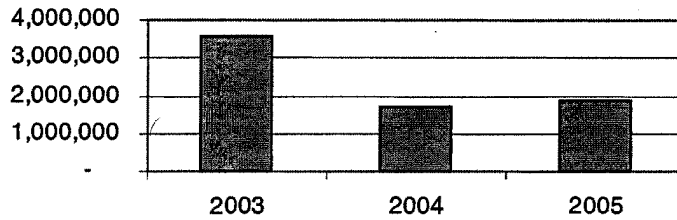
**Revenue Comparison
Grants & Contributions not Restricted**



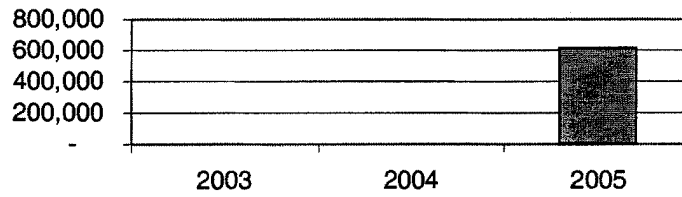
**Revenue Comparison
Unrestricted Investment Earnings**



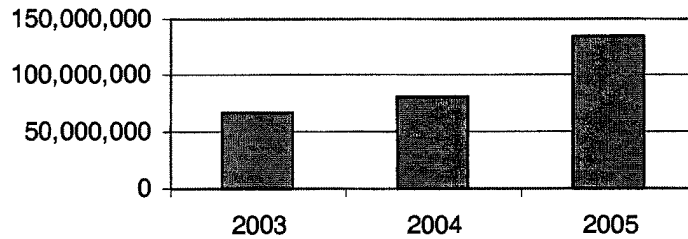
Revenue Comparison Miscellaneous



Revenue Comparison Gain on Disposition of Capital Assets



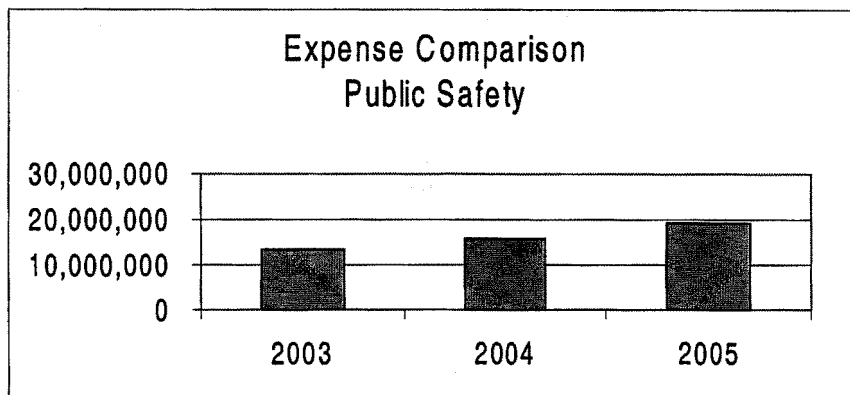
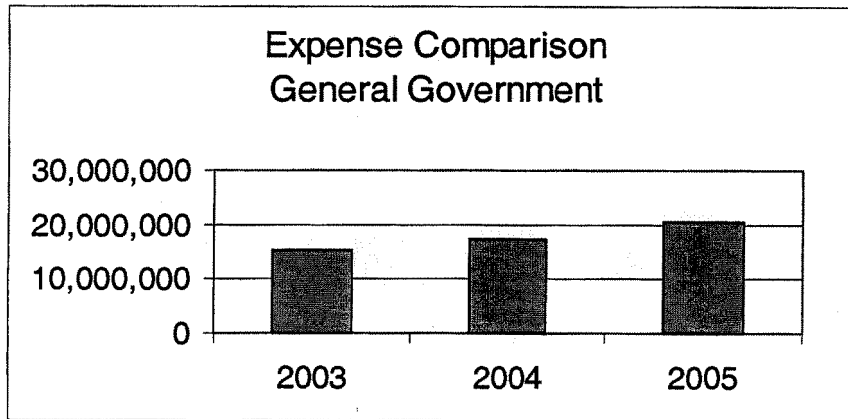
Revenue Comparison Total Revenues



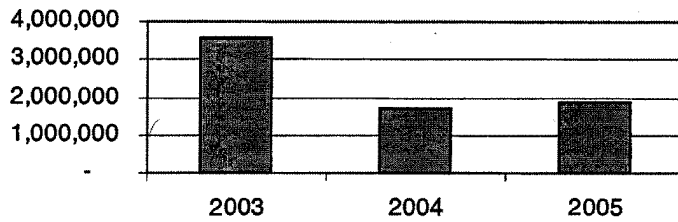
ATTACHMENT B

**BALDWIN COUNTY COMMISSION
EXPENDITURES BY ACTIVITY
MULTIPLE YEAR COMPARISON**

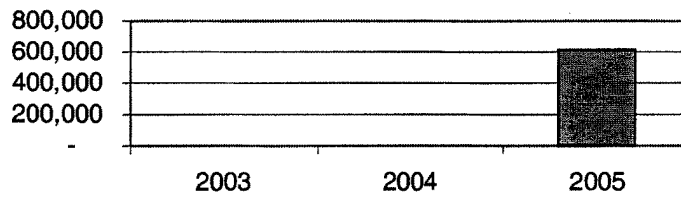
	AS OF 9/30/2005	AS OF 9/30/2004	AS OF 9/30/2003
General Government	\$ 20,396,261	\$ 17,309,848	\$ 15,210,466
Public Safety	19,138,014	15,924,397	13,584,361
Highways & Roads	54,167,549	26,398,541	12,665,005
Sanitation	507	258	269
Health	2,421,674	1,922,660	1,901,374
Welfare	445,472	300,384	264,294
Culture & Recreation	661,385	864,802	707,472
Education	197,171	193,179	196,691
Interest on Long-Term Debt	3,622,416	3,002,605	3,345,733
Intergovernmental	42,633	118,062	133,813
Landfill	8,665,394	7,392,414	6,504,675
Total Expenditures	\$ 109,758,476	\$ 73,427,150	\$ 54,514,153



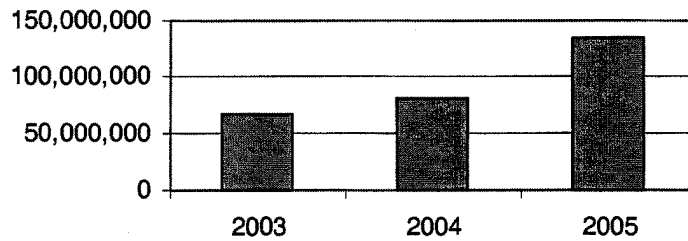
Revenue Comparison Miscellaneous



Revenue Comparison Gain on Disposition of Capital Assets



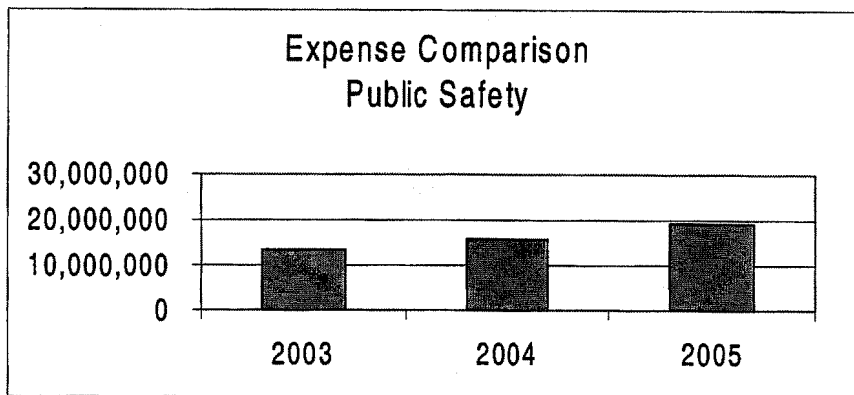
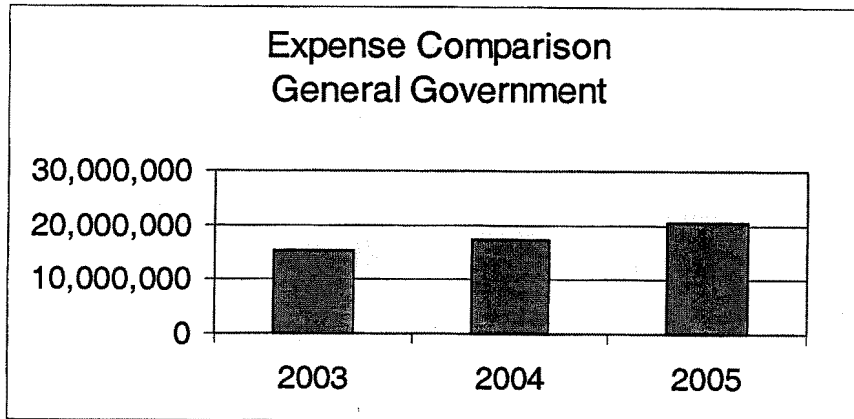
Revenue Comparison Total Revenues



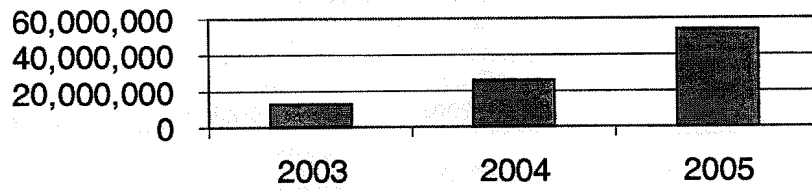
ATTACHMENT B

**BALDWIN COUNTY COMMISSION
EXPENDITURES BY ACTIVITY
MULTIPLE YEAR COMPARISON**

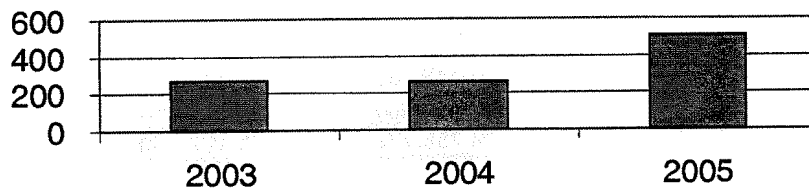
	AS OF 9/30/2005	AS OF 9/30/2004	AS OF 9/30/2003
General Government	\$ 20,396,261	\$ 17,309,848	\$ 15,210,466
Public Safety	19,138,014	15,924,397	13,584,361
Highways & Roads	54,167,549	26,398,541	12,665,005
Sanitation	507	258	269
Health	2,421,674	1,922,660	1,901,374
Welfare	445,472	300,384	264,294
Culture & Recreation	661,385	864,802	707,472
Education	197,171	193,179	196,691
Interest on Long-Term Debt	3,622,416	3,002,605	3,345,733
Intergovernmental	42,633	118,062	133,813
Landfill	8,665,394	7,392,414	6,504,675
Total Expenditures	\$ 109,758,476	\$ 73,427,150	\$ 54,514,153



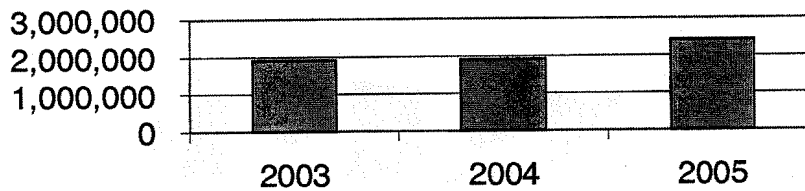
Expense Comparison Highways & Roads



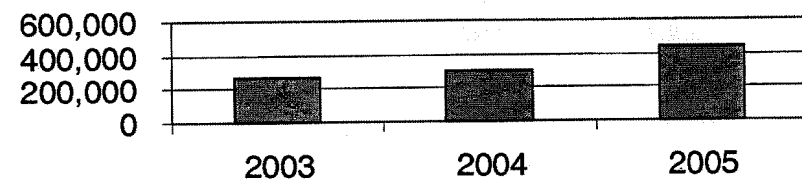
Expense Comparison Sanitation

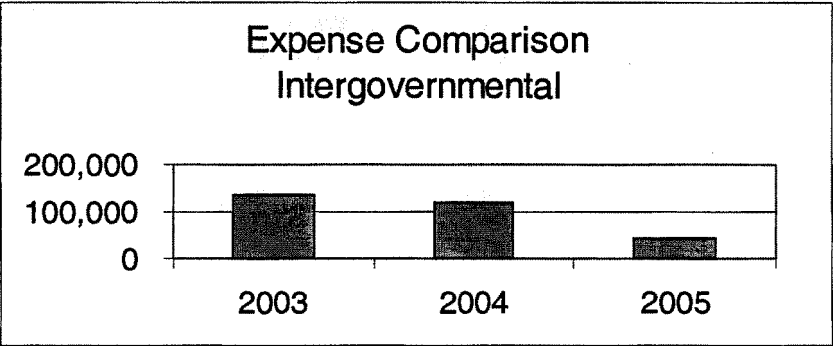
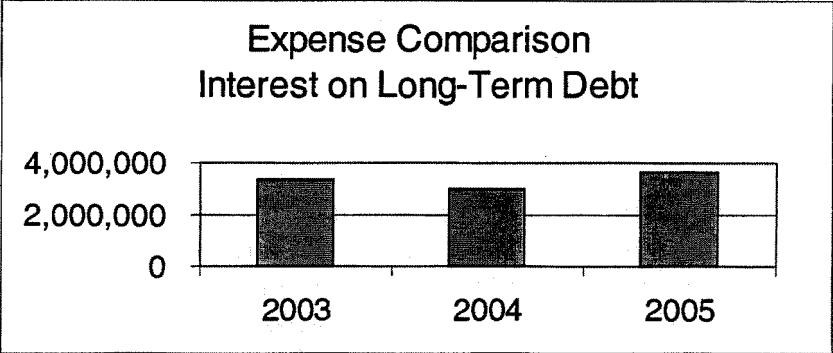
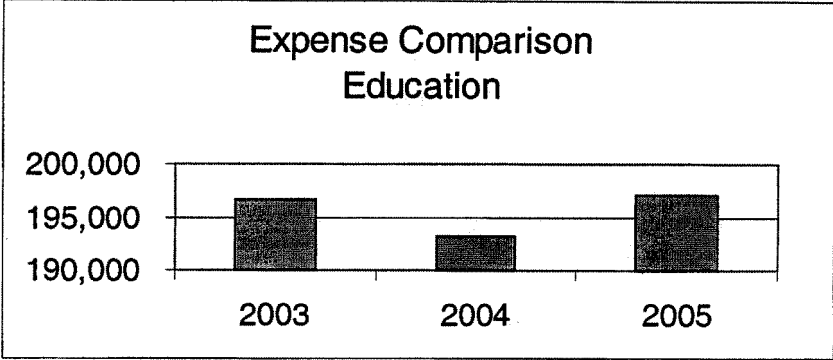
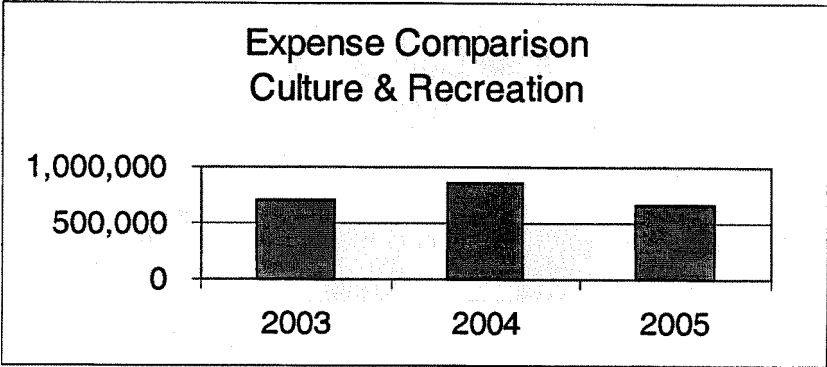


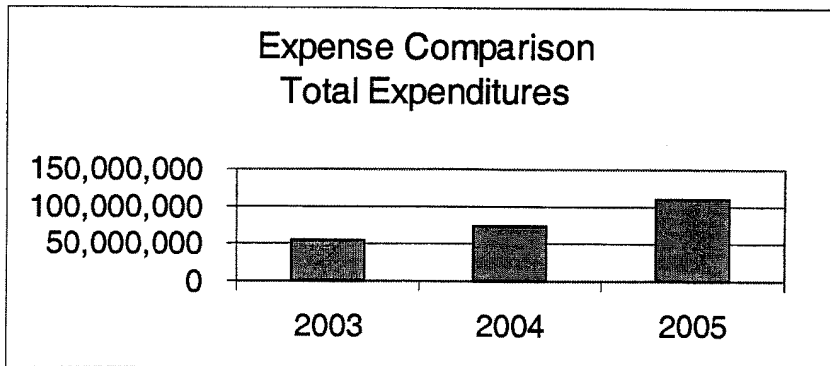
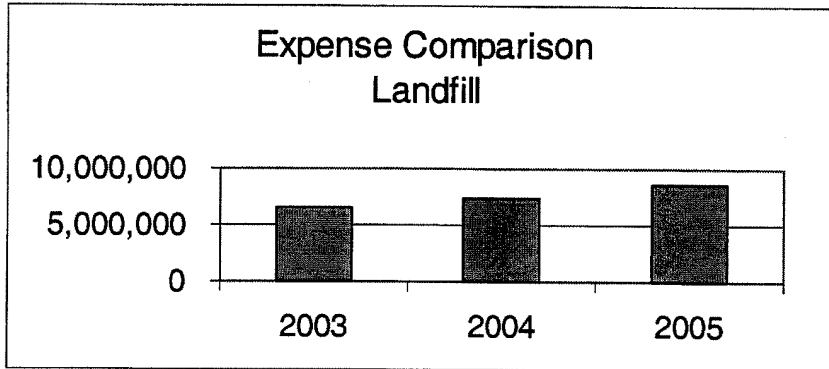
Expense Comparison Health



Expense Comparison Welfare







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 the total cost of services in governmental activities was \$101,093,082 and the combined charges for services plus operating and capital grants received were \$62,357,771 leaving a net cost to the County's taxpayers of \$38,735,311. In the business-type activities the total cost of services for the current year was \$8,665,394 and charges for services was \$19,338,143 leaving a positive balance of \$10,672,749.

Charges for services in governmental activities amounted to \$10,730,716 and combined grants and contributions total \$51,627,054. 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. The following table shows the combined net cost of services for the governmental and business-type activities.

**Net Cost of Services
Comparative Analysis**

Function/Program	As Of 9/30/2005	As Of 9/30/2004	Amount Of Change	Percent Of Change
General Government	\$6,228,363	\$5,150,170	\$1,078,193	20.9%
Public Safety	17,833,389	14,975,249	2,858,140	19.1%
Highways and Roads	8,482,049	15,033,901	(6,551,852)	-43.6%
Sanitation	507	258	249	96.5%
Health	2,345,517	1,843,655	501,862	27.2%
Welfare	342,184	187,096	155,088	82.9%
Culture and Recreation	661,385	864,802	(203,417)	-23.5%
Education	(823,130)	(653,802)	(169,328)	25.9%
Interest on Long-Term Debt	3,622,416	3,002,605	619,811	20.6%
Intergovernmental	42,633	118,062	(75,429)	-63.9%
Landfill	(10,672,749)	(1,165,436)	(9,507,313)	-815.8%
Total Government Activities	\$28,062,564	\$39,356,560	(\$11,293,996)	-28.7%

Financial Analysis of Fund Balances

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund balances at the end of the fiscal year increased from \$56,305,508 to \$58,537,520. This increase of \$2,232,012 (4.0%) 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.

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 12,451,176	\$ 632,738	\$ 13,083,914
Gasoline Tax Fund	11,023,584	(823,909)	10,199,675
Public Buildings, Roads, and Bridges Fund	771,310	(35,394)	735,916
FEMA Fund	10,813	8,675,268	8,686,081
Debt Service Fund	2,923,411	281,671	3,205,082
Oil and Gas Trust Fund	13,436,653	1,960,783	15,397,436
Other Governmental Funds	15,688,561	(8,459,145)	7,229,416
Totals	\$ 56,305,508	\$ 2,232,012	\$ 58,537,520

Budgetary Highlights – General Fund

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2005. 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 \$1,206,290 (3.0%), 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 less than the final budgeted amount by \$2,836,626 (7.5%).

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 \$1,139,400 (21.4%).

With actual revenues exceeding budget, actual expenses less than budget, and Other Financing Sources (Uses) exceeding budget, the actual Net Change in Fund Balance resulted in an increase over what was budgeted.

Capital Asset and Debt Administration

Capital Assets

Depreciation of capital assets other than land, construction in progress, and infrastructure in progress is now reported on an annual basis using the straight-line method of depreciation. All infrastructure assets (roads and bridges) are reported on the financial statements.

At the end of fiscal year 2005, the County had invested over \$180 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$9 million, or 5.7 percent, over last year.

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

	GOVERNMENTAL		AMOUNT OF CHANGE	PERCENT OF CHANGE
	ACTIVITIES			
	2005	2004		
Land	\$5,914,710	\$5,065,907	\$848,803	16.8%
Infrastructure in Progress	1,880,243	6,541,662	(4,661,419)	-71.3%
Construction in Progress	6,206,201	3,581,873	2,624,328	73.3%
Infrastructure	118,852,466	114,349,979	4,502,487	3.9%
Buildings	26,642,642	25,340,943	1,301,699	5.1%
Improvements Other than Bldg	2,898,107	753,480	2,144,627	284.6%
Computer and Communication Equipment	1,355,448	1,162,091	193,357	16.6%
Equipment and Furniture	173,715	173,550	165	0.1%
Motor Vehicles and Construction Equipment	6,171,050	4,795,456	1,375,594	28.7%
Capital Assets Under Capital Lease	3,912,497	3,389,190	523,307	15.4%
	<u>\$174,007,079</u>	<u>\$165,154,131</u>	<u>\$8,852,948</u>	<u>5.4%</u>

	BUSINESS-TYPE		AMOUNT OF CHANGE	PERCENT OF CHANGE
	ACTIVITIES			
	2005	2004		
Land	\$1,295,559	\$1,295,559	\$0	0.0%
Infrastructure in Progress	0	0	0	0.0%
Construction in Progress	0	0	0	0.0%
Infrastructure	0	0	0	0.0%
Buildings	682,202	718,484	(36,282)	-5.0%
Improvements Other than Bldg	1,527,316	574,078	953,238	166.0%
Computer and Communication Equipment	0	0	0	0.0%
Equipment and Furniture	9,413	11,581	(2,168)	-18.7%
Motor Vehicles and Construction Equipment	1,646,405	1,601,055	45,350	2.8%
Capital Assets Under Capital Lease	1,131,299	1,298,845	(167,546)	-12.9%
	<u>\$6,292,194</u>	<u>\$5,499,602</u>	<u>\$792,592</u>	<u>14.4%</u>

	TOTAL		AMOUNT OF CHANGE	PERCENT OF CHANGE
	ACTIVITIES			
	2005	2004		
Land	\$7,210,269	\$6,361,466	\$848,803	13.3%
Infrastructure in Progress	1,880,243	6,541,662	(4,661,419)	-71.3%
Construction in Progress	6,206,201	3,581,873	2,624,328	73.3%
Infrastructure	118,852,466	114,349,979	4,502,487	3.9%
Buildings	27,324,844	26,059,427	1,265,417	4.9%
Improvements Other than Bldg	4,425,423	1,327,558	3,097,865	233.4%
Computer and Communication Equipment	1,355,448	1,162,091	193,357	16.6%
Equipment and Furniture	183,128	185,131	(2,003)	-1.1%
Motor Vehicles and Construction Equipment	7,817,455	6,396,511	1,420,944	22.2%
Capital Assets Under Capital Lease	5,043,796	4,688,035	355,761	7.6%
	<u>\$180,299,273</u>	<u>\$170,653,733</u>	<u>\$9,645,540</u>	5.7%

Information on Capital Assets is located in the Notes to the Financial Statements.

Debt Outstanding

At October 1, 2004 the County's long-term bonded indebtedness and notes payable totaled \$67,439,506. At September 30, 2005 the County's long-term bonded indebtedness and notes payable increased to \$67,969,197. During the fiscal year the County issued warrants for \$19,239,032 and repaid/decreased warrants and notes in the total amount of \$18,709,341.

At October 1, 2004 the County's capital lease debt was \$4,512,015. At September 30, 2005 the County's capital lease debt was \$2,238,954. The County entered into no additional capital leases during the year and made capital lease payments of \$2,273,061.

The liability for compensated absences at September 30, 2005 was \$1,810,381.

The total of all long-term debt for the County at September 30, 2005 was \$74,402,844, which was \$1,545,432 less than the prior year ending balance of \$75,948,276. This was a decrease of 2.0%. Information on long-term debt is located in the Notes to the Financial Statements.

Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2005, Baldwin County's maximum debt limit was \$158,187,406. With total liabilities of the County being \$108,185,827 as of the end of the current fiscal year, consisting of \$74,402,844 in long-term debt and \$33,782,983 in short-term liabilities, the County was at 68.4% 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 Bureau of the Census estimates that from 2000 to 2004 the population of Baldwin County increased by 11.6%.

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 2005 the Baldwin County unemployment rate was 3.3%. 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.

Hurricane Ivan hit the Baldwin County Gulf Coast and caused widespread damage, however the residents and businesses quickly responded and economic activity in the County continues to flourish.

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.

Statement of Net Assets
September 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 35,554,417.98	\$ 13,217,331.14	\$ 48,771,749.12
Investment	10,204.15		10,204.15
Taxes Receivable	24,449,635.41		24,449,635.41
Receivables (Note 4)	11,452,133.87	1,399,993.86	12,852,127.73
Internal Balances	68,401.24	(68,401.24)	
Inventories	20,700.37		20,700.37
Receivable from External Parties	21,084.59		21,084.59
Prepaid Items	18,084.69	2,853.36	20,938.05
Deferred Charges - Issuance Costs	19,353.69		19,353.69
Total Current Assets	71,614,015.99	14,551,777.12	86,165,793.11
Noncurrent Assets			
Restricted Cash and Cash Equivalents	17,566,144.64	1,121,706.11	18,687,850.75
Restricted Cash with Fiscal Agent	3,044,505.29		3,044,505.29
Deferred Charges - Issuance Costs	287,389.83		287,389.83
Capital Assets (Note 5):			
Nondepreciable	14,001,154.43	1,295,559.12	15,296,713.55
Depreciable, Net	160,005,925.10	4,996,634.75	165,002,559.85
Total Noncurrent Assets	194,905,119.29	7,413,899.98	202,319,019.27
Total Assets	266,519,135.28	21,965,677.10	288,484,812.38
Liabilities			
Current Liabilities			
Payables (Note 10)	7,892,700.66	201,934.21	8,094,634.87
Accrued Interest Payable	898,289.18		898,289.18
Deferred Revenue	23,868,527.55		23,868,527.55
Accrued Wages Payable	725,168.36	131,363.65	856,532.01
Short-Term Notes Payable	65,000.00		65,000.00
Long-Term Liabilities:			
Portion Payable Within One Year:			
Compensated Absences	1,116,395.65	227,783.67	1,344,179.32
Notes Payable	60,000.00		60,000.00
Capital Leases Payable	1,418,615.47		1,418,615.47
Warrants Payable	4,715,000.00		4,715,000.00
Less: Unamortized Discount	(7,034.04)		(7,034.04)
Total Current Liabilities	\$ 40,752,662.83	\$ 561,081.53	\$ 41,313,744.36

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Portion Payable After One Year:			
Notes Payable	\$ 105,000.00	\$	\$ 105,000.00
Capital Leases Payable	820,338.47		820,338.47
Warrants Payable	63,228,734.76		63,228,734.76
Less: Unamortized Discount	(132,503.98)		(132,503.98)
Compensated Absences	466,201.99		466,201.99
Estimated Liability for Landfill Closure/ Postclosure Care Costs		2,384,312.04	2,384,312.04
Total Noncurrent Liabilities	<u>64,487,771.24</u>	<u>2,384,312.04</u>	<u>66,872,083.28</u>
Total Liabilities	<u>105,240,434.07</u>	<u>2,945,393.57</u>	<u>108,185,827.64</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	106,035,269.22	6,292,193.87	112,327,463.09
Restricted for:			
Landfill Closure and Postclosure Costs		1,079,068.81	1,079,068.81
Indigent Care	299,408.93		299,408.93
Debt Service	2,306,793.01		2,306,793.01
Road Projects	10,881,779.75		10,881,779.75
Term Endowments	14,957,780.29		14,957,780.29
Unrestricted	<u>26,797,670.01</u>	<u>11,649,020.85</u>	<u>38,446,690.86</u>
Total Net Assets	<u>\$ 161,278,701.21</u>	<u>\$ 19,020,283.53</u>	<u>\$ 180,298,984.74</u>

Statement of Activities
For the Year Ended September 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>			
General Government	\$ 20,396,261.32	\$ 8,867,555.69	\$ 5,298,779.15
Public Safety	19,138,014.23	718,671.18	481,701.09
Highways and Roads	54,167,549.45	48,031.34	45,281,972.16
Sanitation	507.00		
Health	2,421,673.91	76,157.24	
Welfare	445,471.77		103,288.00
Culture and Recreation	661,383.51		
Education	197,170.75	1,020,300.75	
Interest on Long-Term Debt	3,622,416.21		
Intergovernmental	42,633.26		
Total Governmental Activities	<u>101,093,081.41</u>	<u>10,730,716.20</u>	<u>51,165,740.40</u>
<u>Business-Type Activities</u>			
Solid Waste	8,665,393.53	19,338,142.86	
Total Business-Type Activities	<u>8,665,393.53</u>	<u>19,338,142.86</u>	
Total Primary Government	<u>\$ 109,758,474.94</u>	<u>\$ 30,068,859.06</u>	<u>\$ 51,165,740.40</u>

General Revenues, Transfers and Contributions:

Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
General Sales Tax
County Gasoline Sales Tax
Miscellaneous Taxes
Grants/Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Gain on Disposition of Capital Assets
Transfers and Contributions
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 19)

Net Assets - End of Year

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 1,563.84	\$ (6,228,362.64)	\$	\$ (6,228,362.64)
104,252.97	(17,833,388.99)		(17,833,388.99)
355,497.11	(8,482,048.84)		(8,482,048.84)
	(507.00)		(507.00)
	(2,345,516.67)		(2,345,516.67)
	(342,183.77)		(342,183.77)
	(661,383.51)		(661,383.51)
	823,130.00		823,130.00
	(3,622,416.21)		(3,622,416.21)
	(42,633.26)		(42,633.26)
<u>461,313.92</u>	<u>(38,735,310.89)</u>		<u>(38,735,310.89)</u>
		<u>10,672,749.33</u>	<u>10,672,749.33</u>
		<u>10,672,749.33</u>	<u>10,672,749.33</u>
<u>\$ 461,313.92</u>	<u>(38,735,310.89)</u>	<u>10,672,749.33</u>	<u>(28,062,561.56)</u>
	12,191,950.52		12,191,950.52
	10,286,663.30		10,286,663.30
	8,802,590.53		8,802,590.53
	7,132,220.08		7,132,220.08
	7,280,521.35		7,280,521.35
	1,526,579.59		1,526,579.59
	2,317,295.53	398,211.73	2,715,507.26
	1,799,843.05	76,788.75	1,876,631.80
	612,725.14		612,725.14
	(554,532.84)	554,532.84	
	<u>51,395,856.25</u>	<u>1,029,533.32</u>	<u>52,425,389.57</u>
	12,660,545.36	11,702,282.65	24,362,828.01
	<u>148,618,155.85</u>	<u>7,318,000.88</u>	<u>155,936,156.73</u>
<u>\$ 161,278,701.21</u>	<u>\$ 19,020,283.53</u>	<u>\$ 180,298,984.74</u>	

Balance Sheet
Government Funds
September 30, 2005

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
Assets			
Cash and Cash Equivalents	\$ 17,467,599.81	\$ 9,194,829.40	\$ 927,051.07
Cash with Fiscal Agent			
Investments			
Taxes Receivable	15,166,714.52	653,911.46	7,190,851.97
Receivables (Note 4)	1,661,356.78	644,204.15	79,106.13
Due From Other Funds	931,909.51	1,071,164.65	
Inventories	20,700.37		
Prepaid Items	18,084.69		
Total Assets	35,266,365.68	11,564,109.66	8,197,009.17
Liabilities and Fund Balances			
Liabilities			
Payables (Note 10)	6,242,187.68	735,716.24	
Due To Other Funds	111,532.11	26,324.73	
Deferred Revenue	14,915,226.49		7,461,093.29
Accrued Wages Payable	317,008.16	249,573.46	
Notes Payable	65,000.00		
Compensated Absences	531,496.59	352,820.63	
Total Liabilities	22,182,451.03	1,364,435.06	7,461,093.29
Fund Balances			
Reserved for:			
Inventories	20,700.37		
Debt Service			
Capital Projects			
Encumbrances	555,382.90	246,122.05	
Prepaid Items	18,084.69		
Indigent Care	299,408.93		
Other Purposes	3,507,905.75	1,572,287.94	
Unreserved, Reported in:			
General Fund	8,682,432.01		
Special Revenue		8,381,264.61	735,915.88
Total Fund Balances	13,083,914.65	10,199,674.60	735,915.88
Total Liabilities and Fund Balances	\$ 35,266,365.68	\$ 11,564,109.66	\$ 8,197,009.17

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

FEMA Fund	Debt Service Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,812,092.57	\$ 174,111.91	\$ 15,397,435.88	\$ 8,147,441.98	\$ 53,120,562.62
	3,044,505.28		0.01	3,044,505.29
			10,204.15	10,204.15
8,366,508.75			1,438,157.46	24,449,635.41
9,656.00			700,958.06	11,452,133.87
			424,624.61	2,437,354.77
				20,700.37
				18,084.69
10,188,257.32	3,218,617.19	15,397,435.88	10,721,386.27	94,553,181.17
39,158.38	13,535.00		862,103.36	7,892,700.66
1,463,017.74			746,994.36	2,347,868.94
			1,492,207.77	23,868,527.55
			158,586.74	725,168.36
				65,000.00
			232,078.43	1,116,395.65
1,502,176.12	13,535.00		3,491,970.66	36,015,661.16
				20,700.37
	3,205,082.19			3,205,082.19
			1,772,009.09	1,772,009.09
			126,976.71	928,481.66
				18,084.69
				299,408.93
		15,397,435.88	1,577,774.41	22,055,403.98
				8,682,432.01
8,686,081.20			3,752,655.40	21,555,917.09
8,686,081.20	3,205,082.19	15,397,435.88	7,229,415.61	58,537,520.01
\$ 10,188,257.32	\$ 3,218,617.19	\$ 15,397,435.88	\$ 10,721,386.27	\$ 94,553,181.17

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 58,537,520.01

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds. These assets consist of:

Land	\$ 5,914,709.79	
Infrastructure	142,664,740.72	
Infrastructure in Progress	1,880,243.43	
Construction in Progress	6,206,201.21	
Building and Building Improvements	37,648,408.31	
Improvements Other Than Buildings	3,300,144.14	
Computer and Communication Equipment	7,666,186.60	
Equipment and Furniture	808,976.20	
Motor Vehicles and Construction Equipment	16,423,401.00	
Capital Assets Under Capital Lease	8,604,698.62	
Less: Accumulated Depreciation	<u>(57,110,630.49)</u>	
Total Capital Assets, Net of Depreciation		174,007,079.53

Deferred charges related to issuance costs of long-term liabilities are
not reported in the funds. 306,743.52

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:

	Due or Payable Within One Year	Due or Payable After One Year	
Accrued Interest Payable	\$ 898,289.18		
Capital Lease Contracts Payable	1,418,615.47	820,338.47	
Notes Payable	60,000.00	105,000.00	
Warrants Payable	4,715,000.00	63,228,734.76	
Unamortized Discount	(7,034.04)	(132,503.98)	
Estimated Liability for Compensated Absences		466,201.99	
Total Liabilities	<u>\$ 7,084,870.61</u>	<u>\$ 64,487,771.24</u>	<u>(71,572,641.85)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 161,278,701.21

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Revenues</u>			
Taxes	\$ 25,965,147.86	\$ 7,132,220.08	\$ 6,201,728.27
Licenses and Permits	1,593,883.80		
Intergovernmental	4,713,386.13	3,299,881.62	
Charges for Services	7,890,546.73	21,680.00	
Fines and Forfeits	62,667.92		
Miscellaneous	1,672,911.81	478,672.43	113,760.22
Total Revenues	<u>41,898,544.25</u>	<u>10,932,454.13</u>	<u>6,315,488.49</u>
<u>Expenditures</u>			
Current:			
General Government	13,876,715.10		
Public Safety	15,921,295.41		
Highways and Roads		10,456,216.70	
Sanitation	507.00		
Health	1,162,523.06		
Welfare	200.00		
Culture and Recreation	118,068.20		
Education	168,741.11		
Intergovernmental	42,633.26		
Capital Outlay	2,920,217.72	4,738,484.19	
Debt Service:			
Principal Retirement	544,738.24	1,334,481.62	
Interest and Fiscal Charges	39,460.43	69,971.67	
Debt Issuance Costs			
Total Expenditures	<u>34,795,099.53</u>	<u>16,599,154.18</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>7,103,444.72</u>	<u>(5,666,700.05)</u>	<u>6,315,488.49</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	809,037.86	7,188,200.00	
Sale of Capital Assets	32,692.00	836,732.13	
Debt Issued			
Transfers Out	(7,312,436.14)	(3,182,140.96)	(6,350,883.00)
Total Other Financing Sources (Uses)	<u>(6,470,706.28)</u>	<u>4,842,791.17</u>	<u>(6,350,883.00)</u>
Changes in Fund Balances	632,738.44	(823,908.88)	(35,394.51)
Fund Balances - Beginning of Year, as Restated (Note 19)	<u>12,451,176.21</u>	<u>11,023,583.48</u>	<u>771,310.39</u>
Fund Balances - End of Year	<u>\$ 13,083,914.65</u>	<u>\$ 10,199,674.60</u>	<u>\$ 735,915.88</u>

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

FEMA Fund	Debt Service Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 1,796,690.13	\$ 4,598,159.44	\$ 45,693,945.78
38,995,641.23			6,291,361.92	1,593,883.80
			974,799.39	53,300,270.90
				8,887,026.12
72,575.83	51,422.48	488,506.21	1,279,790.97	62,667.92
39,068,217.06	51,422.48	2,285,196.34	13,144,111.72	4,157,639.95
			4,318,779.93	18,195,495.03
			2,133,543.18	18,054,838.59
34,906,867.78			6,516,882.25	51,879,966.73
				507.00
			1,232,147.55	2,394,670.61
			437,432.99	437,632.99
			483,349.60	601,417.80
				168,741.11
				42,633.26
			8,473,464.79	16,132,166.70
	18,685,296.90		392,276.11	20,956,792.87
299,816.17	3,110,735.36		41,528.94	3,561,512.57
10,000.00				10,000.00
35,216,683.95	21,796,032.26		24,029,405.34	132,436,375.26
3,851,533.11	(21,744,609.78)	2,285,196.34	(10,885,293.62)	(18,740,940.79)
19,239,031.66	22,026,281.26		3,692,122.75	52,954,673.53
			104,259.00	973,683.13
			19,239,031.66	19,239,031.66
(14,415,296.90)		(324,413.27)	(20,609,264.81)	(52,194,435.08)
4,823,734.76	22,026,281.26	(324,413.27)	2,426,148.60	20,972,953.24
8,675,267.87	281,671.48	1,960,783.07	(8,459,145.02)	2,232,012.45
10,813.33	2,923,410.71	13,436,652.81	15,688,560.63	56,305,507.56
\$ 8,686,081.20	\$ 3,205,082.19	\$ 15,397,435.88	\$ 7,229,415.61	\$ 58,537,520.01

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 2,232,012.45

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 (\$16,132,166.70) exceeded depreciation (\$5,603,488.42) in the current period. 10,528,678.28

During the year, the governmental activities' transferred improvements made to the Magnolia Landfill, which were capitalized in governmental activities, to business-type activities. (1,314,771.29)

In the Statement of Activities, only the gain (\$612,725.14) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$973,683.13) from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the net cost of the assets sold. (360,957.99)

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. 20,956,792.87

Warrants 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.

	Prior Period Debt	New Debt	
Debt Issued:			
Warrants Issued	\$	\$ (19,239,031.66)	
Issuance Costs		10,000.00	
Amortization of Discounts on Debt Issued	(7,034.04)		
Amortization of Debt Issuance Costs	(96,150.91)	(3,333.33)	
Amortization of Deferred Amounts on Refunding	(519,992.22)		
Amortization of Premiums on Debt Issued	426,070.57		
Total	\$ (197,106.60)	(19,232,364.99)	
Net Adjustment			(19,429,471.59)

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 Decrease in Accrued Interest Payable	40,052.05	
Net Decrease in Compensated Absences	\$ 8,210.58	
Total Additional Expenditures		<u>48,262.63</u>
Change in Net Assets of Governmental Activities (Exhibit 2)		<u>\$ 12,660,545.36</u>

Statement of Net Assets
Proprietary Funds
September 30, 2005

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 11,547,613.70	\$ 1,669,717.44	\$ 13,217,331.14
Accounts Receivable, Net (Note 4)	669,766.26	730,227.60	1,399,993.86
Due From Other Funds	235,001.66	55,534.52	290,536.18
Prepaid Items	1,644.67	1,208.69	2,853.36
Total Current Assets	12,454,026.29	2,456,688.25	14,910,714.54
Noncurrent Assets			
Restricted Cash and Cash Equivalents	1,121,706.11		1,121,706.11
Capital Assets, Net (Note 5)	5,557,853.29	734,340.58	6,292,193.87
Total Noncurrent Assets	6,679,559.40	734,340.58	7,413,899.98
Total Assets	19,133,585.69	3,191,028.83	22,324,614.52
Liabilities			
Current Liabilities			
Payables (Note 10)	139,859.27	62,074.94	201,934.21
Due To Other Funds	196,102.79	162,834.63	358,937.42
Accrued Wages Payable	87,109.12	44,254.53	131,363.65
Compensated Absences	153,119.03	74,664.64	227,783.67
Total Current Liabilities	576,190.21	343,828.74	920,018.95
Noncurrent Liabilities			
Long-Term Liabilities:			
Portion Due After One Year:			
Estimated Liability for Landfill Closure/			
Postclosure Care Costs	2,384,312.04		2,384,312.04
Total Noncurrent Liabilities	2,384,312.04		2,384,312.04
Total Liabilities	2,960,502.25	343,828.74	3,304,330.99
Net Assets			
Invested in Capital Assets	5,557,853.29	734,340.58	6,292,193.87
Restricted for:			
Landfill Closure and Postclosure Costs	1,079,068.81		1,079,068.81
Unrestricted	9,536,161.34	2,112,859.51	11,649,020.85
Total Net Assets	\$ 16,173,083.44	\$ 2,847,200.09	\$ 19,020,283.53

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, 2005

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Fund
Operating Revenues			
Charges for Services	\$ 15,283,866.31	\$ 4,054,276.55	\$ 19,338,142.86
Total Operating Revenues	<u>15,283,866.31</u>	<u>4,054,276.55</u>	<u>19,338,142.86</u>
Operating Expenses			
Salaries and Benefits	2,501,735.50	1,386,216.48	3,887,951.98
Contractual and Professional Services	218,242.44	1,060,685.47	1,278,927.91
Travel	14,432.10		14,432.10
Materials and Supplies	1,021,255.28	631,961.64	1,653,216.92
Utilities and Communications	100,950.11	76,479.43	177,429.54
Other Expenses	9,127.17	19,781.33	28,908.50
Depreciation	1,076,971.31	357,301.50	1,434,272.81
Landfill Expenses	135,347.96		135,347.96
Total Operating Expenses	<u>5,078,061.87</u>	<u>3,532,425.85</u>	<u>8,610,487.72</u>
Operating Income (Loss)	<u>10,205,804.44</u>	<u>521,850.70</u>	<u>10,727,655.14</u>
Nonoperating Revenues (Expenses)			
Miscellaneous	40,874.85	35,913.90	76,788.75
Interest Earned	352,636.20	45,575.53	398,211.73
Interest Expense	(4,905.81)		(4,905.81)
Intergovernmental	(50,000.00)		(50,000.00)
Total Nonoperating Revenues (Expenses)	<u>338,605.24</u>	<u>81,489.43</u>	<u>420,094.67</u>
Income (Loss) Before Transfers	<u>10,544,409.68</u>	<u>603,340.13</u>	<u>11,147,749.81</u>
Transfers and Contributions			
Transfers In	52,850.89		52,850.89
Transfers Out	(813,089.34)		(813,089.34)
Capital Contribution (Capital Assets)	1,314,771.29		1,314,771.29
Total Transfers and Contributions	<u>554,532.84</u>		<u>554,532.84</u>
Changes in Net Assets	11,098,942.52	603,340.13	11,702,282.65
Total Net Assets - Beginning of Year, as Restated (Note 19)	<u>5,074,140.92</u>	<u>2,243,859.96</u>	<u>7,318,000.88</u>
Total Net Assets - End of Year	<u>\$ 16,173,083.44</u>	<u>\$ 2,847,200.09</u>	<u>\$ 19,020,283.53</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, 2005

	Solid Waste Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 15,529,112.18
Payments to Suppliers	(1,462,730.22)
Payments to Employees	(2,471,138.63)
Net Cash Provided (Used) by Operating Activities	<u>11,595,243.33</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash From Other Funds	241,919.86
Cash To Other Funds	(53,075.99)
Miscellaneous	40,874.85
Transfers In	52,850.89
Intergovernmental	(50,000.00)
Interest Income	352,636.20
Transfers Out	(813,089.34)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(227,883.53)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Sale of Assets	3,894.12
Purchase of Capital Assets	(713,254.40)
Principal Paid on Capital Debt	(126,565.36)
Interest Paid on Capital Debt	(4,905.81)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(840,831.45)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,526,528.35
Cash and Cash Equivalents - Beginning of Year	<u>2,142,791.46</u>
Cash and Cash Equivalents - End of Year	<u>\$ 12,669,319.81</u>

Other Enterprise Fund	Total Enterprise Funds
\$ 4,137,419.76	\$ 19,666,531.94
(1,886,546.99)	(3,349,277.21)
(1,399,280.82)	(3,870,419.45)
<u>851,591.95</u>	<u>12,446,835.28</u>
(27,066.76)	214,853.10
34,623.19	(18,452.80)
35,913.90	76,788.75
	52,850.89
	(50,000.00)
45,575.53	398,211.73
	(813,089.34)
<u>89,045.86</u>	<u>(138,837.67)</u>
22,809.54	26,703.66
(198,839.00)	(912,093.40)
	(126,565.36)
	(4,905.81)
<u>(176,029.46)</u>	<u>(1,016,860.91)</u>
764,608.35	11,291,136.70
905,109.09	3,047,900.55
<u>\$ 1,669,717.44</u>	<u>\$ 14,339,037.25</u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

	Solid Waste Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 10,205,804.44
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Depreciation Expense	1,076,971.31
Landfill Expense	135,347.96
Prior Period Adjustment	3,257.88
Change in Assets and Liabilities:	
(Increase)/Decrease Receivables, Net	245,245.87
(Increase)/Decrease Prepays	(513.65)
Increase/(Decrease) Accounts Payable	33,732.65
Increase/(Decrease) Wages Payable	(3,705.55)
Increase/(Decrease) Estimated Liability for Compensated Absences	34,302.42
Increase/(Decrease) Advance from General Fund	<u>(135,200.00)</u>
Net Cash Provided by Operating Activities	<u>\$ 11,595,243.33</u>

Noncash Investing, Capital and Financing Activities:

The governmental funds expended \$1,314,771.29 for improvements to the Magnolia Landfill, a capitalized asset of the Solid Waste Fund. This asset improvement was transferred to the Solid Waste Fund during the audit period.

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

Other Enterprise Fund	Total Enterprise Funds
\$ 521,850.70	\$ 10,727,655.14
357,301.50	1,434,272.81
(22,809.54)	135,347.96
	(19,551.66)
83,143.21	328,389.08
4,620.91	4,107.26
(79,450.49)	(45,717.84)
(16,052.35)	(19,757.90)
2,988.01	37,290.43
	(135,200.00)
<u>\$ 851,591.95</u>	<u>\$ 12,446,835.28</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 7,952,361.29	\$ 134,491.61
Receivables (Note 4)	44,799.00	
Total Assets	<u>7,997,160.29</u>	<u>134,491.61</u>
Liabilities		
Payables (Note 10)	6,301,780.27	113,122.05
Due to Other Funds	21,084.59	
Payable to External Parties		21,369.56
Total Liabilities	<u>6,322,864.86</u>	<u>\$ 134,491.61</u>
Net Assets		
Held in Trust for Other Purposes	<u>1,674,295.43</u>	
Total Net Assets	<u>\$ 1,674,295.43</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, 2005

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
State and Local Governments	\$ 468,464.33
Fees	1,026,490.09
Miscellaneous	37,618.83
Interest	29,501.13
Total Additions	<u>1,562,074.38</u>
<u>Deductions</u>	
Administrative Expenses	<u>978,034.30</u>
Total Deductions	<u>978,034.30</u>
Changes in Net Assets	584,040.08
Net Assets - Beginning of Year, as Restated (Note 19)	<u>1,090,255.35</u>
Net Assets - End of Year	<u>\$ 1,674,295.43</u>

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

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.

A. Reporting Entity

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

Based on the application of the above criteria, the following entities are component units of the Commission: the Baldwin County Revenue Commissioner, the Baldwin County Probate Judge, and 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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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.
- ◆ **FEMA Fund** - This fund is used to account for the activity associated with grants received from the Federal Emergency Management Agency, now known as the Department of Homeland Security.
- ◆ **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.
- ◆ **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 the cost of providing solid waste service for commercial accounts and maintaining the county landfills.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

Governmental Fund Types

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

Other Enterprise Fund

- ◆ **Solid Waste Collection Fund** - This fund is used to account for the 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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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. 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 is reported as other financing sources.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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 a 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.

2. Receivables

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and various taxes due from the State of Alabama.

Receivables in enterprise funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission. These amounts are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on past collection experience.

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

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, 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 Oil and Gas Trust Fund cash is restricted by local laws.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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 Threshold	Estimated Useful Life
Buildings	\$5,000	30 years
Improvements	\$5,000	30 years
Equipment and Furniture	\$5,000	5 years
Roads	\$5,000	20 years
Bridges	\$5,000	40 years

The Commission retroactively reported its roads that were acquired between October 1, 1980, and September 30, 2002, during this fiscal year in accordance with the provisions of GASB Statement Number 34.

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.

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 reported the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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, 2005, the unamortized deferred issue costs were \$13,000.34.

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, 2005, the unamortized amounts were \$98,326.41 and \$77,678.19, 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, 2005, the unamortized amounts were \$188,750.10 and \$61,859.83, respectively.

The Series 2004-C General Obligation Warrants contain deferred issue costs of \$10,000.00 that are being amortized over 3 years. At September 30, 2005, the unamortized deferred issue costs were \$6,666.67.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

As of September 30, 2005, the liability for accrued annual and sick leave is approximately \$1,810,381.31. Of this amount \$1,116,395.65 is reported in the governmental funds and \$227,783.67 is reported in the enterprise funds as current. Current indicates an amount expected to be paid using expendable available financial resources. The remainder \$466,201.99 is classified as noncurrent in the governmental activities on the statement of net assets.

9. Net Assets/Fund Equity

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgets

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 FEMA Fund, which is not budgeted. All annual appropriations lapse at fiscal year-end.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

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

Note 3 - Deposits and Investments

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 4 - Receivables

On September 30, 2005, receivables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts in the enterprise funds, are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	FEMA Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Accounts Receivable	\$ 954.91	\$ 35,194.62	\$	\$	\$ (201.01)	\$ 35,948.52
Intergovernmental	1,660,401.87	609,009.53	79,106.13	8,366,508.75	701,159.07	11,416,185.35
Total Receivables	<u>\$1,661,356.78</u>	<u>\$644,204.15</u>	<u>\$79,106.13</u>	<u>\$8,366,508.75</u>	<u>\$700,958.06</u>	<u>\$11,452,133.87</u>

Proprietary Funds	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
Receivables:			
Accounts Receivable	\$704,912.59	\$812,476.41	\$1,517,389.00
Intergovernmental			
Gross Receivables	<u>704,912.59</u>	<u>812,476.41</u>	<u>1,517,389.00</u>
Less: Allowable for Doubtful Accounts	(35,146.33)	(82,248.81)	(117,395.14)
Net Total Receivables	<u>\$669,766.26</u>	<u>\$730,227.60</u>	<u>\$1,399,993.86</u>

Fiduciary Funds	Private-Purpose Trust Funds
Receivables:	
Accounts Receivable	\$ 4.00
Due from External Parties	44,795.00
Total Receivables	<u>\$44,799.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes - Property	\$23,010,578.95	\$
Motor Vehicle Ad Valorem Taxes		857,948.60
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$23,010,578.95</u>	<u>\$857,948.60</u>

Note 5 - Capital Assets

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

	Restated Balance 10/1/2004	Additions	Reductions	Balance 9/30/2005
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,065,906.66	\$ 848,803.13	\$	\$ 5,914,709.79
Infrastructure in Progress	6,541,662.91	2,298,886.92	(6,960,306.40)	1,880,243.43
Construction in Progress	3,581,873.68	6,277,938.27	(3,653,610.74)	6,206,201.21
Total Capital Assets, Not Being Depreciated	<u>15,189,443.25</u>	<u>9,425,628.32</u>	<u>(10,613,917.14)</u>	<u>14,001,154.43</u>
Capital Assets Being Depreciated:				
Infrastructure	137,994,273.38	4,670,467.34		142,664,740.72
Buildings and Building Improvements	35,280,205.10	2,443,876.61	(75,673.40)	37,648,408.31
Improvements Other Than Buildings	1,086,652.98	2,213,491.16		3,300,144.14
Computer and Communication Equipment	6,839,237.89	872,496.60	(45,547.89)	7,666,186.60
Equipment and Furniture	743,269.65	65,706.55		808,976.20
Motor Vehicles and Construction Equipment	15,396,950.07	3,649,129.61	(2,622,678.68)	16,423,401.00
Capital Assets Under Capital Lease	7,053,972.26	2,090,516.36	(539,790.00)	8,604,698.62
Total Capital Assets Being Depreciated	<u>204,394,561.33</u>	<u>16,005,684.23</u>	<u>(3,283,689.97)</u>	<u>217,116,555.59</u>
Less Accumulated Depreciation for:				
Infrastructure	(23,644,293.96)	(167,981.87)		(23,812,275.83)
Buildings and Building Improvements	(9,939,262.28)	(1,104,970.29)	38,466.60	(11,005,765.97)
Improvements Other Than Buildings	(333,173.47)	(68,863.27)		(402,036.74)
Computer and Communication Equipment	(5,677,147.13)	(679,139.34)	45,547.89	(6,310,738.58)
Equipment and Furniture	(569,719.93)	(65,541.12)		(635,261.05)
Motor Vehicles and Construction Equipment	(10,601,494.46)	(2,067,366.57)	2,416,510.17	(10,252,350.86)
Capital Assets Under Capital Lease	(3,664,782.82)	(1,449,625.96)	422,207.32	(4,692,201.46)
Total Accumulated Depreciation	<u>(54,429,874.05)</u>	<u>(5,603,488.42)</u>	<u>2,922,731.98</u>	<u>(57,110,630.49)</u>
Total Capital Assets Being Depreciated, Net	<u>149,964,687.28</u>	<u>10,402,195.81</u>	<u>(360,957.99)</u>	<u>160,005,925.10</u>
Total Governmental Activities Capital Assets, Net	<u>\$165,154,130.53</u>	<u>\$19,827,824.13</u>	<u>\$(10,974,875.13)</u>	<u>\$174,007,079.53</u>

Notes to the Financial Statements

For the Year Ended September 30, 2005

The beginning balance of governmental activities' capital assets was restated by \$106,105,346.10 to retroactively report infrastructure (roads) to comply with GASB Statement Number 34 requirements. In addition, during fiscal year 2005, the Commission increased its capitalization threshold, which resulted in a net reduction of \$329,039.69. Finally, a physical inventory taken in fiscal year 2005 resulted in a net restatement of \$1,164,447.19.

	Restated Balance 10/1/2004 (*)	Additions (**)	Reductions	Balance 9/30/2005
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,295,559.12	\$	\$	\$ 1,295,559.12
Total Capital Assets, Not Being Depreciated	1,295,559.12			1,295,559.12
Capital Assets Being Depreciated:				
Buildings	1,124,011.84			1,124,011.84
Improvements Other Than Buildings	6,180,713.40	1,314,771.29		7,495,484.69
Computer and Communication Equipment	122,760.72		(51,437.38)	71,323.34
Motor Vehicles and Construction Equipment	5,209,565.52	753,919.40	(245,911.46)	5,717,573.46
Equipment and Furniture	53,922.36			53,922.36
Capital Assets Under Capital Lease (***)	1,699,926.66	158,174.00		1,858,100.66
Total Capital Assets Being Depreciated	14,390,900.50	2,226,864.69	(297,348.84)	16,320,416.35
Less Accumulated Depreciation for:				
Buildings	(405,528.23)	(36,281.76)		(441,809.99)
Improvements Other Than Buildings	(5,606,634.97)	(361,533.45)		(5,968,168.42)
Computer and Communication Equipment	(122,760.72)		51,437.38	(71,323.34)
Motor Vehicles and Construction Equipment	(3,608,511.02)	(708,569.30)	245,911.46	(4,071,168.86)
Equipment and Furniture	(42,341.61)	(2,167.80)		(44,509.41)
Capital Assets Under Capital Lease	(401,081.08)	(325,720.50)		(726,801.58)
Total Accumulated Depreciation	(10,186,857.63)	(1,434,272.81)	297,348.84	(11,323,781.60)
Total Capital Assets Being Depreciated, Net	4,204,042.87	792,591.88		4,996,634.75
Total Business-Type Activities Capital Assets, Net	\$ 5,499,601.99	\$ 792,591.88	\$	\$ 6,292,193.87
<p>(*) The beginning balance of business-type activities' capital assets was restated due to prior period errors detected in the current period of \$3,951.84 and due to the effect of a change in the capitalization threshold of \$46,506.31.</p> <p>(**) The "Additions" column includes capital assets in the amount of \$1,314,771.29 that were transferred from governmental activities to the Solid Waste Fund.</p> <p>(***) Lease obligations related to assets of business-type activities are obligations of the governmental funds and therefore are accounted for in governmental activities.</p>				

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$2,107,492.63
Public Safety	1,083,175.64
Highway and Roads	2,289,582.72
Health	27,003.30
Welfare	7,838.78
Culture and Recreation	59,965.71
Education	28,429.64
Total Depreciation Expense - Governmental Activities	<u>\$5,603,488.42</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Solid Waste	\$1,434,272.81
Total Depreciation Expense - Business-Type Activities	<u>\$1,434,272.81</u>

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 6 - Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2005, was 5.99 percent based on the actuarial valuation performed as of September 30, 2003.

C. Annual Pension Cost

For the year ended September 30, 2005, the Commission's annual pension cost of \$1,005,114.06 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2004, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2004, was 20 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$1,005,114	100%	\$0
9/30/2004	\$ 877,483	100%	\$0
9/30/2003	\$ 944,803	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2005

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Percentage of Covered Payroll [(b-a)/c]
9/30/2004*	\$27,834,036	\$30,970,229	\$3,136,193	89.9%	\$15,199,055	20.6%
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	94.1%	\$13,129,356	11.4%

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

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

***Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.

Note 7 - Other Postemployment Benefits (OPEB)

The Commission allows retired employees and officials to continue to participate in the County's health insurance plan. For those retired persons with at least 25 years of service, the Commission pays all but \$100 of single coverage. For those retired persons with at least 30 years of service, the Commission pays 100% of single coverage. The Commission does not pay the family coverage portion. The Commission's contributions are on a pay-as-you-go basis, and for the year ended September 30, 2005, the Commission's expenditures to cover approximately 13 participants totaled \$34,662.44.

Note 8 - Construction and Other Significant Commitments

Project Name	Amount Remaining
Trail Construction - Montrose Section	\$1,343,708.00
Packard Hughes Building - Phase I	661,466.99
Renovation of Central Annex - Phase II	123,995.57
Wilderness	3,480,992.76
Archives Building	3,611.30
Hazardous Waste Building	474,653.50
Kirkman Lane	323,204.70
Palmetto Creek Boat Ramp	166,218.00
Bridge 132, County Road 12	4,242.00
Total	<u>\$6,582,092.82</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

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, 2005, amounted to \$75,983.90.

Note 10 - Payables

On September 30, 2005, payables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Other	Total
<u>Governmental Funds</u>				
General Fund	\$3,275,089.16	\$2,967,098.52	\$	\$6,242,187.68
Gasoline Tax Fund	735,716.24			735,716.24
FEMA Fund	39,158.38			39,158.38
Debt Service Fund	13,535.00			13,535.00
Other Governmental Funds	835,738.82	1,247.50	25,117.04	862,103.36
Total Governmental Funds	<u>4,899,237.60</u>	<u>2,968,346.02</u>	<u>25,117.04</u>	<u>7,892,700.66</u>
<u>Business-Type Activities</u>				
Solid Waste Fund	139,859.27			139,859.27
Other Enterprise Fund	62,015.56		59.38	62,074.94
Total Business-Type Activities	<u>201,874.83</u>		<u>59.38</u>	<u>201,934.21</u>
<u>Fiduciary Funds</u>				
Private-Purpose Trust Fund	7,051.48		6,294,728.79	6,301,780.27
Agency Fund	11,423.05		101,699.00	113,122.05
Total Fiduciary Funds	<u>\$ 18,474.53</u>	<u>\$</u>	<u>\$6,396,427.79</u>	<u>\$6,414,902.32</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 11 - Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$8,604,698.62 for governmental activities and \$1,858,100.66 for business-type activities at September 30, 2005. 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 Activities
September 30, 2006	\$1,484,618.78
2007	840,901.83
Total Minimum Lease Payments	2,325,520.61
Less: Amount Representing Interest	(86,566.67)
Present Value of Net Minimum Lease Payments	<u>\$2,238,953.94</u>

Note 12 - Short-Term Debt

During the year, the Commission incurred short-term debt for the purpose of purchasing land in Bay Minette. The Commission agreed to pay one-half the purchase price immediately and one-half the purchase price within 6 months of closing. Short-term debt activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	<u>\$</u>	\$130,170.00	\$65,170.00	\$65,000.00

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 13 - Long-Term Debt

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 renovation, renovation of Bay Minette Courthouse, Public Works Building, Landfill Truck Wash and Fueling Facility, and Transfer Station Expansion. Debt service payments are made by the General Fund.

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 service 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 service 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 acquisition of the Refunded Series 1994 Warrants. Debt service 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, were issued to provide funds for bridge construction, construction of shelled in top floor of jail, acquisition of Packard Hughes Building in Robertsdale, and construction of facilities and capital purchases for Wilderness Intervention Programs for juveniles. Debt service payments are made by the General Fund and Gasoline Tax Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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 service 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 service 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 service payments are made by General Fund and Gasoline Tax Fund.

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 service payments are made by Gasoline Tax Fund.

In November 2004, General Obligation Warrants, with an interest rate of 2.77%, were issued as a line-of-credit to provide funds needed for disaster recovery following significant hurricane damage sustained in the County. Debt service payments are made by the FEMA Fund as funded by disaster assistance grants.

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 debt service payments are made by the General Fund (28%), the Gasoline Tax Fund (48%), and the Solid Waste Fund (24%).

Notes to the Financial Statements
For the Year Ended September 30, 2005

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2005:

	Debt Outstanding 10/1/2004	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/2005	Amounts Due within One Year
Governmental Activities					
Warrants and Notes Payable:					
General Obligation, 1996	\$ 2,400,000.00	\$	\$ (1,005,000.00)	\$ 1,395,000.00	\$1,055,000.00
General Obligation, 1998	1,780,000.00		(520,000.00)	1,260,000.00	545,000.00
General Obligation, 1999	5,505,000.00		(560,000.00)	4,945,000.00	580,000.00
General Obligation, 2001	7,145,000.00		(120,000.00)	7,025,000.00	1,645,000.00
General Obligation, 2002	16,475,000.00		(470,000.00)	16,005,000.00	490,000.00
General Obligation, 2002	80,000.00		(10,000.00)	70,000.00	
General Obligation, 2003	8,250,000.00			8,250,000.00	300,000.00
General Obligation, 2004	12,075,000.00		(1,585,000.00)	10,490,000.00	100,000.00
General Obligation, 2004-B	13,680,000.00			13,680,000.00	
General Obligation, 2004-C		19,239,031.66	(14,415,296.90)	4,823,734.76	
Less: Unamortized Discount	(146,572.06)		7,034.04	(139,538.02)	(7,034.04)
Plus: Unamortized Premium	426,070.57		(426,070.57)		
Less: Deferred Charges on Refunding	(519,992.22)		519,992.22		
Long-Term Notes Payable	260,000.00		(95,000.00)	165,000.00	60,000.00
Total Warrants and Notes Payable	67,409,506.29	19,239,031.66	(18,679,341.21)	67,969,196.74	4,767,965.96
Other Liabilities:					
Capital Leases	4,415,449.91		(2,176,495.97)	2,238,953.94	1,418,615.47
Compensated Absences	1,557,297.45	110,046.83	(84,746.64)	1,582,597.64	1,116,395.65
Total Other Liabilities	5,972,747.36	110,046.83	(2,261,242.61)	3,821,551.58	2,535,011.12
Total Governmental Activities Long-Term Liabilities	73,382,253.65	19,349,078.49	(20,940,583.82)	71,790,748.32	7,302,977.08
Business-Type Activities:					
Note Payable	30,000.00		(30,000.00)		
Total Note Payable	30,000.00		(30,000.00)		
Other Liabilities:					
Capital Lease Contracts Payable	96,565.36		(96,565.36)		
Compensated Absences	190,493.24	37,290.43		227,783.67	227,783.67
Estimated Liability for Landfill Closure/Postclosure Care Costs	2,248,964.08	135,347.96		2,384,312.04	
Total Other Liabilities	2,536,022.68	172,638.39	(96,565.36)	2,612,095.71	227,783.67
Total Business-Type Activities Long-Term Liabilities	\$ 2,566,022.68	\$ 172,638.39	\$ (126,565.36)	\$ 2,612,095.71	\$ 227,783.67

The capital lease liability for the governmental activities will be liquidated by the General Fund (23%), the Gasoline Tax Fund (59%), and the 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 48% has been paid by the General Fund, 32% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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, 2006	\$ 4,715,000.00	\$ 2,823,112.45	\$1,418,615.47	\$66,003.31	\$ 60,000.00	\$	\$ 9,082,731.23
2007	10,188,734.76	2,536,064.36	820,338.47	20,563.36	60,000.00		13,625,700.95
2008	4,870,000.00	2,323,916.25			45,000.00		7,238,916.25
2009	4,945,000.00	2,147,090.00					7,092,090.00
2010	3,270,000.00	1,953,971.25					5,223,971.25
2011-2015	15,795,000.00	7,736,253.75					23,531,253.75
2016-2020	13,230,000.00	4,277,800.00					17,507,800.00
2021-2025	9,900,000.00	1,414,978.75					11,314,978.75
2026	1,030,000.00	51,500.00					1,081,500.00
Total	\$67,943,734.76	\$25,264,686.81	\$2,238,953.94	\$86,566.67	\$165,000.00	\$	\$95,698,942.18

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, 2004-B, and 2004-C General Obligation Warrants. The issuance costs are being amortized using the straight-line method over a period of years.

	Issuance Costs	Deferred Charges on Refunding	(Discount)	Premium
Total Issuance Costs, Deferred Charges on Refunding and Discount/Premium	\$504,235.85	\$1,039,984.44	\$(153,606.10)	\$ 852,141.15
Amount Amortized Prior Years	(98,008.09)	(519,992.22)	7,034.04	(426,070.58)
Balance Issuance Costs, Deferred Charges on Refunding and Discount/Premium	406,227.76	519,992.22	(146,572.06)	426,070.57
Current Amount Amortized	(99,484.24)	(519,992.22)	7,034.04	(426,070.57)
Balance Issuance Costs, Deferred Charges on Refunding and Discount/Premium	\$306,743.52	\$	\$(139,538.02)	\$

Prior Year Defeasance of Debt

In the prior year, the Commission defeased General Obligations Warrants, Series 1996 by placing the proceeds of the new warrants (General Obligation Warrants, Series 2004) in an irrevocable trust to provide for all future debt service payments of the Series 1996 warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2005, the total of \$10,120,000 of warrants outstanding are considered defeased.

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 14 - 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 \$2,384,312.04 as of September 30, 2005, which is based on 48.21% usage (filled) of the landfill. It is estimated that an additional \$2,561,652.96 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, 2005. 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.

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, 2005, funds of \$1,079,068.81 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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 15 - 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 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 may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to \$750,000 per incident with a \$25,000 deductible.

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, 2005

Note 16 - Interfund Receivables and Payables

Due To/From Other Funds

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

	Due to Other Funds			
	General Fund	Gasoline Tax Fund	FEMA Fund	Other Governmental Funds
Due from Other Funds:				
General Fund	\$	\$20,780.05	\$ 405,575.18	\$344,950.14
Gasoline Tax Fund	20,953.13		1,026,385.40	14,669.30
FEMA Fund	9,656.00			
Other Governmental Funds	80,921.49	3,704.86		339,939.95
Solid Waste Fund	1.49	1,839.82	31,057.16	47,434.97
Other Enterprise Fund				
Total	\$111,532.11	\$26,324.73	\$1,463,017.74	\$746,994.36

Interfund Transfers and Contributions

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

	Transfers In		
	General Fund	Gasoline Tax Fund	FEMA Fund
Transfers Out:			
General Fund	\$	\$ 209,817.00	\$
Gasoline Tax Fund			
Public Buildings, Roads and Bridges Fund		6,350,883.00	
FEMA Fund			
Oil and Gas Trust Fund	324,413.27		
Other Governmental Funds	99,659.59	627,500.00	19,239,031.66
Solid Waste Fund	384,965.00		
Total	\$809,037.86	\$7,188,200.00	\$19,239,031.66

Notes to the Financial Statements
For the Year Ended September 30, 2005

Due to Other Funds			
Solid Waste Fund	Other Enterprise Fund	Private-Purpose Trust Funds	Total
\$139,169.54	\$ 350.01	\$21,084.59	\$ 931,909.51
1,398.73	7,758.09		1,071,164.65
			9,656.00
	58.31		424,624.61
	154,668.22		235,001.66
55,534.52			55,534.52
<u>\$196,102.79</u>	<u>\$162,834.63</u>	<u>\$21,084.59</u>	<u>\$2,727,890.95</u>

Transfers In			
Debt Service Fund	Other Governmental Funds	Solid Waste Fund	Total
\$ 4,097,999.57	\$3,004,619.57	\$	\$ 7,312,436.14
3,182,140.96			3,182,140.96
			6,350,883.00
14,415,296.90			14,415,296.90
			324,413.27
83,689.67	506,533.00	52,850.89	20,609,264.81
247,154.16	180,970.18		813,089.34
<u>\$22,026,281.26</u>	<u>\$3,692,122.75</u>	<u>\$52,850.89</u>	<u>\$53,007,524.42</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

Capital assets in the amount of \$1,314,771.29 were transferred to from the governmental activities to the Solid Waste Fund.

Note 17 - Related Parties

One of the former members of the Baldwin County Commission, Jonathon 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 Commission Armstrong took office.

One of the Baldwin County Commissioners, Albert Lipscomb, is related to a subcontractor being used by the Commission's Hurricane Ivan storm debris pickup contractor, Crowder-Gulf. Once Commissioner Lipscomb became aware of his cousin's subcontractor relationship with Crowder-Gulf, he has "stepped aside" during discussions of Hurricane Ivan storm debris matters and during formal meetings has either not voted or abstained on relevant storm debris matters.

Note 18 - Subsequent Event

At its January 3, 2006 meeting, the Commission took action to proceed with borrowing funds in the amount of \$27,163,863 for various capital projects approved in the fiscal year 2006 budget.

Note 19 - Restatements

Restatements were made to correct various errors from the prior period. Also, a restatement to the beginning capital asset balance was necessary to reconcile to the physical inventory taken by the Commission during the audit period. In addition, the Commission retroactively reported roads built or acquired since June 30, 1980. Also, during fiscal year 2005, the Commission increased its capitalization threshold for reporting capital assets. This change resulted in the removal of some assets capitalized in prior years along with associated accumulated depreciation.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
Fund Balance, September 30, 2004, as Previously Reported	\$12,478,200.59	\$11,023,583.48	\$771,310.39
Restatements	(27,024.38)		
Fund Balance, September 30, 2004, as Restated	<u>\$12,451,176.21</u>	<u>\$11,023,583.48</u>	<u>\$771,310.39</u>
Governmental Activities Net Assets Balance, September 30, 2004, as Previously Reported			
Restatements of Fund Balances			
Effect of Prior Period Errors on Capital Assets			
Effect of Change in Capitalization Threshold			
Effect of Retroactive Reporting of Infrastructure			
Governmental Activities Net Assets Balance, September 30, 2004, as Restated			

	Solid Waste Fund	Other Enterprise Fund	Total Business Activities
Net Assets, September 30, 2004, as Previously Reported	\$5,105,090.98	\$2,255,464.37	\$7,360,555.35
Effect of Prior Period Errors on Capital Assets	3,951.84		3,951.84
Effect of Change in Capitalization Threshold	(34,901.90)	(11,604.41)	(46,506.31)
Net Assets, September 30, 2004, as Restated	<u>\$5,074,140.92</u>	<u>\$2,243,859.96</u>	<u>\$7,318,000.88</u>

	Private-Purpose Trust Fund
Net Assets, September 30, 2004, as Previously Reported	\$1,199,089.18
Restatements	(108,833.83)
Net Assets, September 30, 2004, as Restated	<u>\$1,090,255.35</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

FEMA Fund	Debt Service Fund	Oil and Gas Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 73,736.39	\$2,923,410.71	\$13,436,652.81	\$15,692,042.95	\$ 56,398,937.32
(62,923.06)			(3,482.32)	(93,429.76)
\$ 10,813.33	\$2,923,410.71	\$13,436,652.81	\$15,688,560.63	56,305,507.56
				41,770,832.01
				(93,429.76)
				1,164,447.19
				(329,039.69)
				106,105,346.10
				\$148,618,155.85

Required Supplementary Information

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

	Budgeted Amounts	
	Original	Final
Revenues		
Taxes	\$ 23,891,046.00	\$ 25,002,328.00
Licenses and Permits	1,306,915.00	1,386,505.00
Intergovernmental	2,031,252.00	5,608,071.00
Charges for Services	7,213,635.00	7,468,600.00
Fines and Forfeits		
Miscellaneous	713,375.00	1,226,750.00
Total Revenues	<u>35,156,223.00</u>	<u>40,692,254.00</u>
Expenditures		
Current:		
General Government	12,461,704.00	15,027,420.00
Public Safety	14,248,182.00	17,248,122.00
Sanitation		
Health	1,147,485.00	1,147,485.00
Welfare	800.00	800.00
Culture and Recreation	85,000.00	344,594.00
Education	146,833.00	146,833.00
Capital Outlay	2,304,350.00	2,722,652.00
Debt Service:		
Principal Retirement	951,070.00	951,070.00
Interest and Fiscal Charges		
Intergovernmental	42,750.00	42,750.00
Total Expenditures	<u>31,388,174.00</u>	<u>37,631,726.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,768,049.00</u>	<u>3,060,528.00</u>
Other Financing Sources (Uses)		
Transfers In	2,375,951.00	2,457,026.00
Sale of Capital Assets		
Transfers Out	(6,644,000.00)	(7,788,332.00)
Total Other Financing Sources (Uses)	<u>(4,268,049.00)</u>	<u>(5,331,306.00)</u>
Net Change in Fund Balances	(500,000.00)	(2,270,778.00)
Fund Balances at Beginning of Year	<u>500,000.00</u>	<u>2,270,778.00</u>
Fund Balances at End of Year	<u>\$</u>	<u>\$</u>

Actual Amounts Budgetary Basis	Actual Amounts GAAP
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\$ 25,965,147.86	\$ 25,965,147.86
1,593,883.80	1,593,883.80
4,713,386.13	4,713,386.13
7,890,546.73	7,890,546.73
62,667.92	62,667.92
1,672,911.81	1,672,911.81
<u>41,898,544.25</u>	<u>41,898,544.25</u>

13,876,715.10	13,876,715.10
15,921,295.41	15,921,295.41
507.00	507.00
1,162,523.06	1,162,523.06
200.00	200.00
118,068.20	118,068.20
168,741.11	168,741.11
2,920,217.72	2,920,217.72

544,738.24	544,738.24
39,460.43	39,460.43
42,633.26	42,633.26
<u>34,795,099.53</u>	<u>34,795,099.53</u>

<u>7,103,444.72</u>	<u>7,103,444.72</u>
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809,037.86	809,037.86
32,692.00	32,692.00
(7,312,436.14)	(7,312,436.14)
<u>(6,470,706.28)</u>	<u>(6,470,706.28)</u>

632,738.44	632,738.44
<u>12,451,176.21</u>	<u>12,451,176.21</u>

<u>\$ 13,083,914.65</u>	<u>\$ 13,083,914.65</u>
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***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2005***

	Budgeted Amounts	
	Original	Final
<u>Revenues</u>		
Taxes	\$ 6,850,000.00	\$ 7,050,000.00
Intergovernmental	2,963,175.00	3,327,987.00
Charges for Services	55,000.00	35,818.00
Miscellaneous	415,000.00	629,773.00
Total Revenues	<u>10,283,175.00</u>	<u>11,043,578.00</u>
<u>Expenditures</u>		
Current:		
Highways and Roads	13,980,539.00	15,310,194.00
Capital Outlay	2,629,500.00	2,620,192.00
Debt Service:		
Principal Retirement	2,599,543.00	2,599,543.00
Interest and Fiscal Charges		
Total Expenditures	<u>19,209,582.00</u>	<u>20,529,929.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,926,407.00)</u>	<u>(9,486,351.00)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	10,316,550.00	10,687,020.00
Sale of Capital Assets		
Transfers Out	(3,183,672.00)	(4,183,672.00)
Total Other Financing Sources (Uses)	<u>7,132,878.00</u>	<u>6,503,348.00</u>
Net Changes in Fund Balances	(1,793,529.00)	(2,983,003.00)
Fund Balances at Beginning of Year	<u>1,793,529.00</u>	<u>2,983,003.00</u>
Fund Balances at End of Year	<u>\$</u>	<u>\$</u>

Actual Amounts Budgetary Basis	Actual Amounts GAAP
\$ 7,132,220.08	\$ 7,132,220.08
3,299,881.62	3,299,881.62
21,680.00	21,680.00
478,672.43	478,672.43
<u>10,932,454.13</u>	<u>10,932,454.13</u>
10,456,216.70	10,456,216.70
4,738,484.19	4,738,484.19
1,334,481.62	1,334,481.62
69,971.67	69,971.67
<u>16,599,154.18</u>	<u>16,599,154.18</u>
(5,666,700.05)	(5,666,700.05)
7,188,200.00	7,188,200.00
836,732.13	836,732.13
(3,182,140.96)	(3,182,140.96)
<u>4,842,791.17</u>	<u>4,842,791.17</u>
(823,908.88)	(823,908.88)
<u>11,023,583.48</u>	<u>11,023,583.48</u>
<u>\$ 10,199,674.60</u>	<u>\$ 10,199,674.60</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, 2005***

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
<u>Revenues</u>		
Taxes	\$ 6,037,500.00	\$ 6,050,000.00
Intergovernmental	213,000.00	214,138.00
Miscellaneous	40,000.00	86,745.00
Total Revenues	<u>6,290,500.00</u>	<u>6,350,883.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,290,500.00</u>	<u>6,350,883.00</u>
<u>Other Financing Sources (Uses)</u>		
Transfers Out	<u>(6,290,500.00)</u>	<u>(6,350,883.00)</u>
Total Other Financing Sources (Uses)	<u>(6,290,500.00)</u>	<u>(6,350,883.00)</u>
Net Change in Fund Balances		
Fund Balances at Beginning of Year		
Fund Balances at End of Year	<u>\$</u>	<u>\$</u>

<u>Actual Amounts Budgetary Basis</u>	<u>Actual Amounts GAAP</u>
\$ 6,201,728.27	\$ 6,201,728.27
<u>113,760.22</u>	<u>113,760.22</u>
<u>6,315,488.49</u>	<u>6,315,488.49</u>
<u>6,315,488.49</u>	<u>6,315,488.49</u>
<u>(6,350,883.00)</u>	<u>(6,350,883.00)</u>
<u>(6,350,883.00)</u>	<u>(6,350,883.00)</u>
(35,394.51)	(35,394.51)
<u>771,310.39</u>	<u>771,310.39</u>
<u>\$ 735,915.88</u>	<u>\$ 735,915.88</u>

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Direct Program</u>		
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Sub-Total Watershed Protection and Flood Prevention		
<u>Passed Through Alabama Department of Education</u>		
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		
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Coastal Zone Management Administration Awards	11.419	
Coastal Zone Management (Section 306)	11.419	
Coastal Zone Management (Section 306)	11.419	
Sub-Total Coastal Zone Management Administration Awards		
<u>Passed Through Alabama Department of Environmental Management</u>		
Financial Assistance for National Centers for Coastal Ocean Science	11.426	
Total U. S. Department of Commerce		
<u>U. S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Community Development Block Grants/State's Program (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 Community Development Block Grants/State's Program		
Emergency Shelter Grants Program	14.231	ESG-03-004
Emergency Shelter Grants Program	14.231	ESG-04-007
Sub-Total Emergency Shelter Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
02/08/2005 - 07/15/2005	\$ 175,229.00	\$ 112,500.00	\$ 112,500.00	\$ 112,500.00
02/15/2005 - 09/15/2005	190,759.00	140,500.00	140,500.00	140,500.00
03/29/2005 - 09/15/2005	150,900.00	102,000.00	102,000.00	102,000.00
06/10/2005 - 09/15/2005	52,000.00	39,000.00	39,000.00	39,000.00
06/10/2005 - 09/15/2005	18,000.00	18,000.00	13,414.00	13,414.00
	<u>586,888.00</u>	<u>412,000.00</u>	<u>407,414.00</u>	<u>407,414.00</u>
10/01/2004 - 09/30/2005	13,186.54	13,186.54	13,186.54	13,186.54
10/01/2004 - 09/30/2005	19,793.12	19,793.12	19,793.12	19,793.12
	<u>32,979.66</u>	<u>32,979.66</u>	<u>32,979.66</u>	<u>32,979.66</u>
	<u>619,867.66</u>	<u>444,979.66</u>	<u>440,393.66</u>	<u>440,393.66</u>
12/01/2001 - 11/30/2006	3,137,416.00	3,137,416.00	648,512.12	648,512.12
10/01/2003 - 03/31/2005	30,000.00	15,000.00	15,000.00	15,000.00
01/01/2004 - 03/31/2005	12,000.00	6,000.00	6,000.00	6,000.00
	<u>3,179,416.00</u>	<u>3,158,416.00</u>	<u>669,512.12</u>	<u>669,512.12</u>
10/01/2004 - 09/30/2005	90,000.00	20,000.00	20,000.00	20,000.00
	<u>3,269,416.00</u>	<u>3,178,416.00</u>	<u>689,512.12</u>	<u>689,512.12</u>
08/19/2003 - Completion	400,000.00	350,000.00	299,214.70	299,214.70
08/23/2002 - Completion	550,000.00	500,000.00	293,070.86	293,070.86
	<u>950,000.00</u>	<u>850,000.00</u>	<u>592,285.56</u>	<u>592,285.56</u>
05/27/2003 - 05/26/2005	32,682.52	16,841.26	9,307.18	9,307.18
05/11/2004 - 05/10/2006	12,000.00	12,000.00	12,000.00	12,000.00
	<u>44,682.52</u>	<u>28,841.26</u>	<u>21,307.18</u>	<u>21,307.18</u>
	<u>994,682.52</u>	<u>878,841.26</u>	<u>613,592.74</u>	<u>613,592.74</u>
	\$ 4,883,966.18	\$ 4,502,236.92	\$ 1,743,498.52	\$ 1,743,498.52

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Federal Surplus Property Transfer Program	16.578	N/A
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Byrne Formula Grant Program	16.579	03-DB-02-031
<u>Other Federal Assistance</u>		
<u>Department of Justice</u>		
<u>Passed Through Alabama Department of Public Safety</u>		
High Intensity Drug Trafficking Area Grant	N/A	I3PGCP504/I4PGCP504
Total U. S. Department of Justice		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Recreational Trails Program (Eastern Shore)	20.219	HPP-1602(534)
Recreational Trails Program (Eastern Shore-Montrose Section)	20.219	TCSP-SP02(912)
Sub-Total Recreational Trails Program		
Formula Grants for Other Than Urbanized Areas (Section 5311)	20.509	RPTO-100045728/29
Formula Grants for Other Than Urbanized Areas (Section 3037)	20.509	JARC-100045621
Sub-Total Formula Grants for Other Than Urbanized Areas		
Total U. S. Department of Transportation		
<u>U. S. Environmental Protection Agency</u>		
<u>Direct Program</u>		
Regional Wetland Program Development Grants	66.461	
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 4,883,966.18	\$ 4,502,236.92	\$ 1,743,498.52	\$ 1,743,498.52
10/01/2004 - 09/30/2005	364,889.14	364,889.14	364,889.14	63,290.00
12/01/2004 - 11/30/2005	145,981.19	109,485.75	89,293.98	89,293.98
10/01/2004 - 09/30/2005	228,765.00	228,765.00	16,483.11	16,483.11
	739,635.33	703,139.89	470,666.23	169,067.09
11/04/2003 - 01/15/2007	983,748.80	786,999.04	158,498.76	158,498.76
10/24/2002 - Completion	1,486,961.00	1,486,961.00	314,344.86	314,344.86
	2,470,709.80	2,273,960.04	472,843.62	472,843.62
10/01/2004 - 09/30/2005	455,753.00	455,753.00	455,753.00	455,753.00
10/01/2004 - 09/30/2005	76,409.00	76,409.00	76,409.00	76,409.00
	532,162.00	532,162.00	532,162.00	532,162.00
	3,002,871.80	2,806,122.04	1,005,005.62	1,005,005.62
10/01/2004 - 09/30/2006	266,667.00	266,667.00	66,902.96	66,902.96
	\$ 8,893,140.31	\$ 8,278,165.85	\$ 3,286,073.33	\$ 2,984,474.19

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Homeland Security Cluster:		
State Homeland Security Grant Program	97.067	4SHL
State Homeland Security Grant Program	97.067	4SHL
State Homeland Security Grant Program	97.067	4SHL
State Homeland Security Grant Program	97.067	4CZC
State Homeland Security Grant Program	97.067	3DE2
Homeland Security Exercise Grant	97.067	3DOERV1
Sub-Total State Homeland Security Grant Program		
State Domestic Preparedness Equipment Support Program	97.004	2DOJ
Sub-Total State Homeland Security Cluster		
Emergency Management Performance Grants	97.042	EMPG: 04-05
Public Assistance Grants	97.036	FEMA-1549-DR-AL-PA
Public Assistance Grants	97.036	FEMA-1593-DR-AL-PA
Public Assistance Grants	97.036	FEMA-1605-DR-AL-PA
Sub-Total Public Assistance Grants (M)		
Hazard Mitigation Grant	97.039	EMA-2000-DR-0095-003
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 8,893,140.31	\$ 8,278,165.85	\$ 3,286,073.33	\$ 2,984,474.19
05/14/2004 - 05/13/2005	250,000.00	250,000.00	232,772.76	232,772.76
05/02/2005 - 09/13/2005	22,210.00	22,210.00	22,210.00	22,210.00
02/22/2005 - 12/31/2006	34,400.00	34,400.00	32,216.24	32,216.24
05/14/2004 - 05/13/2005	62,145.00	62,145.00	29,996.89	29,996.89
10/01/2003 - 10/01/2004	14,000.00	14,000.00	11,132.34	11,132.34
06/13/2005 - 12/31/2005	5,276.59	5,276.59	5,276.59	5,276.59
	388,031.59	388,031.59	333,604.82	333,604.82
12/16/2002 - 05/31/2005	99,679.99	99,679.99	8,480.00	8,480.00
	487,711.58	487,711.58	342,084.82	342,084.82
10/01/2004 - 09/30/2005	52,588.00	52,588.00	51,045.44	51,045.44
09/15/2004 - Completion	35,291,491.56	35,291,491.56	31,870,819.74	31,870,819.74
07/22/2005 - Completion	795,402.45	795,402.45	636,561.54	636,561.54
08/29/2005 - Completion	4,563,324.51	4,563,324.51	2,810,833.53	2,810,833.53
	40,650,218.52	40,650,218.52	35,318,214.81	35,318,214.81
12/14/2002 - Completion	1,396,308.00	1,047,232.00	103,567.97	103,567.97
	42,586,826.10	42,237,750.10	35,814,913.04	35,814,913.04
	\$ 51,479,966.41	\$ 50,515,915.95	\$ 39,100,986.37	\$ 38,799,387.23

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through South Alabama Regional Planning Commission</u>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2005
<u>Passed Through Alabama Emergency Management Agency</u>		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	04SNS
Total U. S. Department of Health and Human Services		
<u>U. S. Department of Labor</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
WIA Dislocated Workers	17.260	4F206047
Total U. S. Department of Labor		
<u>Social Security Administration</u>		
<u>Direct Program</u>		
Social Security - Disability Insurance	96.001	
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance
(N/A) = Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 51,479,966.41	\$ 50,515,915.95	\$ 39,100,986.37	\$ 38,799,387.23
10/01/2004 - 09/30/2005	311,803.00	103,288.00	103,288.00	103,288.00
	7,500.00	7,500.00	7,500.00	7,500.00
	<u>319,303.00</u>	<u>110,788.00</u>	<u>110,788.00</u>	<u>110,788.00</u>
11/01/2004 - 03/31/2006	1,603,516.15	1,603,516.15	751,495.01	751,495.01
	<u>1,603,516.15</u>	<u>1,603,516.15</u>	<u>751,495.01</u>	<u>751,495.01</u>
	1,800.00	1,800.00	1,800.00	1,800.00
			10,909.52	10,909.52
	<u>\$ 53,404,585.56</u>	<u>\$ 52,232,020.10</u>	<u>\$ 39,975,978.90</u>	<u>\$ 39,674,379.76</u>

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

Note 1 - Basis of Presentation

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2004 through September 30, 2005

Commission Members			Term Expires
Hon. David Ed Bishop (**)	Chairman	687 Greenwood Avenue Fairhope, AL 36532	November 13, 2006
Hon. Jonathan H. Armstrong	Member	101 Colonial Court Daphne, AL 36526	November 8, 2004
Hon. Charles A. Browdy	Member	1929 Highway 180 West Gulf Shores, AL 36542	November 8, 2004
Hon. Frank Burt, Jr.	Member	46780 Rockhill Road Bay Minette, AL 36507	November 13, 2006
Hon. Wayne A. Gruenloh	Member	13525 Rue Royal Lane Silverhill, AL 36576	November 13, 2006
Hon. Albert Lipscomb (*)	Member	P. O. Box 209 Magnolia Springs, AL 36555	November 13, 2006
Hon. Allen D. Perdue	Member	1837 Fairlee Court Montgomery, AL 36106	November 8, 2004
Hon. George A. Price	Member	11600 George Price Lane Lillian, AL 36549	November 8, 2004

Administrative Personnel

Locke W. Williams	Clerk/ Treasurer	10357-A U. S. Highway 98 Fairhope, AL 36532	November 13, 2006
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(*) Chairman through November 8, 2004
(**) Chairman beginning November 9, 2004

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

We have audited the financial statements of the governmental activities, 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, 2005, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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*.

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

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



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

June 16, 2006

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

Compliance

We have audited the compliance of the 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, 2005. 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 of 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, 2005.

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.

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 16, 2006

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section I - Summary of Examiner's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Public Assistance Grant

Dollar threshold used to distinguish Between Type A and Type B programs: \$1,190,231.39
 Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section II - Financial Statement Findings (GAGAS)

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

Section III - Federal Awards Findings and Questioned Costs

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