

Report on the

# Baldwin County Commission

Baldwin County, Alabama

October 1, 2001 Through September 30, 2002

Filed: November 7, 2003



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*



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Ronald L. Jones  
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Baldwin County Commission for the period October 1, 2001 through September 30, 2002.

**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 generally accepted government auditing standards for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission has complied with applicable laws and regulations.

**CONTENTS OF REPORT**

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.

2. **Financial Section** – includes basic financial statements (Exhibits 1 through 5); notes to the financial statements; required supplementary information (Exhibit 6); a Schedule of Expenditures of Federal Awards (Exhibit 7), which details federal awards expended during the audit period; Notes to the Schedule of Expenditures of Federal Awards; and the ***Independent Auditor's Report***, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Additional Information** – contains basic information related to the Commission (Exhibit 8) and the following reports and items 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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards** (Exhibit 9) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

**Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133** (Exhibit 10) – 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 11) – 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.

**Summary Schedule of Prior Audit Findings** (Exhibit 12) – a report, prepared by the Commission, on the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.

**Auditee Response/Corrective Action Plan** (Exhibit 13) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.



### **AUDIT COMMENT**

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.

### **AUDIT FINDING**

- ◆ Procedures were not in place to ensure that additions to fixed asset subsidiary records were reconciled to the general fixed assets account group.

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

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

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

### **STATUS OF PRIOR AUDIT**

A finding contained in the prior audit that was not resolved is reiterated below:

- ◆ The Commission did not follow the accounting guidelines prescribed by the Chief Examiner of Public Accounts or its own policy, governing credit card usage.

### **RECOMMENDATIONS**

- ◆ The Commission should develop adequate procedures to reconcile balances in the general fixed assets account group to the fixed asset subsidiary records.
- ◆ The Commission should follow established guidelines and policies concerning credit card usage.

Sworn to and subscribed before me this  
the 3 day of October, 2003.

Luis Belang Melton  
Notary Public

Sworn to and subscribed before me this  
the 30 day of October, 2003.

[Signature]  
Notary Public

Sworn to and subscribed before me this  
the 7 day of October, 2003.

Linda Welch  
Notary Public

Sworn to and subscribed before me this  
the 7 day of October, 2003.

Linda Welch  
Notary Public

Respectfully submitted,

Mary E. Dunckley

Mary E. Dunckley  
Examiner of Public Accounts

Angela B. Waters

Angela B. Waters  
Examiner of Public Accounts

Christina M. Smith

Christina M. Smith  
Examiner of Public Accounts

Samantha L. Grimes

Samantha L. Grimes  
Examiner of Public Accounts

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## **Independent Auditor's Report**

We have audited the accompanying primary government financial statements of the Baldwin County Commission, as of and for the year ended September 30, 2002, as listed in the table of contents as Exhibits 1 through 5. These financial statements are the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion 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 opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Baldwin County Commission, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Baldwin County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Baldwin County, as of September 30, 2002, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund 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 27, 2003 on our consideration of the Baldwin County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of the Baldwin County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 7) 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 primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

The Schedule of Funding Progress (Exhibit 6) is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 27, 2003

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***Combined Balance Sheet***  
***All Fund Types and Account Groups***  
***September 30, 2002***

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 9,735,385.54	\$ 7,899,132.20	\$ 167,190.16
Cash with Fiscal Agent	524,561.38	2,063,269.20	1.14
Investments		55,242.49	
Investments with Fiscal Agent			2,713,307.38
Property Tax Receivable	8,773,809.79	7,357,133.44	
County Sales Tax Receivable	447,000.00		
Accounts Receivable	36,913.79	49,193.75	
Allowance for Doubtful Accounts			
Interest Receivable			
Due From Other Funds	344,859.24	188,267.79	
Due From Other Governments	789,462.40	558,778.01	
Prepaid Items	29,627.14		
Land			
Buildings			
Improvements Other Than Buildings			
Computer and Communication Equipment			
Motor Vehicle and Heavy Equipment			
Equipment and Furniture			
Construction In Progress			
Fixed Assets Under Capital Leases			
Less: Accumulated Depreciation			
Advances To Enterprise Fund	405,600.00		
Amount Available In Debt Service Fund			
Amount to Be Provided for Payment of General Long-Term Debt			
Amount to Be Provided for Payment of Compensated Absences			
Total Assets	<u>\$ 21,087,219.28</u>	<u>\$ 18,171,016.88</u>	<u>\$ 2,880,498.68</u>

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only) Current Year
			General Fixed Assets	General Long-Term Debt	
\$ 3,631,527.65	\$ 1,360,295.97 475,650.26	\$10,021,617.66	\$	\$	\$ 32,815,149.18
					3,063,481.98
					55,242.49
12,190,873.76					14,904,181.14
					16,130,943.23
					447,000.00
	1,712,112.78 (76,436.00)				1,798,220.32
116.67					(76,436.00)
					116.67
	5,844.09	34,239.73			573,210.85
		5,681.00			1,353,921.41
	9,593.95				39,221.09
	1,295,559.12		1,835,621.33		3,131,180.45
	1,139,714.85		32,689,792.92		33,829,507.77
	6,206,649.50		1,137,263.24		7,343,912.74
	203,207.84		7,863,524.57		8,066,732.41
	5,994,664.98		12,759,475.43		18,754,140.41
	96,679.14		892,272.27		988,951.41
			707,881.81		707,881.81
			4,590,548.62		4,590,548.62
	(8,556,092.82)				(8,556,092.82)
					405,600.00
				2,821,734.24	2,821,734.24
				55,089,166.98	55,089,166.98
				563,462.51	563,462.51
<u>\$15,822,518.08</u>	<u>\$ 9,867,443.66</u>	<u>\$10,061,538.39</u>	<u>\$62,476,380.19</u>	<u>\$58,474,363.73</u>	<u>\$ 198,840,978.89</u>

***Combined Balance Sheet***  
***All Fund Types and Account Groups***  
***September 30, 2002***

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b><u>Liabilities and Fund Equity</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 2,156,433.77	\$ 586,841.85	\$ 1,417.00
Interest Payable			57,347.44
Due To Other Funds	197,479.00	55,720.39	
Due To Other Governments	2,073,042.13		
Deferred Revenues	9,255,295.38	7,581,569.13	
Other Payables			
Accrued Wages and Benefits Payable	302,133.16	174,364.51	
Estimated Liability for Compensated Absences	863,448.60	480,348.40	
Estimated Liability for Landfill Closure and Postclosure Care Costs			
Note Payable			
Capital Lease Contract Payable			
General Obligation Warrants Payable			
Advances From the General Fund			
Total Liabilities	14,847,832.04	8,878,844.28	58,764.44
<b><u>Fund Equity</u></b>			
Contributed Capital			
Retained Earnings			
Investment in General Fixed Assets			
Fund Balances:			
Reserved for Debt Service			2,821,734.24
Reserved for Capital Projects			
Reserved for Trust Requirements			
Reserved for Encumbrances	234,881.20	230,208.27	
Reserved for Fixed Asset Purchases	524,561.38	2,063,269.20	
Reserved for Prepaid Items	29,627.14		
Reserved for Advances to Solid Waste Fund	405,600.00		
Unreserved:	3,136,806.92	5,330,179.25	
Designated for Indigent Care	165,709.88		
Designated for Contingencies	1,742,200.72	1,141,254.71	
Designated for Juvenile Detention Center		527,261.17	
Total Fund Equity	6,239,387.24	9,292,172.60	2,821,734.24
Total Liabilities and Fund Equity	\$ 21,087,219.28	\$ 18,171,016.88	\$ 2,880,498.68

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



Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only) Current Year
			General Fixed Assets	General Long-Term Debt	
\$	\$ 149,594.37	\$ 6,236.80	\$	\$	\$ 2,900,523.79
	265,434.81	54,576.65			57,347.44
		509.99			573,210.85
					2,073,552.12
		557,005.94			16,836,864.51
	43,536.31				557,005.94
	152,375.77			563,462.51	520,033.98
					2,059,635.28
	1,995,361.74				1,995,361.74
	90,000.00			80,000.00	170,000.00
	278,715.14			4,210,901.22	4,489,616.36
				53,620,000.00	53,620,000.00
	405,600.00				405,600.00
	3,380,618.14	618,329.38		58,474,363.73	86,258,752.01
	4,142,526.96				4,142,526.96
	2,344,298.56				2,344,298.56
			62,476,380.19		62,476,380.19
15,822,518.08					2,821,734.24
		2,237,083.08			15,822,518.08
		66,949.73			2,237,083.08
					532,039.20
					2,587,830.58
					29,627.14
					405,600.00
		7,139,176.20			15,606,162.37
					165,709.88
					2,883,455.43
					527,261.17
15,822,518.08	6,486,825.52	9,443,209.01	62,476,380.19		112,582,226.88
\$15,822,518.08	\$ 9,867,443.66	\$10,061,538.39	\$62,476,380.19	\$58,474,363.73	\$ 198,840,978.89

***Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended September 30, 2002***

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b><u>Revenues</u></b>			
Taxes	\$ 18,664,156.55	\$ 13,067,586.24	\$
Licenses and Permits	1,034,884.23		
Intergovernmental	2,520,521.30	7,285,763.77	
Charges for Services	5,191,373.80	767,414.32	
Fines and Forfeitures	24,740.61		
Miscellaneous	697,106.45	1,298,488.55	57,686.34
Total Revenues	<u>28,132,782.94</u>	<u>22,419,252.88</u>	<u>57,686.34</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	9,454,615.22	2,417,232.45	
Public Safety	11,436,939.48	1,148,980.47	
Highways and Roads	12,385.59	12,595,298.98	
Sanitation	371.31		
Health	1,160,187.86		
Welfare	142,657.80	244,645.16	
Culture and Recreation	112,721.31	456,720.16	
Education	275,345.26		
Capital Outlay	1,193,376.07	2,216,437.43	
Debt Service:			
Principal Retirement	353,878.18	1,048,708.61	4,645,000.00
Interest and Fiscal Charges	53,279.86	181,287.93	1,875,458.16
Intergovernmental	127,899.75		
Total Expenditures	<u>24,323,657.69</u>	<u>20,309,311.19</u>	<u>6,520,458.16</u>
Excess of Revenues Over (Under) Expenditures	<u>3,809,125.25</u>	<u>2,109,941.69</u>	<u>(6,462,771.82)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from Warrant Issue			
Proceeds from Sale of General Fixed Assets	49,461.00	379,317.20	
Operating Transfers In	819,222.55	7,948,035.12	6,805,917.80
Bond Discount and Issuance Cost			(24,099.40)
Other Uses			
Operating Transfers Out	(3,935,566.24)	(8,748,439.04)	
Total Other Financing Sources (Uses)	<u>(3,066,882.69)</u>	<u>(421,086.72)</u>	<u>6,781,818.40</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	742,242.56	1,688,854.97	319,046.58
Fund Balances at beginning of year, as restated (Note 17)	4,588,742.91	7,603,317.63	2,502,687.66
Residual Equity Transfer In	908,401.77		
Fund Balances at end of year	<u>\$ 6,239,387.24</u>	<u>\$ 9,292,172.60</u>	<u>\$ 2,821,734.24</u>

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

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) Current Year</u>
\$	\$ 312,350.13	\$ 32,044,092.92
		1,034,884.23
	375,696.73	10,181,981.80
195,580.00	284,107.46	6,438,475.58
		24,740.61
489,947.35	235,255.28	2,778,483.97
685,527.35	1,207,409.60	52,502,659.11
632.83	656,076.85	12,528,557.35
	312,350.13	12,898,270.08
		12,607,684.57
		371.31
		1,160,187.86
		387,302.96
		569,441.47
		275,345.26
819,839.11	86,087.05	4,315,739.66
		6,047,586.79
8,074.69		2,118,100.64
		127,899.75
828,546.63	1,054,514.03	53,036,487.70
(143,019.28)	152,895.57	(533,828.59)
16,475,000.00		16,475,000.00
		428,778.20
	62,100.00	15,635,275.47
(279,899.56)		(303,998.96)
(25,564.73)		(25,564.73)
(1,425,184.63)	(20,000.00)	(14,129,189.91)
14,744,351.08	42,100.00	18,080,300.07
14,601,331.80	194,995.57	17,546,471.48
1,221,186.28	978,930.41	16,894,864.89
		908,401.77
\$ 15,822,518.08	\$ 1,173,925.98	\$ 35,349,738.14

***Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General and Special Revenue Fund Types For the Year Ended September 30, 2002***

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues</u></b>			
Taxes	\$ 19,114,870.00	\$ 18,664,156.55	\$ (450,713.45)
Licenses and Permits	1,098,025.00	1,034,884.23	(63,140.77)
Intergovernmental	1,607,500.00	2,520,521.30	913,021.30
Charges for Services	4,573,255.00	5,191,373.80	618,118.80
Fines and Forfeitures		24,740.61	24,740.61
Miscellaneous	708,019.00	697,106.45	(10,912.55)
Total Revenues	<u>27,101,669.00</u>	<u>28,132,782.94</u>	<u>1,031,113.94</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	10,141,433.00	9,454,615.22	686,817.78
Public Safety	12,285,618.00	11,436,939.48	848,678.52
Highways and Roads		12,385.59	(12,385.59)
Sanitation		371.31	(371.31)
Health	1,136,952.00	1,160,187.86	(23,235.86)
Welfare	162,217.00	142,657.80	19,559.20
Culture and Recreation	85,000.00	112,721.31	(27,721.31)
Education	260,088.00	275,345.26	(15,257.26)
Capital Outlay	1,838,631.00	1,193,376.07	645,254.93
Debt Service:			
Principal Retirement	918,628.00	353,878.18	564,749.82
Interest and Fiscal Charges	29,797.00	53,279.86	(23,482.86)
Intergovernmental	171,000.00	127,899.75	43,100.25
Total Expenditures	<u>27,029,364.00</u>	<u>24,323,657.69</u>	<u>2,705,706.31</u>
Excess of Revenues Over (Under) Expenditures	<u>72,305.00</u>	<u>3,809,125.25</u>	<u>3,736,820.25</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from Warrant Issue			
Proceeds from Sale of General Fixed Assets		49,461.00	49,461.00
Other Sources	1,335,014.00		(1,335,014.00)
Operating Transfers In	1,010,243.00	819,222.55	(191,020.45)
Other Uses			
Operating Transfers Out	(3,882,301.00)	(3,935,566.24)	(53,265.24)
Total Other Financing Sources (Uses)	<u>(1,537,044.00)</u>	<u>(3,066,882.69)</u>	<u>(1,529,838.69)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,464,739.00)</u>	<u>742,242.56</u>	<u>2,206,981.56</u>
Fund Balances at beginning of year, as restated (Note 17)	1,464,739.00	4,588,742.91	3,124,003.91
Residual Equity Transfer In		908,401.77	908,401.77
Fund Balances at end of year	<u>\$</u>	<u>\$ 6,239,387.24</u>	<u>\$ 6,239,387.24</u>

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

<b>Special Revenue</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 12,284,643.00	\$ 13,067,586.24	\$ 782,943.24
8,218,175.00	6,970,222.75	(1,247,952.25)
507,020.00	654,918.68	147,898.68
1,463,090.00	1,287,698.98	(175,391.02)
<u>22,472,928.00</u>	<u>21,980,426.65</u>	<u>(492,501.35)</u>
2,770,212.00	2,398,678.81	371,533.19
1,115,074.00	1,141,578.33	(26,504.33)
15,877,915.00	12,313,139.36	3,564,775.64
275,047.00	244,645.16	30,401.84
463,011.00	456,720.16	6,290.84
3,387,388.00	2,216,437.43	1,170,950.57
1,735,631.00	1,048,708.61	686,922.39
145,030.00	181,287.93	(36,257.93)
<u>25,769,308.00</u>	<u>20,001,195.79</u>	<u>5,768,112.21</u>
<u>(3,296,380.00)</u>	<u>1,979,230.86</u>	<u>5,275,610.86</u>
	379,317.20	379,317.20
2,369,668.00		(2,369,668.00)
6,876,247.00	7,948,035.12	1,071,788.12
<u>(8,249,324.00)</u>	<u>(8,748,439.04)</u>	<u>(499,115.04)</u>
<u>996,591.00</u>	<u>(421,086.72)</u>	<u>(1,417,677.72)</u>
(2,299,789.00)	1,558,144.14	3,857,933.14
2,616,189.00	7,481,442.69	4,865,253.69
<u>\$ 316,400.00</u>	<u>\$ 9,039,586.83</u>	<u>\$ 8,723,186.83</u>

***Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Fund For the Year Ended September 30, 2002***

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b><u>Operating Revenues</u></b>		
Taxes	\$	\$ 119,898.24
Charges for Services	6,833,058.43	571,491.01
Other	22,592.77	
Total Operating Revenues	<u>6,855,651.20</u>	<u>691,389.25</u>
<b><u>Operating Expenses</u></b>		
Salaries and Benefits	2,281,588.62	
Services Provided by Others	917,881.72	
Supplies	406,400.12	
Repairs and Maintenance	111,874.55	
Rentals	334,713.00	
Utilities	45,028.94	
Communication Services	103,804.02	418,385.28
Travel	2,616.88	
Insurance	81,296.00	
Depreciation	1,729,421.01	
Closure and Post Closure Expenses	116,803.90	
Bad Debts	332,349.50	
Total Operating Expenses	<u>6,463,778.26</u>	<u>418,385.28</u>
Operating Income (Loss)	391,872.94	273,003.97
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Miscellaneous Revenues	205,990.19	
Miscellaneous Expenses		(39,879.09)
Interest Revenue	42,057.89	14,449.78
Intergovernmental	(50,000.00)	
Loss on Disposal of Assets	(135,592.59)	
Sale of Assets	56,005.66	
Interest Expense	(14,557.48)	
Total Nonoperating Revenues (Expenses)	<u>103,903.67</u>	<u>(25,429.31)</u>
Income (Loss) Before Operating Transfers	495,776.61	247,574.66
<b><u>Operating Transfers</u></b>		
Operating Transfers In	300,134.27	
Operating Transfers Out	(1,609,906.45)	
Total Operating Transfers	<u>(1,309,772.18)</u>	
Net Income	(813,995.57)	247,574.66
Retained Earnings/Fund Balance, beginning of year	3,158,294.13	660,827.11
Residual Equity Transfer Out		<u>(908,401.77)</u>
Retained Earnings/Fund Balance, end of year	(2,344,298.56)	
Contributed Capital	4,142,526.96	
Fund Equity, end of year	<u>\$ 6,486,825.52</u>	<u>\$</u>

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

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Nonexpendable Trust</u>	<u>Current Year</u>
\$ 1,108,294.23	\$ 1,228,192.47
	7,404,549.44
	22,592.77
<u>1,108,294.23</u>	<u>8,655,334.68</u>
	2,281,588.62
	917,881.72
	406,400.12
	111,874.55
	334,713.00
	45,028.94
	522,189.30
	2,616.88
	81,296.00
	1,729,421.01
	116,803.90
	332,349.50
	<u>6,882,163.54</u>
1,108,294.23	1,773,171.14
	205,990.19
	(39,879.09)
218,125.98	274,633.65
	(50,000.00)
	(135,592.59)
	56,005.66
	(14,557.48)
<u>218,125.98</u>	<u>296,600.34</u>
1,326,420.21	2,069,771.48
	300,134.27
(196,313.38)	(1,806,219.83)
<u>(196,313.38)</u>	<u>(1,506,085.56)</u>
1,130,106.83	563,685.92
7,139,176.20	10,958,297.44
	(908,401.77)
<u>(8,269,283.03)</u>	<u>(10,613,581.59)</u>
	4,142,526.96
<u>\$ 8,269,283.03</u>	<u>\$ 14,756,108.55</u>

***Combined Statement of Cash Flows***  
***All Proprietary Fund Types and Similar Trust Fund***  
***For the Year Ended September 30, 2002***

	<b>Proprietary Fund Types</b>	
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating Income	\$ 391,872.94	\$ 273,003.97
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Depreciation	1,729,421.01	
Landfill Closure and Postclosure Care Costs	116,803.90	
Bad Debt Expense	332,349.50	
(Increase) in Accounts Receivable	(129,987.82)	
Decrease in Due From Other Funds	27,468.53	324,643.66
Decrease in Prepaid Expenses	19,984.79	
Increase/(Decrease) in Accounts Payable	8,487.71	(7,710.05)
Increase/(Decrease) in Due To Other Funds	82,961.68	
Increase in Accrued Wages Payable	6,484.24	
Increase in Estimated Liability for Compensated Absences	25,851.10	
Increase in Notes Payable	90,000.00	
(Decrease) in Advances from General Fund	(135,200.00)	
<b>TOTAL ADJUSTMENTS</b>	<b>2,174,624.64</b>	<b>316,933.61</b>
Net Cash Provided by Operating Activities	<b>2,566,497.58</b>	<b>589,937.58</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Miscellaneous	205,990.19	(39,879.09)
Operating Transfers In	300,134.27	
Intergovernmental Expense	(50,000.00)	
Operating Transfers Out	(1,609,906.45)	
Residual Equity Transfer Out		(908,401.77)
Net Cash Provided (Used) by Non-Capital Financing Activities	<b>(1,153,781.99)</b>	<b>(948,280.86)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Sale of Assets	56,005.66	
Acquisition of Assets	(1,447,861.48)	
Principal Payments - Capital Leases Payable	(85,863.69)	
Interest Expense	(14,557.48)	
Net Cash Flows Used by Capital and Related Financing Activities	<b>(1,492,276.99)</b>	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest Received	42,057.89	14,449.78
Net Cash Provided by Investing Activities	<b>42,057.89</b>	<b>14,449.78</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	(37,503.51)	(343,893.50)
Cash and Cash Equivalents, Beginning of Year	1,873,449.74	343,893.50
Cash and Cash Equivalents, End of Year	<b>\$ 1,835,946.23</b>	<b>\$</b>

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



Fiduciary Fund Type	Totals (Memorandum Only)
Nonexpendable Trust Fund	Current Year
\$ 1,108,294.23	\$ 1,773,171.14
	1,729,421.01
	116,803.90
	332,349.50
	(129,987.82)
	352,112.19
	19,984.79
	777.66
(18,649.45)	64,312.23
	6,484.24
	25,851.10
	90,000.00
	(135,200.00)
(18,649.45)	2,472,908.80
1,089,644.78	4,246,079.94
	166,111.10
	300,134.27
	(50,000.00)
(196,313.38)	(1,806,219.83)
	(908,401.77)
(196,313.38)	(2,298,376.23)
	56,005.66
	(1,447,861.48)
	(85,863.69)
	(14,557.48)
	(1,492,276.99)
218,125.98	274,633.65
218,125.98	274,633.65
1,111,457.38	730,060.37
7,158,495.89	9,375,839.13
\$ 8,269,953.27	\$ 10,105,899.50

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Note 1 - Summary of Significant Accounting Policies**

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

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (hereinafter referred to as the "Statement"). This Statement provides for significant changes in financial reporting for governmental entities. Some of the significant changes include:

- ◆ A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.
- ◆ Financial statements prepared using full accrual accounting for all of the Commission's activities, including reporting infrastructure assets (roads, bridges, etc.).
- ◆ A change in the fund financial statements to focus on major funds.

The Statement provides for a phased-in implementation (based on the total annual revenues of the government) starting in fiscal years ending 2002. The Commission is considered a phase two government and will implement the statement in fiscal year ending September 30, 2003. The Commission is required to prospectively report general infrastructure assets at the same time the Statement is implemented. Retroactive reporting of all major general infrastructure assets is required by or before fiscal year ending September 30, 2007.

#### **A. Reporting Entity**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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

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

#### **B. Fund Accounting**

The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

#### **Governmental Fund Types**

Governmental fund types are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

#### **General Fund**

The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the County.

#### **Special Revenue Funds**

Special revenue funds account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### **Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for, and the payment of, the Commission’s general long-term debt principal and interest.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Capital Projects Funds**

Capital projects 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 and trust funds).

#### **Proprietary Fund Types**

Proprietary fund types are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services for such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

- ◆ **Enterprise Fund** - This fund is used to account for activities where the intent of the Commission is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Commission decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes.
- ◆ **Internal Service Fund** - This fund is used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis.

#### **Fiduciary Fund Types**

Fiduciary fund types are used to account for resources held by the Commission in a trustee capacity or custodian for individuals, private organizations, other governmental units or other funds. These funds include expendable trust, nonexpendable trust and agency funds.

- ◆ **Expendable Trust Funds** - These funds are used to account for assets held in trust by the Commission and disbursed at the direction of law, a specific individual, or an organization.
- ◆ **Nonexpendable Trust Fund** - This fund is used to account for assets held in trust by the Commission and disbursed at the direction of the law, a specific individual, or an organization while maintaining the principal of the fund intact.
- ◆ **Agency Funds** - These funds are used to account for assets, which belong to other organizations and individuals. The Commission collects these assets and transfers them to the proper parties.

#### **ACCOUNT GROUPS**

Account groups are used to establish accounting control and accountability for the Commission's general fixed assets and the unmatured principal of its general long-term debt. These account groups are not funds. They do not reflect available financial resources and related liabilities - but are accounting records of the general fixed assets and general long-term debt and certain associated information.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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- ◆ **General Fixed Assets Account Group** - This account group is used to account for all Commission fixed assets except those related to specific proprietary funds and trust funds.
- ◆ **General Long-Term Debt Account Group** - This account group is used to account for all unmatured long-term liabilities of the Commission except for the long-term liabilities of proprietary funds and trust funds.

#### **C. Basis of Accounting**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers revenue as available if it is collected within 60 days after year-end and can be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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The Commission reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when all applicable revenue recognition criteria are met, the revenue is recognized.

#### **D. Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### **E. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the proprietary fund types and nonexpendable trust fund consider 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. Generally, investments are stated at fair value.

#### **F. Due To/From Other Funds**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

#### **G. Advances to Other Funds**

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance and reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2002, are recorded as prepaid items.

**I. Fixed Assets**

**Governmental Funds** - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed 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.

Depreciation is not recorded or provided on general fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

**Proprietary Funds** - Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using straight-line method. The estimated useful lives are as follows:

	Years
Buildings	25 to 50
Improvements	10 to 20
Equipment	3 to 10

**J. Other Debts**

The general long-term debt account group reflects accounts entitled “Amount to Be Provided for Payment of General Long-Term Debt” and “Amount to Be Provided for Payment of Compensated Absences.” These accounts have debit balances and are offset by corresponding payables. They do not constitute assets of the Commission.

**K. Compensated Absences**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **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 ¼ days per month, for employees with 11-15 years service at the rate of 1 and ¾ 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 ½ of their accumulated sick leave not to exceed 360 hours.

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

As of September 30, 2002, the liability for accrued annual and sick leave is approximately \$2,059,635.28. The amount applicable to the enterprise fund (Solid Waste Fund), \$152,375.77, has been recorded in that fund. Only the current portion of \$1,343,797.00 has been reported as a liability in the general fund, \$863,448.60, and the special revenue funds, \$480,348.40, (County Transportation Fund, Juvenile Detention Facility Fund, Gasoline Tax Fund, Reappraisal Fund, Council on Aging Fund, Section 18 Fund and Parks Fund). The remainder of \$563,462.51 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

#### **L. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

#### **M. Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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**N. Bond Discounts/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period.

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

**P. Memorandum Only - Total Columns**

Total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Q. Property Taxes**

Millage rates 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 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.

**R. Policy re: FASB Pronouncements for Proprietary Activities**

The Commission, in accounting for its proprietary activities, follows all applicable GASB pronouncements as well as the following pronouncements unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### Note 2 - Budgets and Appropriations

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 County'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.

The budget is usually divided into two parts - an operating budget and a capital budget. The operating budget addresses the immediate problems of providing services, paying personnel, travel and equipment. The capital budget address major equipment, furniture purchases, and public works projects.

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.

Some special revenue funds were not budgeted. Exhibits numbered 2 and 3 are reconciled below:

Funds Not Budgeted	Fund Balance October 1	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance September 30
<u>Special Revenue Funds</u>				
Baldwin County Archives Fund	\$ 23,063.95	\$ 109,685.62	\$ 456.12	\$ 132,293.45
Scrap Tire License Fund	8,300.92	4,990.90		13,291.82
FEMA Fund	67,366.00	294,879.21	282,159.62	80,085.59
CDBG Fund	212.48	6.11		218.59
LLEBG and COPS Grant Fund	22,931.59	29,264.39	25,499.66	26,696.32
Sub-Total	121,874.94	438,826.23	308,115.40	252,585.77
Total Exhibit 3	7,481,442.69	30,307,778.97	28,749,634.83	9,039,586.83
Total Exhibit 2	<u>\$7,603,317.63</u>	<u>\$30,746,605.20</u>	<u>\$29,057,750.23</u>	<u>\$9,292,172.60</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### Note 3 - Deposits and Investments

##### Deposits

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

##### Investments

Statutes authorize the Commission to invest in obligations of the U. S. Treasury and federal agency securities. The Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the Commission's name.

	Category		Fair Value
	1	2	
U. S. Treasury Securities	\$500,000.00	\$9,508,600.12	\$10,008,600.12
U. S. Agency Securities		\$2,563,108.00	2,563,108.00
Money Market and Mutual Funds			2,213,994.44
Total Investments			<u>\$14,785,702.56</u>

A certificate of deposit in the amount of \$55,242.49 is included with deposits for purposes of determining insurance and collateralization; however, it is classified with "Investments" on the financial statements.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2002**

**Note 4 - Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2002, were as follows:

	Due from Other Funds				Totals
	General Fund	Special Revenue Funds	Enterprise Fund	Trust and Agency Funds	
<u>Due to Other Funds</u>					
General Fund	\$	\$163,546.63	\$ 113.75	\$33,818.62	\$197,479.00
Special Revenue Funds	44,653.69	10,602.03	43.56	421.11	55,720.39
Enterprise Funds	258,293.21	7,141.60			265,434.81
Trust and Agency Funds	41,912.34	6,977.53	5,686.78		54,576.65
Totals	<u>\$344,859.24</u>	<u>\$188,267.79</u>	<u>\$5,844.09</u>	<u>\$34,239.73</u>	<u>\$573,210.85</u>

**Note 5 - Advances To/From Other Funds**

The advances to/from other funds at September 30, 2002, were as follows:

	Advances from Other Funds
	Enterprise Fund
<u>Advances to Other Funds</u>	
General Fund	\$405,600.00
Totals	<u>\$405,600.00</u>

**Note 6 - Due From Other Governments**

Amounts due from other governments included on the accompanying financial statements as of September 30, 2002, were as follows:

	General Fund	Special Revenue Funds	Trust and Agency Funds	Totals
Federal	\$203,084.17	\$ 75,654.60	\$	\$ 278,738.77
State	50,144.94	380,497.99		430,642.93
Local	536,233.29	102,625.42	5,681.00	644,539.71
Total	<u>\$789,462.40</u>	<u>\$558,778.01</u>	<u>\$5,681.00</u>	<u>\$1,353,921.41</u>

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

#### Note 7 - Changes in Fixed Assets

A summary of changes in the Commission's general fixed assets is as follows:

	Balance 10/01/2001	Adjustments/ Reclassification(*)	Additions	Reductions	Balance 09/30/2002
Land	\$ 1,835,621.33	\$	\$	\$	\$ 1,835,621.33
Buildings	31,382,474.47		1,307,318.45		32,689,792.92
Improvements Other Than Buildings	1,137,263.24				1,137,263.24
Computer and Communication Equipment	4,655,092.28	2,718,003.68	490,428.61		7,863,524.57
Motor Vehicles and Heavy Equipment	14,733,562.86	(1,979,386.12)	959,965.43	954,666.74	12,759,475.43
Equipment and Furniture	826,965.66	1,522.28	63,784.33		892,272.27
Construction in Progress	178,067.71		529,814.10		707,881.81
Fixed Assets Under Capital Lease	4,526,454.49	(1,143,462.61)	1,207,556.74		4,590,548.62
Total	<u>\$59,275,502.04</u>	<u>\$ (403,322.77)</u>	<u>\$4,558,867.66</u>	<u>\$954,666.74</u>	<u>\$62,476,380.19</u>

(\*)The Commission conducted a physical inventory during the audit period. After completion of the physical inventory, an adjustment was made to reconcile the General Fixed Assets Account Group to the detailed subsidiary ledger of capitalized assets. In addition, there were amounts reclassified from "Fixed Assets Under Capital Lease" to other fixed asset categories.

A summary of changes in property, plant, and equipment of proprietary funds is as follows:

	Balance 10/01/2001	Additions	Reductions	Balance 09/30/2002
Land	\$ 909,965.04	\$ 385,594.08	\$	\$ 1,295,559.12
Buildings	1,090,299.58	49,415.27		1,139,714.85
Improvements Other Than Buildings	6,097,893.50	108,756.00		6,206,649.50
Computer and Communication Equipment	201,284.37	1,923.47		203,207.84
Motor Vehicle and Heavy Equipment	5,586,173.32	887,497.66	(479,006.00)	5,994,664.98
Equipment and Furniture	82,004.14	14,675.00		96,679.14
Sub-Total	13,967,619.95	1,447,861.48	(479,006.00)	14,936,475.43
Less: Accumulated Depreciation	(7,170,085.22)	(1,729,421.01)	343,413.41	(8,556,092.82)
Total	<u>\$ 6,797,534.73</u>	<u>\$ (281,559.53)</u>	<u>\$(135,592.59)</u>	<u>\$ 6,380,382.61</u>

#### Note 8 - Capital Leases

On September 17, 1996, the Commission acquired various vehicles by a lease-purchase agreement. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the vehicles will pass to the County on September 30, 2003. Until that time, the leased equipment will be identified separately from Commission-owned equipment in the balance sheets. The lease-purchase contract gives 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 payment.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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Following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2002:

Fiscal Year Ending	General Long-Term Debt Account Group
September 30, 2003	\$186,764.01
Total Minimum Lease Payments	186,764.01
Less: Amount Representing Interest	9,620.66
Present Value of Net Minimum Lease Payments	<u>\$177,143.35</u>

On June 22, 2001, the Commission acquired various equipment and vehicles by a lease-purchase agreement. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the equipment and vehicles will pass to the County on September 30, 2006. Until that time, the leased equipment will be identified separately from Commission-owned equipment in the balance sheets. The lease-purchase contract gives 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 payment.

Following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2002:

Fiscal Year Ending	Proprietary Fund Type	General Long-Term Debt Account Group	Total Capital Lease
September 30, 2003	\$100,421.17	\$1,430,390.57	\$1,530,811.74
2004	100,421.17	1,167,648.34	1,268,069.51
2005	100,421.17	1,167,648.34	1,268,069.51
2006		643,716.95	643,716.95
Total Minimum Lease Payments	<u>301,263.51</u>	4,409,404.20	4,710,667.71
Less: Amount Representing Interest	22,548.37	375,646.33	398,194.70
Present Value of Net Minimum Lease Payments	<u>\$278,715.14</u>	<u>\$4,033,757.87</u>	<u>\$4,312,473.01</u>

Under terms of the lease, the Commission is authorized to purchase various equipment totaling \$6,035,000. The lease proceeds were placed in an escrow account with SunTrust Bank. As of September 30, 2002, the Commission had \$3,063,480.84 in unspent lease proceeds, which includes accrued interest, available for draw down. This amount is reflected on the financial statements as "Cash with Fiscal Agent" in the general fund, special revenue funds, and enterprise fund in the amounts of \$524,561.38, \$2,063,269.20, and \$475,650.26, respectively.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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**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, 2002 amounted to \$59,274.53.

**Note 10 - Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has purchased general liability insurance through a commercial insurance carrier. Coverage is provided up to \$1,000,000 per claim (or up to \$500,000 per claim for premises damage) for a maximum total coverage of \$3,000,000.

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 receive refunds of unused premiums and the related investment earnings.

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

**Note 11 - Subsequent Event**

At its October 1, 2002 meeting, the Commission awarded a bid to Stuart Contracting Company, Inc. for the expansion of the Baldwin County Correction Center in the amount of \$1,633,000.

## Notes to the Financial Statements

### For the Year Ended September 30, 2002

#### Note 12 - Changes in General Long-Term Debt

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2002:

	Debt Outstanding October 1, 2001	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2002
<u>Warrants Payable:</u>				
General Obligation Warrants Series 1994	\$ 5,280,000.00	\$	\$1,210,000.00	\$ 4,070,000.00
General Obligation Warrants Series 1996	15,275,000.00		880,000.00	14,395,000.00
General Obligation Warrants Series 1998	4,795,000.00		1,320,000.00	3,475,000.00
General Obligation Warrants Series 1999	8,925,000.00		1,100,000.00	7,825,000.00
General Obligation Warrants Series 2001	7,515,000.00		135,000.00	7,380,000.00
General Obligation Warrants Series 2002		16,475,000.00		16,475,000.00
Capital Lease Contracts Payable	5,593,488.01		1,382,586.79	4,210,901.22
Notes Payable	100,000.00		20,000.00	80,000.00
Estimated Liability for Compensated Absences	481,364.37	82,098.14		563,462.51
<b>Total</b>	<b>\$47,964,852.38</b>	<b>\$16,557,098.14</b>	<b>\$6,047,586.79</b>	<b>\$58,474,363.73</b>

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

Fiscal Year Ending	General Obligation Warrants		Capital Lease Contracts Payable		Note Payable	Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	Principal	
September 30, 2003	\$ 4,545,000.00	\$ 2,591,704.00	\$1,441,659.10	\$175,495.48	\$20,000.00	\$ 8,773,858.58
2004	4,215,000.00	2,250,029.00	1,053,774.65	113,873.69	25,000.00	7,657,677.34
2005	4,110,000.00	2,054,763.50	1,097,129.95	70,518.39	35,000.00	7,367,411.84
2006	4,315,000.00	1,854,380.50	618,337.52	25,379.43		6,813,097.45
2007	4,510,000.00	1,661,648.00				6,171,648.00
2008	4,015,000.00	1,481,352.25				5,496,352.25
2009	4,090,000.00	1,309,116.00				5,399,116.00
2010	2,410,000.00	1,120,943.00				3,530,943.00
2011	2,515,000.00	1,005,211.50				3,520,211.50
2012	2,000,000.00	891,788.50				2,891,788.50
2013	2,100,000.00	786,164.25				2,886,164.25
2014	2,210,000.00	680,867.50				2,890,867.50
2015	2,310,000.00	571,174.25				2,881,174.25
2016	2,425,000.00	455,247.50				2,880,247.50
2017	1,220,000.00	365,634.25				1,585,634.25
2018	1,285,000.00	303,481.25				1,588,481.25
2019	1,350,000.00	237,532.50				1,587,532.50
2020	1,265,000.00	171,488.00				1,436,488.00
2021	1,330,000.00	105,315.00				1,435,315.00
2022	1,400,000.00	35,700.00				1,435,700.00
<b>Totals</b>	<b>\$53,620,000.00</b>	<b>\$19,933,540.75</b>	<b>\$4,210,901.22</b>	<b>\$385,266.99</b>	<b>\$80,000.00</b>	<b>\$78,229,708.96</b>



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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On March 1, 2002, the Commission issued \$16,475,000 in General Obligation Warrants for the purpose of constructing certain capital improvements of the County. The warrant proceeds were placed in a construction account with Legg Mason. As of September 30, 2002, the Commission had \$12,190,873.76 in unspent warrant proceeds, which includes accrued interest, available for draw down. This amount is reflected on the financial statements as "Investments with Fiscal Agent" in the capital projects fund.

**Note 13 - Prior Year Defeasance of Debt**

On September 1, 2001, the Commission issued \$7,515,000 in General Obligation Warrants, Series 2001, to advance refund \$6,680,000 of outstanding General Obligation Warrants, Refunded Series 1994, subject to redemption on August 1, 2004. It is the intent of the Commission to redeem these warrants on the above date. The net proceeds of \$7,269,275.15 were used to purchase U. S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased debt. As a result, the General Obligation Warrants, Refunded Series 1994 are considered to be defeased and the liability for these warrants has been removed from the General Long-Term Debt Account Group. At September 30, 2002, a total of \$6,680,000.00 of warrants outstanding are considered defeased.

**Note 14 - Construction and Other Significant Commitments**

During fiscal year 2002, the Commission entered into a contract to complete the third floor of the Baldwin County Correction Center. The remaining amount committed as of September 30, 2002 was \$1,683,358.86.

**Note 15 - 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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

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

#### **B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2002 was 5.04 percent based on the actuarial valuation performed as of September 30, 2000.

#### **C. Annual Pension Cost**

For the year ended September 30, 2002, the Commission's annual pension cost of \$1,069,705.00 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, 2001, 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, 2001 was 11 years.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-2002	\$1,069,705.00	100%	\$0
9-30-2001	\$ 980,052.00	100%	\$0
9-30-2000	\$ 916,231.00	100%	\$0

The Schedule of Funding Progress, which is required supplementary information, is contained in Exhibit 6.

**Note 16 - Related Parties**

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

**Note 17 - Restatements**

Beginning fund balance in the general fund was adjusted to restate fund balance due to the Commission not recognizing expenditures and revenues in the proper accounting period and posting errors made by the Commission.

	General Fund
Fund Balance, October 1, 2001, as Previously Reported	\$5,068,656.71
Restatement	(479,913.80)
Fund Balance, October 1, 2001, as Restated	<u>\$4,588,742.91</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2002***

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Beginning fund balances in the special revenue funds were adjusted to restate fund balances due to the Commission not recognizing expenditures and revenues in the proper accounting period and posting errors made by the Commission.

	Special Revenue Funds
Fund Balance, October 1, 2001, as Previously Reported	\$8,094,010.69
Restatement	(490,693.06)
Fund Balance, October 1, 2001, as Restated	<u>\$7,603,317.63</u>

**Note 18 - 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 \$1,995,361.74 as of September 30, 2002, which is based on 40.34% usage (filled) of the landfill. It is estimated that an additional \$2,950,603.26 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, 2002. 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, 2002, funds of \$695,492.76 are held for these purposes. These funds are deposits on hand and are presented on the Commission's balance sheet as "Cash." It is anticipated that future inflation costs will be financed in part from earnings on these funds. 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.

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*Required Supplementary Information*

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***Schedule of Funding Progress***  
***For the Year Ended September 30, 2002***

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)*</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
9/30/2001*	\$31,880,666	\$33,902,785	\$2,022,119	94.0%	\$18,506,184	10.9%
9/30/2000	\$29,809,465	\$30,394,521	\$ 585,056	98.1%	\$18,082,258	3.2%
9/30/1999	\$26,809,650	\$25,757,240	(\$1,052,410)	104.1%	\$15,611,476	( 6.7%)

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

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
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**U. S. Department of Agriculture**

**Passed Through Alabama Department of Education**

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. S. Department of Commerce**

**Direct Program**

Coastal Zone Management Administration Awards (M)	11.419	
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**Passed Through Alabama Department of  
Environmental Management**

Financial Assistance for National Centers for Coastal Ocean Science	11.426	
Total U. S. Department of Commerce		

**U. S. Department of Housing and Urban Development**

**Direct Program**

Community Development Block Grants/States Program	14.228	
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**Passed Through Alabama Department of  
Economic and Community Affairs**

Emergency Shelter Grants Program	14.231	ESG-01-041
Emergency Shelter Grants Program	14.231	ESG-00-041(00)
Emergency Shelter Grants Program	14.231	ESG-00-041(97)
Emergency Shelter Grants Program	14.231	ESG-00-041(96)
Sub-Total Emergency Shelter Grants Programs		
Total U. S. Department of Housing and Urban Development		

**U.S. Department of Justice**

**Direct Program**

Bulletproof Vest Partnership Program	16.607	
Local Law Enforcement Block Grants Program	16.592	

**Passed Through Alabama Department of  
Economic and Community Affairs**

Juvenile Accountability Incentive Block Grants	16.523	00-JB-01-002
Total U. S. Department of Justice		

Sub-Total Forward



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2001-09/30/2002	\$ 6,828.16	\$ 6,828.16	\$ 6,828.16	\$ 6,828.16
10/01/2001-09/30/2002	12,327.28	12,327.28	12,327.28	12,327.28
	19,155.44	19,155.44	19,155.44	19,155.44
	19,155.44	19,155.44	19,155.44	19,155.44
12/01/2001-11/30/2004	3,137,416.00	3,137,416.00	56,024.36	56,024.36
10/01/2001-09/30/2002	65,333.67	65,333.67	65,333.67	65,333.67
	3,202,749.67	3,202,749.67	121,358.03	121,358.03
12/07/1998-12/07/2002	981,301.00	981,301.00	12,315.67	12,315.67
06/04/2001-01/21/2003	127,365.08	63,682.54	63,682.54	63,682.54
06/02/2000-06/02/2002	86,295.24	43,147.62	43,147.62	43,147.62
06/02/2000-06/02/2002	12,067.12	6,033.56	6,033.56	6,033.56
06/02/2000-06/02/2002	10,792.56	5,396.28	2,166.28	2,166.28
	236,520.00	118,260.00	115,030.00	115,030.00
	1,217,821.00	1,099,561.00	127,345.67	127,345.67
10/01/2001-09/30/2002	3,955.72	3,955.72	3,955.72	3,955.72
10/01/2000-09/30/2002	22,095.00	19,886.00	19,886.00	19,886.00
07/01/2001-09/30/2002	54,561.11	49,104.99	49,104.99	49,104.99
	80,611.83	72,946.71	72,946.71	72,946.71
	\$ 4,520,337.94	\$ 4,394,412.82	\$ 340,805.85	\$ 340,805.85

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Passed Through Alabama Department of Transportation</u></b>		
Recreational Trails Program (Eastern Shore)	20.219	HPP-1602(534)
Formula Grants For Other Than Urbanized Areas	20.509	RPT-02 (17)
Total U. S. Department of Transportation		
<b><u>U. S. Environmental Protection Agency</u></b>		
<b><u>Direct Program</u></b>		
Wetlands Grant	66.461	
<b><u>U. S. Department of Energy</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
State Energy Program	81.041	1SEP02 DOE 02
<b><u>Federal Emergency Management Agency</u></b>		
<b><u>Direct Program</u></b>		
Project Impact - Building Disaster Resistant Community Program (M)	83.551	
<b><u>Passed Through Alabama</u></b>		
<b><u>Emergency Management Agency</u></b>		
Emergency Management Performance Grant	83.552	02-SLA-05
First Responder Counter-Terrorism Training Assistance (M)	83.547	02TCP05
Hazard Mitigation Grant	83.548	EMA-2000-DR-0095-003
Hazard Mitigation Grant	83.548	SAFE-005
Sub-Total Hazard Mitigation Grant Programs (M)		
Total Federal Emergency Management Agency		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 4,520,337.94	\$ 4,394,412.82	\$ 340,805.85	\$ 340,805.85
05/03/2000-Completion	80,000.00	64,000.00	20,547.20	20,547.20
10/01/2001-09/30/2002	209,340.00	209,340.00	209,340.00	209,340.00
	<u>289,340.00</u>	<u>273,340.00</u>	<u>229,887.20</u>	<u>229,887.20</u>
09/01/1999-09/30/2002	271,200.00	203,400.00	35,223.67	35,223.67
10/01/2001-09/30/2002	12,000.00	10,000.00	10,000.00	10,000.00
12/17/1998-Completion	671,000.00	505,000.00	341,730.52	341,730.52
10/01/2001-09/30/2002	51,136.00	41,186.00	41,186.00	41,186.00
10/01/2001-09/30/2002	21,000.00	21,000.00	20,984.03	20,984.03
02/14/2000-Completion	1,396,308.00	1,047,232.00	281,578.62	281,578.62
07/18/2002-07/18/2003	27,222.00	20,000.00	20,000.00	20,000.00
	<u>1,423,530.00</u>	<u>1,067,232.00</u>	<u>301,578.62</u>	<u>301,578.62</u>
	<u>2,166,666.00</u>	<u>1,634,418.00</u>	<u>705,479.17</u>	<u>705,479.17</u>
	\$ 7,259,543.94	\$ 6,515,570.82	\$ 1,321,395.89	\$ 1,321,395.89

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through South Alabama</u></b>		
<b><u>Regional Planning Commission</u></b>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2002
<b><u>Passed Through Alabama</u></b>		
<b><u>Emergency Management Agency</u></b>		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	WNV-BALDWIN
Total U. S. Department of Health and Human Services		
<b><u>Social Security Administration</u></b>		
<b><u>Direct Program</u></b>		
Social Security - Disability Insurance	96.001	
<b><u>Other Federal Assistance</u></b>		
<b><u>U. S. Department of Energy</u></b>		
<b><u>Passed Through South Alabama</u></b>		
<b><u>Regional Planning Commission</u></b>		
Energy Conservation Grant	N.A.	ADECA-01-02-XX
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		
	\$ 7,259,543.94	\$ 6,515,570.82	\$ 1,321,395.89	\$ 1,321,395.89
10/01/2001-09/30/2002	234,509.00	88,556.00	88,943.95	88,943.95
09/18/2002-03/31/2003	21,000.00	21,000.00	14,462.14	14,462.14
	261,509.00	115,556.00	109,278.50	109,278.50
10/01/2001-09/30/2002	1,600.00	1,600.00	1,600.00	1,600.00
08/15/2001-08/14/2002	6,000.00	6,000.00	5,872.41	5,872.41
	\$ 7,522,652.94	\$ 6,632,726.82	\$ 1,432,274.39	\$ 1,432,274.39

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2002***

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Baldwin County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the primary government financial statements.

**Note 2 - Subrecipients**

Of the federal expenditures presented in the schedule, the Baldwin County Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Hazard Mitigation Grant Program	83.548	\$20,000.00

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2001 through September 30, 2002***

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<b>Commission Members</b>			<b>Term Expires</b>
Hon. Teddy J. Faust*	Chairman	20452 Beecher Street Fairhope, AL 36532	November 8, 2004
Hon. Allen D. Perdue**	Chairman	Post Office Box 189 Daphne, AL 36526	November 8, 2004
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. Thomas F. Burt, Jr.	Member	46780 Rock Hill Road Bay Minette, AL 36507	November 8, 2004
Hon. George A. Price	Member	11600 George Price Lane Lillian, AL 36549	November 8, 2004
Hon. Mary Frances Stewart	Member	75 River Route Magnolia Springs, AL 36555	November 8, 2004
<b><u>Administrative Personnel</u></b>			
Robert W. Koncar	County Administrator	828 Bia Formia Drive Punta Gorda, FL 33950	Terminated October 22, 2002
Locke W. Williams	Clerk/ Treasurer	696 Greenwood Avenue Fairhope, AL 36532	Indefinite

\* Chairman through November 20, 2001

\*\*Chairman beginning November 20, 2001



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

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We have audited the financial statements of the Baldwin County Commission as of and for the year ended September 30, 2002, and have issued our report thereon dated June 27, 2003. 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.

**Compliance**

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 grants, 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 that are required to be reported under ***Government Auditing Standards***. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Baldwin County Commission in the Report to the Chief Examiner.

**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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Baldwin County Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-1.

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

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A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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 27, 2003

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

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## **Compliance**

We have audited the compliance of the Baldwin County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2002. The Baldwin County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion on the Baldwin County Commission's compliance based on our audit.

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

In our opinion, the Baldwin County Commission, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

## **Internal Control Over Compliance**

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

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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 27, 2003

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2002***

**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)?  X  Yes    \_\_\_\_\_ 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
11.419	Coastal Zone Management Administrative Awards
83.551	Project Impact - Building Disaster Resistant Community Program
83.547	First Responder Counter - Terrorism Training Assistance
83.548	Hazard Mitigation Grant Programs

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

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

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2002***

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

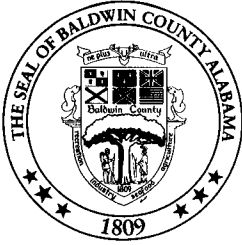
Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2002-1	Internal Control	<p><b><u>Finding:</u></b>            Procedures were not in place to ensure that additions to fixed asset subsidiary records were reconciled to the general fixed assets account group.</p> <p><b><u>Recommendation:</u></b>            The Commission should develop adequate procedures to reconcile balances in the general fixed assets account group to the fixed asset subsidiary records.</p>	

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

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

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*Summary Schedule of Prior Audit Findings*



# COUNTY COMMISSION

BALDWIN COUNTY

312 COURTHOUSE SQUARE, SUITE 12  
BAY MINETTE, ALABAMA 36507

(251) 580-1695

FAX (251) 937-0367

lwilliams@co.baldwin.al.us

CLERK/TREASURER  
LOCKE W. WILLIAMS

July 7, 2003

Mary Dunckley  
Examiner of Public Accounts  
Bay Minette, Alabama

SUBJECT: SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR  
ENDED SEPTEMBER 30, 2002

Dear Mary:

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## *Summary Schedule of Prior Audit Findings*

### *For the Year Ended September 30, 2002*

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As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Section \_\_.315(b), the Baldwin County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2002.

<b>Finding Ref. No.</b>	<b>Finding</b>	<b>Status of Prior Audit Finding</b>
2000-3	Regulations pertaining to eligibility determinations for Community Development Block Grants require that eligible areas of service are those that received damage due to a specific incident. In addition, the area of service should benefit at least 50% low/moderate income residents. Representatives from the Department of Housing and Urban Development (HUD) performed a monitoring review that indicated the Commission inaccurately determined eligibility in one area of service for which it received reimbursement. The Commission agreed to this finding and returned \$19,728.24 in disallowed costs to HUD.	The Commission acted in good faith to determine eligibility, and the project received initial HUD approval. Upon subsequent review by HUD, HUD disagreed with our methodology for determining eligibility. The Commission accepted this finding and returned the appropriate amount of funds to HUD.



2001-2 The Commission was authorized to purchase certain equipment that would be reimbursed from federal funds received from a First Responder Counter-Terrorism Training Assistance Grant. The Commission submitted duplicate reimbursement requests and received reimbursement twice for the same equipment purchase. This resulted in the Commission receiving \$9,181.00 more than the allowable amount. The Commission reimbursed the grantor for this amount.

A duplicate reimbursement request was submitted because the pass-through State agency contact person had told Commission staff that the initial reimbursement request had not been received. The two reimbursement requests differed slightly in amount. Apparently the pass-through State agency was in receipt of both reimbursement requests, and processed them in error as separate claims. Commission staff did not recognize that duplicate payment had been received from the State. As corrective action, the Commission Accounting Department will request photocopies of pertinent grant and contract reimbursement documents when submitted, and review them for duplicate submission, mathematical accuracy, etc.

Sincerely,

A handwritten signature in black ink, appearing to read 'Locke W. Williams', written over a circular stamp.

Locke W. Williams  
Clerk/Treasurer

LWW/lww

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*Auditee Response/Corrective Action Plan*



## COUNTY COMMISSION

BALDWIN COUNTY  
312 COURTHOUSE SQUARE, SUITE 12  
BAY MINETTE, ALABAMA 36507  
(251) 580-1695  
FAX (251) 937-0367  
lwilliams@co.baldwin.al.us

CLERK/TREASURER  
LOCKE W. WILLIAMS

October 10, 2003

Mr. Ronald L. Jones, Chief Examiner  
State of Alabama, Department of Examiners of Public Accounts  
50 North Ripley Street, Room 3201  
Post Office Box 302251  
Montgomery, Alabama 36130-2251

SUBJECT: AUDITEE RESPONSE FOR THE PERIOD OCTOBER 1, 2001 THROUGH  
SEPTEMBER 30, 2002

Dear Mr. Jones:

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### ***Corrective Action Plan*** ***For the Year Ended September 30, 2002***

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As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non Profit Organizations*, Section .315(c), the Baldwin County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2002.

#### **Finding**

#### **Ref.**

#### **No.**

#### **Corrective Action Plan Details**

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2002-1

Finding: Procedures were not in place to ensure that additions to fixed asset subsidiary records were reconciled to the general fixed assets account group.

Response: Job duties are being reassigned in the Commission Accounting Department so that the periodic reconciliation of fixed asset additions to the account group will be accomplished during the fiscal year and given high priority.

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***Other Matters in Report to the Chief Examiner***  
***For the Year Ended September 30, 2002***

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**Finding:** The Commission did not follow the accounting guidelines prescribed by the Chief Examiner of Public Accounts or its own policy, governing credit card usage.

**Response:** Detailed credit card receipts will be required in all cases prior to payment of the credit card bill. In the event detailed documentation is not provided by the individual who incurred the charge(s), then that individual shall be billed and required to submit payment for such charge(s) plus any finance charges incurred.

Sincerely,

A handwritten signature in black ink, appearing to read 'Locke W. Williams', with a long horizontal flourish extending to the right.

Locke W. Williams  
Clerk/Treasurer

LWW/lww