

Report on the

Baldwin County Commission

Baldwin County, Alabama

October 1, 2005 through September 30, 2006

Filed: August 10, 2007



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.state.al.us

Ronald L. Jones, Chief Examiner

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	51
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	52
Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	54
Exhibit #14 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Public Buildings, Roads and Bridges Fund	56
<u>Supplementary Information</u>	58
Exhibit #15 Schedule of Expenditures of Federal Awards	59
Notes to the Schedule of Expenditures of Federal Awards	69
<u>Additional Information</u>	70
Exhibit #16 Commission Members and Administrative Personnel	71
Exhibit #17 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	72
Exhibit #18 Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	74
Exhibit #19 Schedule of Findings and Questioned Costs	76
Exhibit #20 Auditee Response/Corrective Action Plan	78



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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, 2005 through September 30, 2006.

SCOPE AND OBJECTIVES

This report encompasses an audit of the financial statements of the Baldwin County Commission (the "Commission") and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations.

CONTENTS OF REPORT

This report includes the following segments:

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

2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the management of Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Section** – includes basic financial statements (Exhibits 1 through 11), and notes to the financial statements.
5. **Required Supplementary Information** – includes Budget to Actual Comparisons (Exhibits 12 through 14), which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.
6. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 15), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 16) and the following reports and 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 Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 17) – a report on internal control related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 18) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

Schedule of Findings and Questioned Costs (Exhibit 19) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

Auditee Response/Corrective Action Plan (Exhibit 20) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.

AUDIT COMMENTS

The Baldwin County Commission provides for public safety; construction and maintenance of county roads and bridges; sanitation services; health and welfare services; and educational, cultural and recreational services to the citizens of Baldwin County.

AUDIT FINDING

The Commission's credit card policy states, "Under absolutely no circumstances can a County Credit Card be used to obtain cash advances or pay expenses of a personal nature". Section 94 of the Alabama Constitution states, "the legislature shall not have the power to authorize any county, city...etc. to lend its credit, or to grant public money or thing of value in aid of, or to any individual or corporation whatsoever...by issuing bonds or otherwise". The Commission issues county credit cards to certain elected officials and county employees. Three months of credit card payments were selected for testing. From the testing, sixteen instances were noted where the Judge of Probate used the county's credit card to pay for personal expenses. These were detected by the accounting department and repaid by the Official, but according to the Alabama Constitution and the Commission's policy, the charges should not have been made on the county's credit card.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

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

RECOMMENDATION

The Commission should take measures to ensure compliance with established guidelines and policies concerning credit card usage.

Sworn to and subscribed before me this
the 10th day of July, 2007.

Wanda F. Santay
Notary Public

Sworn to and subscribed before me this
the 10th day of July, 2007.

Wanda F. Santay
Notary Public

rb **NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: July 24, 2010
BONDED THRU NOTARY PUBLIC UNDERWRITERS**

Respectfully submitted,

Mary E. Dunckley

Mary E. Dunckley
Examiner of Public Accounts

M. Lynn Benson

M. Lynn Benson
Examiner of Public Accounts

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 11. These financial statements are the responsibility of the Baldwin County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Baldwin County Commission, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21, certain entities that were previously treated as component units and excluded from the financial statements are now considered to be part of the primary government and are included in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007, on our consideration of the Baldwin County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 14) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 11, 2007

Management's Discussion and Analysis
(Required Supplementary Information)

Baldwin County Commission Management's Discussion and Analysis

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

The Management Discussion and Analysis (MD&A) focuses on the activities of the Baldwin County Commission for the fiscal year ended September 30, 2006. The reader should consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

Financial Highlights

Baldwin County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2006, by \$192,646,427 in Governmental Activities and \$23,456,448 in Business-Type Activities for a total of \$216,102,875. Of these amounts \$24,683,331 and \$14,938,793 respectively were available to be used to meet the County's ongoing obligations to its citizens and creditors.

The County's net assets increased by \$10,906,925 or 6.0% for Governmental Activities and increased by \$4,451,624 or 23.4% for Business-Type Activities. The total net assets increased by \$15,358,549 or 7.7%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$77,154,853, which reflects an increase of \$17,119,814 or 28.5% over the prior year.

Total long-term liabilities for the Baldwin County Commission for governmental activities increased by a net of \$22,889,311 or 31.9% during the current fiscal year. Total long-term liabilities for business-type activities increased by a net of \$360,733 or 13.8%.

Overview of Financial Statements

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

Government-wide financial statements

Fund financial statements

Proprietary Funds statements

Fiduciary Funds statements

Notes to financial statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund financial statements more familiar. Fund financial statements provide more detailed information about the County's Funds focusing on its major Funds rather than the County as a whole. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Baldwin County like other state and local governments uses Fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, Fiduciary, and Proprietary are three categories of Fund types used to keep track of specific sources of funding and spending on particular County programs. Because the focus of Governmental Funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide financial statements to aid in this comparison between Governmental Funds and Governmental Activities on Exhibits 4 and 6.

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

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

Proprietary Funds Statements

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

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

Fiduciary Funds Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Capital Assets-Governmental Activities

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

Government-wide Financial Analysis

The County governmental net assets increased by \$10,906,925 and the business-type net assets increased by \$4,451,624 for a total net increase of \$15,358,549. The change in net assets is a useful indicator of the County’s financial position. Baldwin County’s total assets exceeded total liabilities by \$216,102,875 as of the fiscal year ending September 30, 2006.

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

	Governmental Activities			
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	Percent Of Change
Current and Other Assets	\$119,327,947	\$92,893,179	\$26,434,768	29.0%
Capital Assets, Net	210,649,607	194,086,757	16,562,850	8.3%
Total Assets	<u>\$329,977,554</u>	<u>\$286,979,936</u>	<u>\$42,997,618</u>	15.0%
Current & Other Liabilities	\$58,821,240	\$40,752,663	\$18,068,577	44.3%
Long-Term Liabilities	78,509,887	64,487,771	14,022,116	21.7%
Total Liabilities	<u>\$137,331,127</u>	<u>\$105,240,434</u>	<u>\$32,090,693</u>	30.5%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$145,437,749	\$126,114,946	\$19,322,803	15.3%
Restricted	22,525,347	28,445,762	(5,920,415)	-20.8%
Unrestricted	24,683,331	27,178,794	(2,495,463)	-9.2%
Total Net Assets	<u>\$192,646,427</u>	<u>\$181,739,502</u>	<u>\$10,906,925</u>	6.0%
Total Liabilities & Net Assets	<u>\$329,977,554</u>	<u>\$286,979,936</u>	<u>\$42,997,618</u>	15.0%

Business Type Activities				
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	Percent Of Change
Current and Other Assets	\$19,808,947	\$15,658,023	\$4,150,924	26.4%
Capital Assets, Net	7,408,782	6,292,194	1,116,588	18.0%
Total Assets	<u>\$27,217,729</u>	<u>\$21,950,217</u>	<u>\$5,267,512</u>	<u>24.0%</u>
Current & Other Liabilities	\$1,248,659	\$561,081	\$687,578	122.5%
Long-Term Liabilities	2,512,622	2,384,312	128,310	5.4%
Total Liabilities	<u>\$3,761,281</u>	<u>\$2,945,393</u>	<u>\$815,888</u>	<u>27.7%</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$7,248,782	\$6,292,194	\$956,588	15.2%
Restricted	1,268,873	1,079,069	189,804	17.6%
Unrestricted	14,938,793	11,633,561	3,305,232	28.4%
Total Net Assets	<u>\$23,456,448</u>	<u>\$19,004,824</u>	<u>\$4,451,624</u>	<u>23.4%</u>
Total Liabilities & Net Assets	<u>\$27,217,729</u>	<u>\$21,950,217</u>	<u>\$5,267,512</u>	<u>24.0%</u>

Total Activities				
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	Percent Of Change
Current and Other Assets	\$139,136,894	\$108,551,202	30,585,692	28.6%
Capital Assets, Net	218,058,389	200,378,951	17,679,438	8.6%
Total Assets	<u>\$357,195,283</u>	<u>\$308,930,153</u>	<u>\$48,265,130</u>	<u>15.6%</u>
Current & Other Liabilities	\$60,069,899	\$41,313,744	\$18,756,155	45.4%
Long-Term Liabilities	81,022,509	66,872,083	14,150,426	21.2%
Total Liabilities	<u>\$141,092,408</u>	<u>\$108,185,827</u>	<u>\$32,906,581</u>	<u>30.4%</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$152,686,531	\$132,407,140	\$20,279,391	15.3%
Restricted	23,794,220	29,524,831	(5,730,611)	-19.4%
Unrestricted	39,622,124	38,812,355	809,769	2.1%
Total Net Assets	<u>\$216,102,875</u>	<u>\$200,744,326</u>	<u>15,358,549</u>	<u>7.7%</u>
Total Liabilities & Net Assets	<u>\$357,195,283</u>	<u>\$308,930,153</u>	<u>\$48,265,130</u>	<u>15.6%</u>

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

Statement of Activities

The following schedules compare the revenues and expenses for the current and previous years. Government Activities increased the County's net assets by \$10,906,925 and Business-Type Activities increased net assets by \$4,451,624 for an overall increase of \$15,358,549. Property Taxes, Operating Grants and Contributions, and landfill revenues account for the major portion of revenues. Sales Taxes and Gasoline Taxes were also key revenue sources. Cost control, holding expenses within budget, also contributed to the increase in net assets.

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

**Changes in Net Assets
Comparative Analysis**

	Governmental		Activities	Percent Of Change
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	
REVENUES				
Program Revenues				
Charges for Services	\$12,559,487	\$10,730,716	\$1,828,771	17.0%
Operating Grants & Contributions	18,557,782	51,165,740	(32,607,958)	-63.7%
Capital Grants & Contributions	1,636,454	461,314	1,175,140	254.7%
General Revenues				
Property Taxes	26,330,487	22,478,614	3,851,873	17.1%
General Sales Tax	9,472,680	8,802,591	670,089	7.6%
Special Sales Tax	484,880	0	484,880	100.0%
County Gasoline Sales Tax	7,212,406	7,132,220	80,186	1.1%
Miscellaneous Taxes	5,550,977	7,280,521	(1,729,544)	-23.8%
Grants and Contributions not Restricted for Specific Purposes	2,377,860	1,526,580	851,280	55.8%
Unrestricted Investment Earnings	3,202,370	2,317,296	885,074	38.2%
Miscellaneous	1,759,485	1,799,843	(40,358)	-2.2%
Gain on Disposition of Capital Assets	1,279,885	612,725	667,160	108.9%
Transfers	657,676	(554,533)	1,212,209	218.6%
Total Revenues	<u>\$91,082,429</u>	<u>\$113,753,627</u>	<u>(\$22,671,198)</u>	-19.9%
EXPENSES				
Program Activities				
General Government	\$23,746,496	\$20,015,137	\$3,731,359	18.6%
Public Safety	21,749,159	19,138,014	2,611,145	13.6%
Highways & Roads	28,397,863	54,167,549	(25,769,686)	-47.6%
Sanitation	0	507	(507)	-100.0%
Health	2,313,217	2,421,674	(108,457)	-4.5%
Welfare	343,453	445,472	(102,019)	-22.9%
Culture & Recreation	854,301	661,385	192,916	29.2%
Education	171,734	197,171	(25,437)	-12.9%
Interest on Long Term Debt	2,586,104	3,622,416	(1,036,312)	-28.6%
Intergovernmental	13,177	42,633	(29,456)	-69.1%
Landfill	0	0	0	0.0%
Total Expenses	<u>\$80,175,504</u>	<u>\$100,711,958</u>	<u>(\$20,536,454)</u>	-20.4%
Increase (Decrease) in Net Assets	\$10,906,925	\$13,041,669	(\$2,134,744)	-16.4%
Net Assets Beg. of Year As Restated	181,739,503	168,697,834	13,041,669	7.7%
Net Assets End of Year	<u>\$192,646,428</u>	<u>\$181,739,503</u>	<u>\$10,906,925</u>	6.0%

	Business Type Activities			Percent Of Change
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	
REVENUES				
Program Revenues				
Charges for Services	\$12,736,982	\$19,338,143	(\$6,601,161)	-34.1%
General Revenues				
Unrestricted Investment Earnings	826,614	398,212	428,402	107.6%
Grants	1,261	0	1,261	100.0%
Miscellaneous	292,448	76,789	215,659	280.8%
Transfers	(657,676)	554,533	(1,212,209)	-218.6%
Total Revenues	<u>\$13,199,629</u>	<u>\$20,367,677</u>	<u>(\$7,168,048)</u>	-35.2%
EXPENSES				
Landfill (Solid Waste)	8,748,005	8,680,854	67,151	0.8%
Total Expenses	<u>\$8,748,005</u>	<u>\$8,680,854</u>	<u>\$67,151</u>	0.8%
Increase (Decrease) in Net Assets	\$4,451,624	\$11,686,823	(\$7,235,199)	-61.9%
Net Assets Beg. of Year As Restated	19,004,824	7,318,001	11,686,823	159.7%
Net Assets End of Year	<u>\$23,456,448</u>	<u>\$19,004,824</u>	<u>4,451,624</u>	23.4%

	TotalActivities			
	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	Percent Of Change
REVENUES				
Program Revenues				
Charges for Services	\$25,296,469	\$30,068,859	(\$4,772,390)	-15.9%
Operating Grants & Contributions	18,557,782	51,165,740	(32,607,958)	-63.7%
Capital Grants & Contributions	1,636,454	461,314	1,175,139	255.0%
General Revenues				
Property Taxes	26,330,487	22,478,614	3,851,873	17.1%
General Sales Tax	9,472,680	8,802,591	670,089	7.6%
Special Sales Tax	484,880	0	484,880	100.0%
County Gasoline Sales Tax	7,212,406	7,132,220	80,186	1.1%
Miscellaneous Taxes	5,550,977	7,280,521	(1,729,544)	-23.8%
Grants and Contributions not Restricted for Specific Purposes	2,379,121	1,526,580	852,541	55.8%
Unrestricted Investment Earnings	4,028,984	2,715,508	1,313,476	48.4%
Miscellaneous	2,051,933	1,876,632	175,301	9.3%
Gain on Disposition of Capital Assets	1,279,885	612,725	667,160	108.9%
Transfers	0	0	0	0.0%
Total Revenues	\$104,282,058	\$134,121,304	(\$29,839,246)	-22.2%
EXPENSES				
Program Activities				
General Government	\$23,746,496	\$20,015,137	\$3,731,359	18.6%
Public Safety	21,749,159	19,138,014	2,611,145	13.6%
Highways & Roads	28,397,863	54,167,549	(25,769,686)	-47.6%
Sanitation	0	507	(507)	-100.0%
Health	2,313,217	2,421,674	(108,457)	-4.5%
Welfare	343,453	445,472	(102,019)	-22.9%
Culture & Recreation	854,301	661,385	192,916	29.2%
Education	171,734	197,171	(25,437)	-12.9%
Interest on Long Term Debt	2,586,104	3,622,416	(1,036,312)	-28.6%
Intergovernmental	13,177	42,633	(29,456)	-69.1%
Landfill (Solid Waste)	8,748,005	8,680,854	67,151	0.8%
Total Expenses	\$88,923,509	\$109,392,812	(\$20,469,303)	-18.7%
Increase (Decrease) in Net Assets	\$15,358,549	\$24,728,491	(\$9,369,942)	-37.9%
Net Assets Beg. of Year	200,744,326	176,015,835	24,728,491	14.0%
Net Assets End of Year	\$216,102,875	\$200,744,326	15,358,549	7.7%

Charges for Services account for 24.3% and Property Taxes account for 25.2% of total County revenues for the fiscal year ended September 30, 2006. Property Taxes, General Sales Tax, and County Gasoline Sales Tax each had continued growth for the fiscal year ended September 30, 2006. Total expenses for the County were \$88,923,509. Of this amount 26.7% went towards General Government, 24.5% towards Public Safety, and 31.9% towards Highways and Roads. In the Governmental Activities, hurricane related grants account for the major decrease in operating grants and contributions, which resulted in decreased expenditures as well. In the Business-Type Activities, decreased usage of the landfill for hurricane debris disposal accounted for a significant decrease in landfill fees (Charge for Services). Also, due to increased cash balances from the hurricane related inflows, investment earnings increased significantly during the year.

The following comments are meant to serve as clarification of the comparison of the current year's revenue to the previous year's revenue. Items not included below are considered normal and routine.

1. Charges for Services:

In Governmental Activities there is no one single event or activity that accounts for the 1.8 million dollar increase. One contributing factor is the fact that real and personal property values continue to rise year after year. The fees charged by the Revenue Commissioner and Probate Judge that fall in this category are calculated as a percent of these values and thus as the values on the properties rise so do these calculated fees. Overall the increase is simply the sum of the increases resulting from numerous sources. In Business Type Activities the decrease of 6.6 million dollars is the result of a decrease in the volume of activity at the County Landfill sites. In the prior year a large surge of activity resulted from the debris from Hurricane Ivan. The hurricane debris activity did not occur in the current year, thus resulting in a substantial decrease in revenue.

2. Operating Grants and Contributions:

In Governmental Activities there was a decrease of 32.6 million dollars. In the prior year, the County received substantial FEMA reimbursements related to Hurricane Ivan. Substantial FEMA reimbursements were not received in the current year.

3. Capital Grants and Contributions:

The grants awarded to the County vary from year to year based on factors such as state and federal funding and County eligibility. It is normal to see fluctuations in grant awards from year to year.

4. Property Taxes:

In Governmental Activities there was an increase of 3.8 million dollars. The County is required by law to reappraise all real property on an annual basis. This results in larger property tax increases on an annual basis. Additionally, Baldwin County has experienced a surge in commercial and residential development that has contributed to larger tax collections.

5. General and Special Sales Tax:

In Governmental Activities there was an increase of 1.1 million dollars. The County has experienced commercial retail growth, a population increase, and post hurricane increases in tourism that combined have contributed to this increase.

6. Miscellaneous Taxes:

In Governmental Activities there was a decrease of 1.7 million dollars. This is primarily the result of tax revenue for the Oil and Gas Trust Fund. When this tax was originally enacted a maximum total tax limit of \$15,000,000 was established. Last year this maximum was reached. Therefore, this tax was not collected for the current year. The termination of this revenue source created the decrease for this category.

7. Transfers:

This item appears on both the Governmental Activities and Business Activities statements and reflects the movement of funds between the two. For the current year the amount is primarily the result of the Solid Waste Fund paying its share of the debt service and reimbursing the General Fund for administrative support.

The following comments are meant to serve as clarification of the comparison of the current year's expenses to the previous year's expenses. Items not included below are considered normal and routine.

1. General Government and Public Safety:

These increases reflect the rapid growth of Baldwin County including rebuilding and planned expenditures related to two active hurricane seasons.

2. Highways and Roads:

In the current year there were no weather related cost creating events as was the case in the previous year. During the previous year there were two major flooding events caused by excessive rain that required many repairs to the road infrastructure as well as rebuilding expenditures caused by two active hurricane seasons.

3. Interest on Long-Term Debt:

The amount of Long-Term Debt actually increased during the current year however the first scheduled interest payments on the new debt were not due until the next fiscal year. Therefore taking into account the principal payments made in the current year the interest payments made in the current year were calculated on a smaller principal amount than in the previous year.

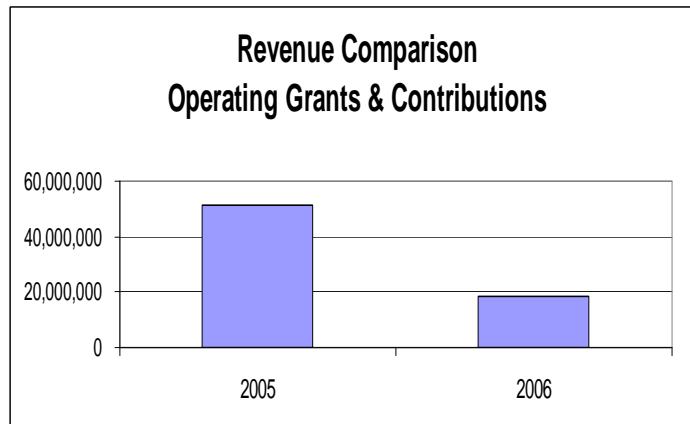
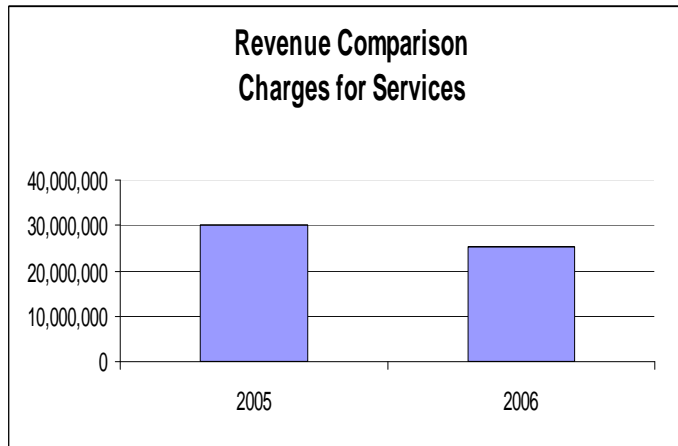
For the fiscal years ended September 30, 2006 and September 30, 2005, the following Attachment A is a graphic comparison of County sources of revenues, and the following Attachment B is a graphic comparison of County expenditures by activity.

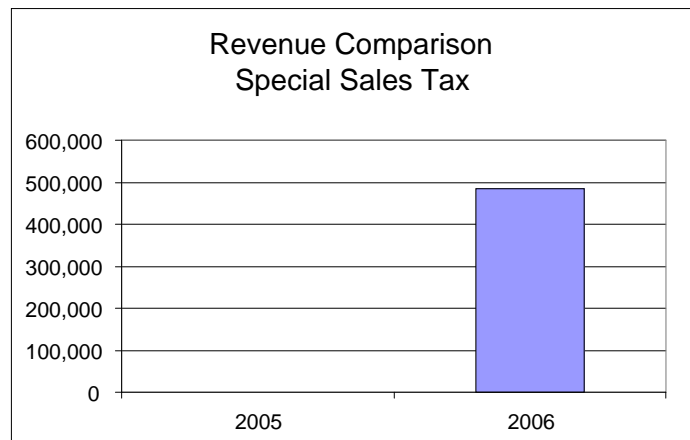
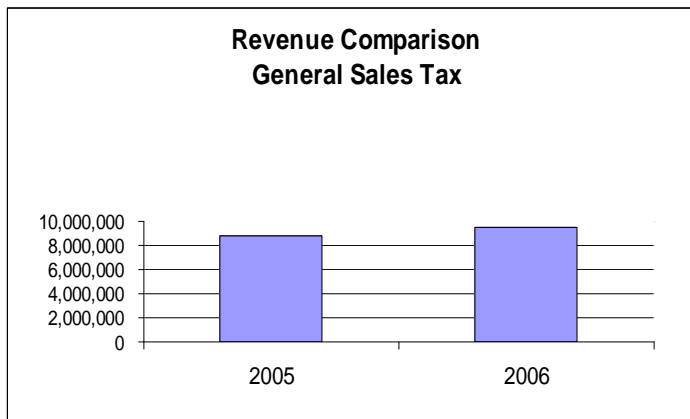
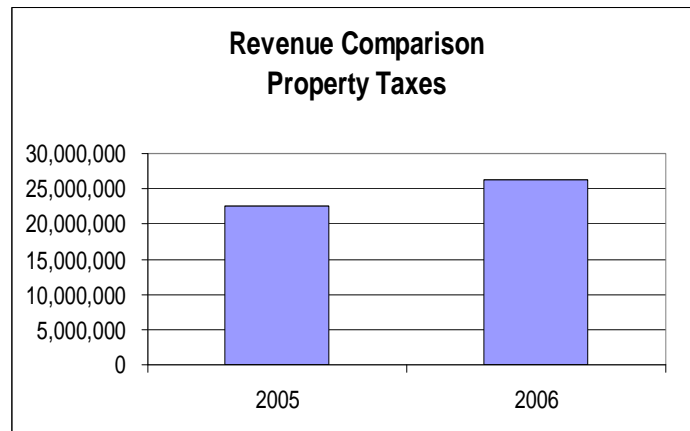
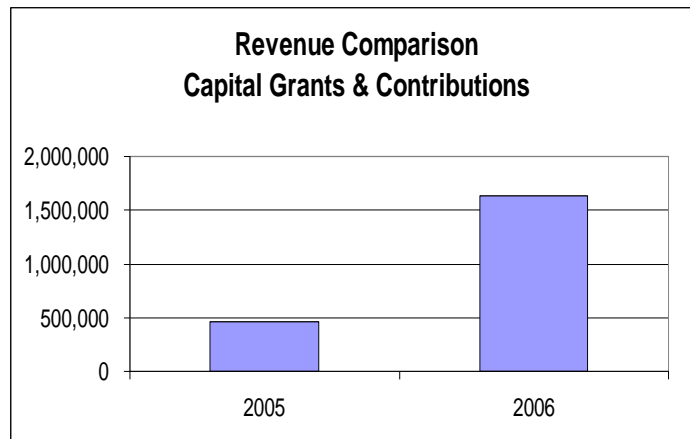
**“ATTACHMENT ‘A’”
AND
“ATTACHMENT ‘B’”
CAN BE FOUND
ON THE FOLLOWING EIGHT PAGES**

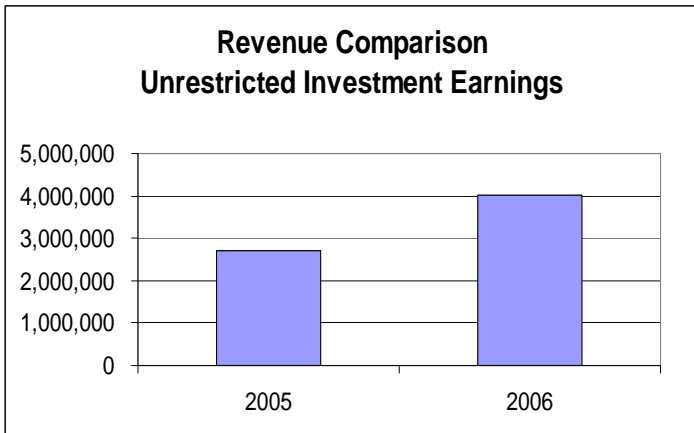
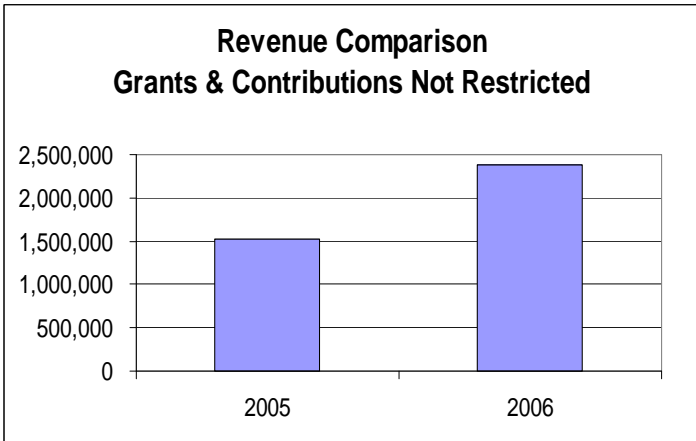
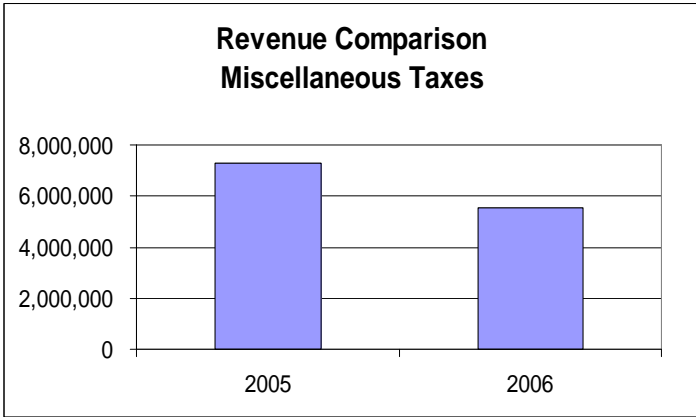
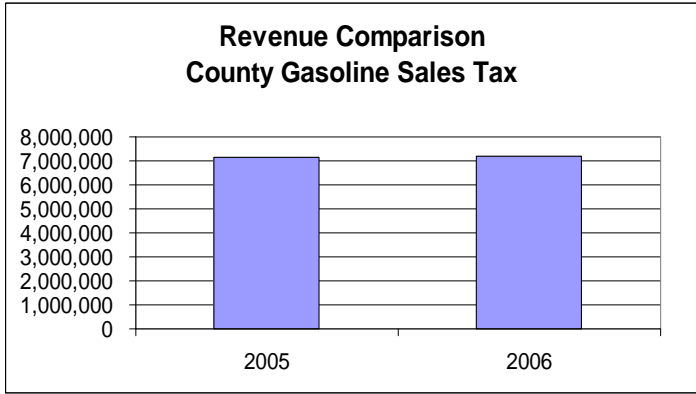
ATTACHMENT A

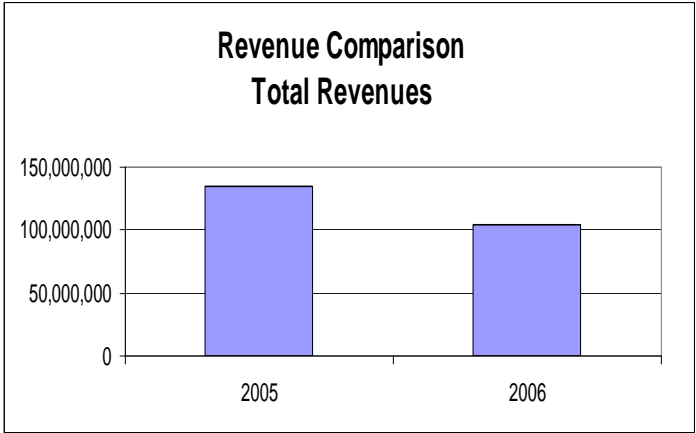
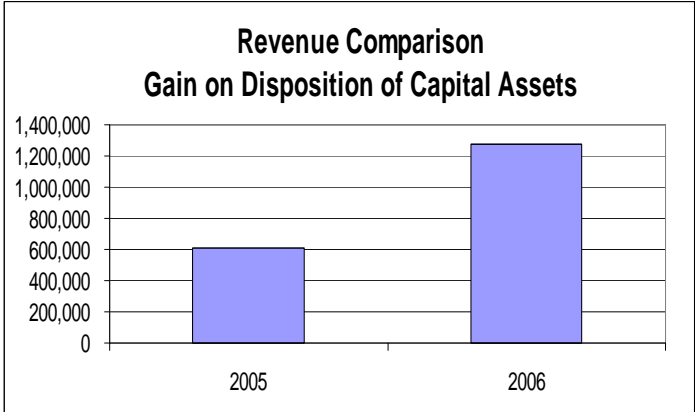
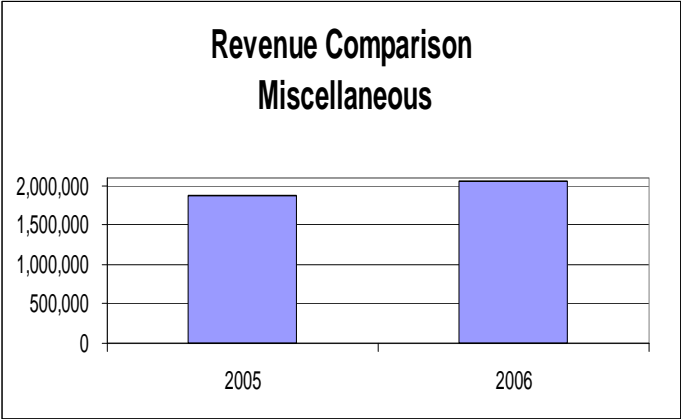
**BALDWIN COUNTY COMMISSION
SOURCES OF REVENUE
MULTIPLE YEAR COMPARISON**

	As Of 9/30/2006	As Of 9/30/2005
Charges for Services	\$ 25,296,469	\$ 30,068,859
Operating Grants & Contributions	18,557,782	51,165,740
Capital Grants & Contributions	1,636,454	461,314
Property Taxes	26,330,487	22,478,614
General Sales Tax	9,472,680	8,802,591
Special Sales Tax	484,880	
County Gasoline Sales Tax	7,212,406	7,132,220
Miscellaneous Taxes	5,550,977	7,280,521
Grants and Contributions not Restricted	2,379,121	1,526,580
Unrestricted Investment Earnings	4,028,984	2,715,508
Miscellaneous	2,051,933	1,876,632
Gain on Disposition of Capital Assets	1,279,885	612,725
Total Revenues	\$ 104,282,058	\$ 134,121,304





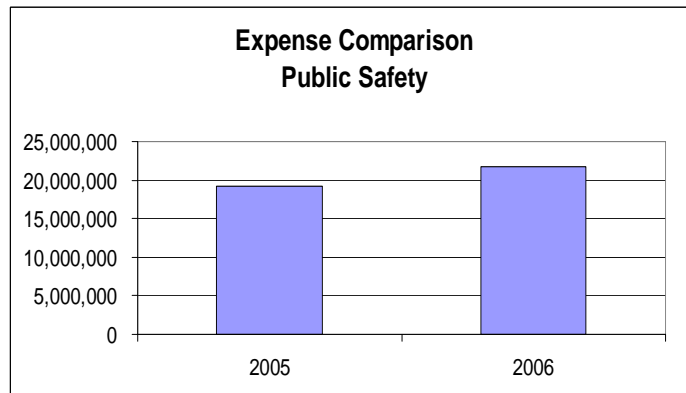
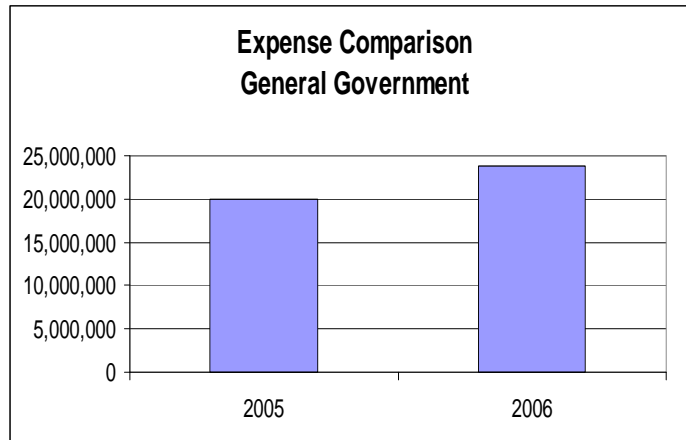


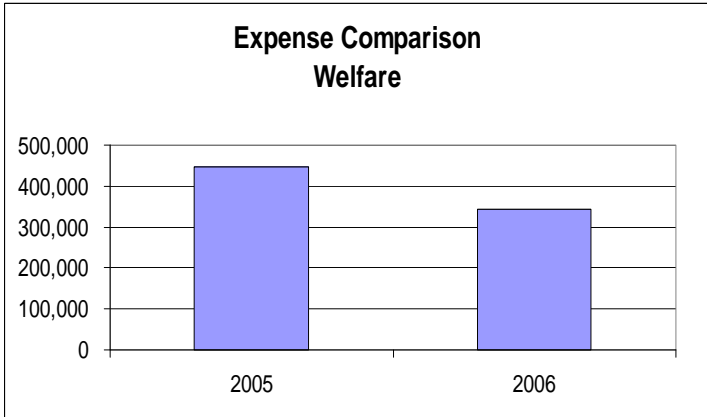
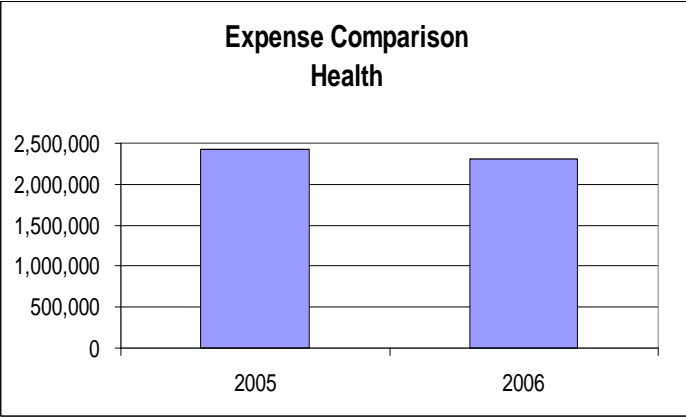
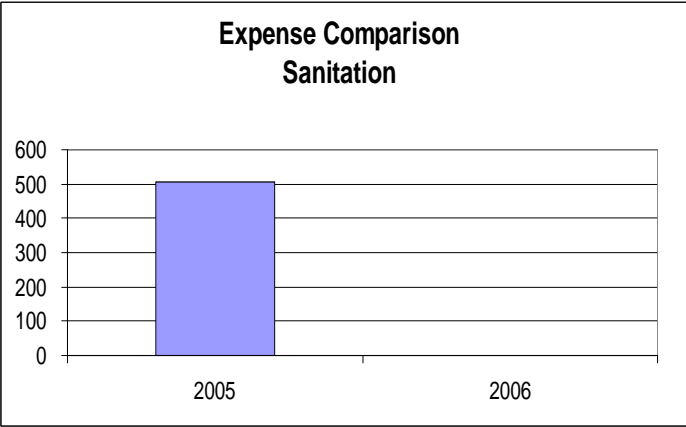
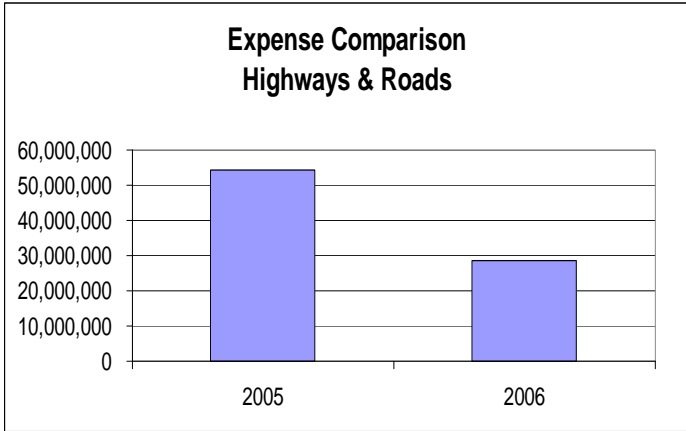


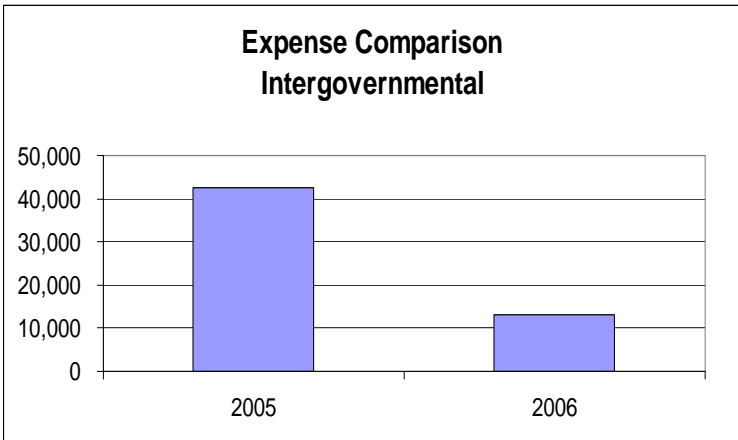
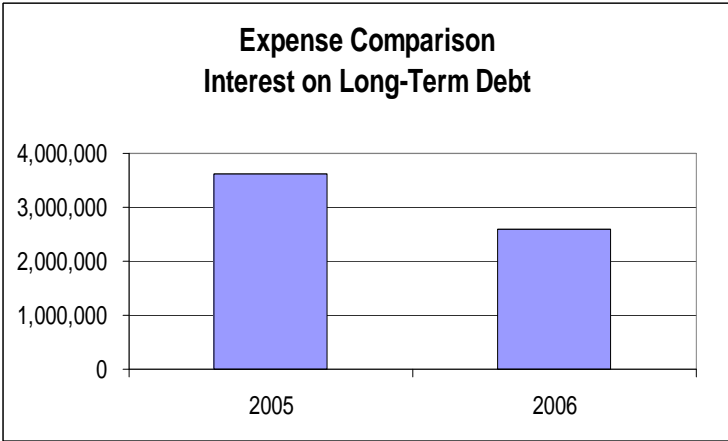
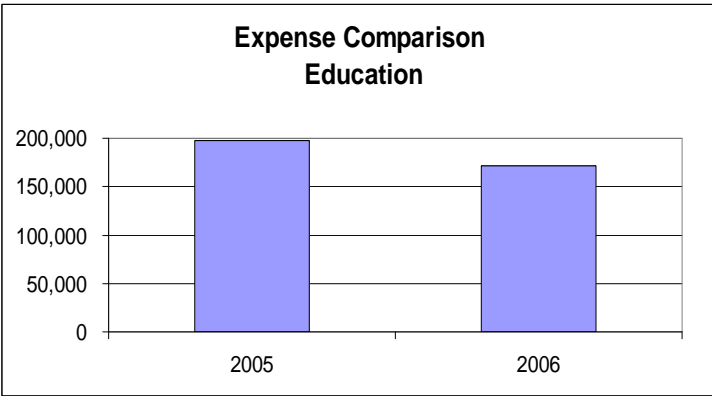
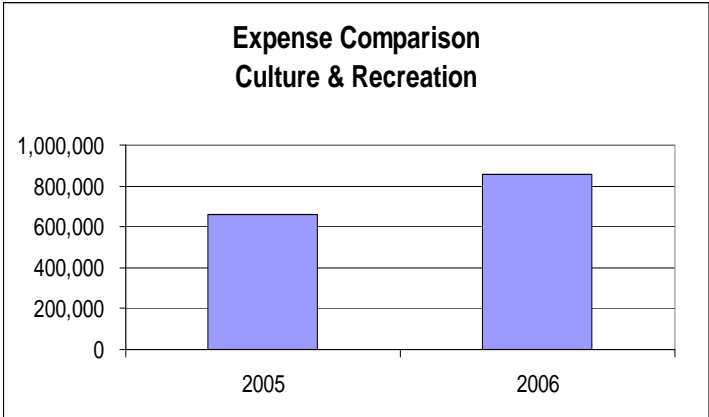
ATTACHMENT B

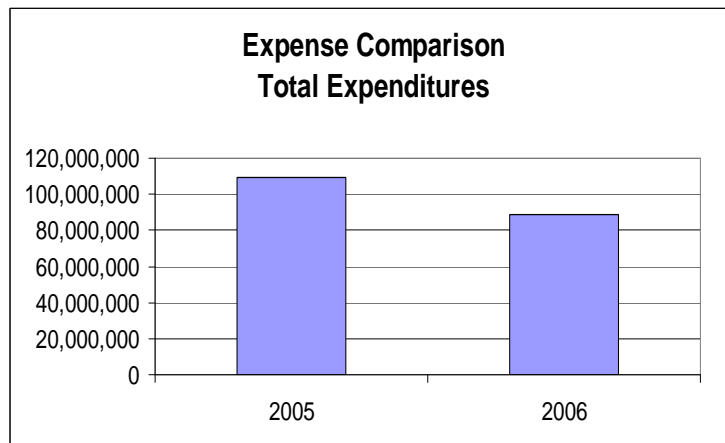
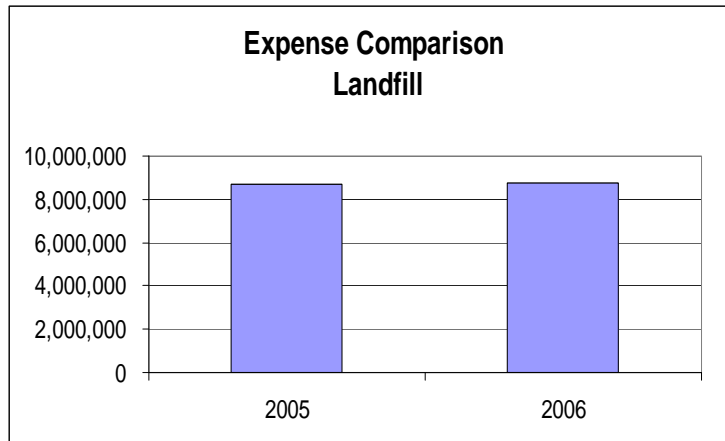
**BALDWIN COUNTY COMMISSION
EXPENDITURES BY ACTIVITY
MULTIPLE YEAR COMPARISON**

	AS OF 9/30/2006	AS OF 9/30/2005
General Government	\$ 23,746,496	\$ 20,015,137
Public Safety	21,749,159	19,138,014
Highways & Roads	28,397,863	54,167,549
Sanitation	0	507
Health	2,313,217	2,421,674
Welfare	343,453	445,472
Culture & Recreation	854,301	661,385
Education	171,734	197,171
Interest on Long-Term Debt	2,586,104	3,622,416
Intergovernmental	13,177	42,633
Landfill	8,748,005	8,680,854
Total Expenditures	\$ 88,923,509	\$ 109,392,812









Net Cost of Services

The Net Cost of Services is a comparison of the total cost of primary government functions and programs and the net cost remaining after reducing the total by the revenue generated from the specific function or program. For the current year total cost of services were \$88,923,509 and the combined charges for services plus operating and capital grants received were \$45,490,705 leaving a net cost to the County of \$43,432,804.

Charges for services amounted to \$25,296,469 and combined grants and contributions total \$20,194,236. The charges for services are the payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

**Net Cost of Services
Comparative Analysis**

Function/Program	As Of 9/30/2006	As Of 9/30/2005	Amount Of Change	Percent Of Change
General Government	(\$6,307,376)	(\$5,847,239)	\$460,137	7.9%
Public Safety	(20,404,735)	(17,833,389)	2,571,346	14.4%
Highways and Roads	(14,605,670)	(8,482,049)	6,123,621	72.2%
Sanitation	0	(507)	507	-100.0%
Health	(2,235,018)	(2,345,517)	(110,499)	-4.7%
Welfare	(243,666)	(342,184)	(98,518)	-28.8%
Culture and Recreation	(854,301)	(661,385)	192,916	29.2%
Education	(171,734)	823,130	994,864	120.9%
Interest on Long-Term Debt	(2,586,104)	(3,622,416)	(1,036,312)	-28.6%
Intergovernmental	(13,177)	(42,633)	(29,456)	-69.1%
Landfill	3,988,977	10,657,289	6,668,312	62.6%
Total Government Activities	(\$43,432,804)	(\$27,696,900)	\$15,735,904	56.8%

Financial Analysis of Fund Balances

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund balances at the end of the fiscal year increased from \$60,035,039 to \$77,154,853. This increase of \$17,119,814 (28.5%) was primarily due to improved revenues and expense control. Exhibit #5 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of all Governmental Funds.

The Proprietary Funds of the County are for Solid Waste activities. The Fund Balance for the Proprietary funds increased by \$4,451,624 or 23.4%. Exhibit #8 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of the Proprietary Funds.

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

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 12,714,236	\$ 4,842,477	\$ 17,556,713
Gasoline Tax Fund	8,544,127	(4,769,656)	3,774,471
Public Buildings, Roads, and Bridges Fund	735,916	(868,910)	(132,994)
Capital Projects Fund	0	19,258,412	19,258,412
Oil and Gas Trust Fund	15,397,436	134,563	15,531,999
Other Governmental Funds	22,643,324	(1,477,072)	21,166,252
Totals	\$ 60,035,039	\$ 17,119,814	\$ 77,154,853
Proprietary (Business) Funds	\$ 19,004,824	\$ 4,451,624	\$ 23,456,448

The following comments are presented in order to provide additional insight related to the fund balances. Items not addressed below are considered normal and routine.

1. Gasoline Tax Fund:

The demands placed on highways and roads continue to rise and material costs such as asphalt also continues to increase. In order to keep pace with these infrastructural demands, the County ended the year with a lower fund balance.

2. Public Buildings, Roads, and Bridges Fund:

This fund is primarily a resource for road and bridge infrastructure. The demands related to highways and roads required the usage of these funds as transfers into the Gasoline Tax Fund. When combining the ending fund balances of the Gasoline Tax Fund and this fund the overall fund balance integrity is maintained. A positive cash position was maintained at all times.

3. Capital Projects Fund:

This fund was established during the current year. The large increase in fund balance was the result of the proceeds from the 2006A Warrants being deposited in this fund.

Budgetary Highlights – General Fund

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2006. The major budgetary revenue change was an increase in Taxes, which was primarily from increases from Property Tax and Sales Tax. Actual revenues exceeded final budgeted revenues by \$2,701,092 (5.7%), which was primarily the result of larger than expected tax revenues and licenses and permits. The major change in budgeted expenses was in Capital Outlay. Actual total expenditures were less than the final budgeted amount by \$3,499,964 (8.2%).

Total Other Financing Uses exceeded Total Other Financing Sources for both the budgeted and actual amounts. Actual Total Other Financing Sources (Uses) exceeded the final budgeted amount by \$476,864 (7.4%).

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

Capital Assets and Debt Administration

Capital Assets

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

At the end of fiscal year 2006, the County had invested over \$218 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$17 million, or 8.8 percent, over last year.

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

	GOVERNMENTAL ACTIVITIES		AMOUNT OF CHANGE	PERCENT OF CHANGE
	2006	2005		
Land	\$10,227,568	\$9,746,584	\$480,984	4.9%
Infrastructure in Progress	568,543	1,880,243	(1,311,700)	-69.8%
Construction in Progress	7,827,212	6,206,201	1,621,011	26.1%
Infrastructure	137,701,035	130,941,129	6,759,906	5.2%
Buildings	39,616,978	31,378,614	8,238,364	26.3%
Improvements Other than Bldg	3,187,753	2,898,107	289,646	10.0%
Computer and Communication Equipment	1,160,177	1,359,328	(199,151)	-14.7%
Equipment and Furniture	411,402	173,715	237,687	136.8%
Motor Vehicles and Construction Equipment	7,648,641	5,590,339	2,058,302	36.8%
Capital Assets Under Capital Lease	2,300,298	3,912,497	(1,612,199)	-41.2%
	<u>\$210,649,607</u>	<u>\$194,086,757</u>	<u>\$16,562,850</u>	<u>8.5%</u>

	BUSINESS-TYPE ACTIVITIES		AMOUNT OF CHANGE	PERCENT OF CHANGE
	2006	2005		
Land	\$1,697,097	\$1,295,559	\$401,538	31.0%
Infrastructure in Progress	0	0	0	0.0%
Construction in Progress	0	0	0	0.0%
Infrastructure	0	0	0	0.0%
Buildings	645,920	682,202	(36,282)	-5.3%
Improvements Other than Bldg	1,512,665	1,527,316	(14,651)	-1.0%
Computer and Communication Equipment	0	0	0	0.0%
Motor Vehicles and Construction Equipment	3,083,240	1,646,405	1,436,835	87.3%
Equipment and Furniture	117,080	9,413	107,667	1143.8%
Capital Assets Under Capital Lease	352,779	1,131,299	(778,520)	-68.8%
	<u>\$7,408,781</u>	<u>\$6,292,194</u>	<u>\$1,116,587</u>	<u>17.7%</u>

	TOTAL ACTIVITIES		AMOUNT OF CHANGE	PERCENT OF CHANGE
	2006	2005		
Land	\$11,924,665	\$11,042,143	\$882,522	8.0%
Infrastructure in Progress	568,543	1,880,243	(1,311,700)	-69.8%
Construction in Progress	7,827,212	6,206,201	1,621,011	26.1%
Infrastructure	137,701,035	130,941,129	6,759,906	5.2%
Buildings	40,262,898	32,060,816	8,202,082	25.6%
Improvements Other than Bldg	4,700,418	4,425,423	274,995	6.2%
Computer and Communication Equipment	1,160,177	1,359,328	(199,151)	-14.7%
Equipment and Furniture	528,482	183,128	345,354	188.6%
Motor Vehicles and Construction Equipment	10,731,881	7,236,744	3,495,137	48.3%
Capital Assets Under Capital Lease	2,653,077	5,043,796	(2,390,719)	-47.4%
	<u>\$218,058,388</u>	<u>\$200,378,951</u>	<u>\$17,679,437</u>	<u>8.8%</u>

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

Debt Outstanding

At October 1, 2005, the County's long-term bonded indebtedness and notes payable totaled \$67,969,197. At September 30, 2006 the County's long-term bonded indebtedness and notes payable increased to \$92,204,256. During the fiscal year, the County issued warrants for \$29,894,237 and repaid/decreased warrants and notes in the total amount of \$5,819,178.

At October 1, 2005, the County's capital lease debt was \$2,238,953. At September 30, 2006, the County's capital lease debt was \$820,338. The County entered into no additional capital leases during the year and made capital lease payments of \$1,418,615.

The total liability for compensated absences at September 30, 2006 was \$2,100,672.

The total of all long-term debt for the County at September 30, 2006 was \$97,652,888 which was \$23,250,044 more than the prior year ending balance of \$74,402,844. This was an increase of 31.2%.

Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2006, Baldwin County's maximum debt limit was \$198,867,013. With total liabilities of the County being \$141,092,408 as of the end of the current fiscal year, consisting of \$97,652,888 in long-term debt and \$43,439,520 in short-term liabilities, the County was at 70.9% of the legal debt limit.

Information on long-term debt is located in the Notes to the Financial Statements.

Economic Factors

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

The County's population has experienced significant growth. From 1990 to 2000 the population of Baldwin County has increased by 42.9%. The Bureau of the Census estimates that from 2000 to 2006 the population of Baldwin County increased by 20.5%.

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

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

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

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

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

Financial Information Contact

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

Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 29,523,645.91	\$ 17,137,516.10	\$ 46,661,162.01
Investment	10,592.22		10,592.22
Taxes Receivable	34,029,230.24		34,029,230.24
Receivables (Note 4)	7,729,595.86	1,335,020.70	9,064,616.56
Internal Balances	(61,512.68)	61,512.68	
Inventories	4,878.00		4,878.00
Receivable from External Parties	31,354.75		31,354.75
Prepaid Items	191,883.29	6,024.46	197,907.75
Deferred Charges - Issuance Costs	35,557.62		35,557.62
Total Current Assets	71,495,225.21	18,540,073.94	90,035,299.15
<u>Noncurrent Assets</u>			
Restricted Cash and Cash Equivalents	42,745,934.66	1,268,873.42	44,014,808.08
Restricted Cash with Fiscal Agent	4,527,080.92		4,527,080.92
Deferred Charges - Issuance Costs	559,706.77		559,706.77
Capital Assets (Note 5):			
Nondepreciable	18,623,323.72	1,697,096.62	20,320,420.34
Depreciable, Net	192,026,283.33	5,711,684.94	197,737,968.27
Total Noncurrent Assets	258,482,329.40	8,677,654.98	267,159,984.38
Total Assets	329,977,554.61	27,217,728.92	357,195,283.53
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 10)	7,188,347.39	643,674.22	7,832,021.61
Accrued Interest Payable	1,073,237.93		1,073,237.93
Deferred Revenue	33,474,401.38		33,474,401.38
Accrued Wages Payable	915,080.64	144,778.20	1,059,858.84
Long-Term Liabilities:			
Portion Payable Within One Year:			
Notes Payable	60,000.00	40,000.00	100,000.00
Capital Leases Payable	820,338.47		820,338.47
Warrants Payable	13,983,734.76		13,983,734.76
Add: Unamortized Premium	41,211.84		41,211.84
Less: Unamortized Discount	(7,034.03)		(7,034.03)
Compensated Absences	1,271,922.02	285,206.18	1,557,128.20
Estimated Liability for Landfill Closure/ Postclosure Care Costs		135,000.00	135,000.00
Total Current Liabilities	\$ 58,821,240.40	\$ 1,248,658.60	\$ 60,069,899.00

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

	Governmental Activities	Business-Type Activities	Total
<u>Noncurrent Liabilities</u>			
Portion Payable After One Year:			
Notes Payable	\$ 45,000.00	\$ 120,000.00	\$ 165,000.00
Capital Leases Payable			
Warrants Payable	77,305,000.00		77,305,000.00
Add: Unamortized Premium	741,813.07		741,813.07
Less: Unamortized Discount	(125,469.96)		(125,469.96)
Compensated Absences	543,543.44		543,543.44
Estimated Liability for Landfill Closure/ Postclosure Care Costs		2,392,622.48	2,392,622.48
Total Noncurrent Liabilities	<u>78,509,886.55</u>	<u>2,512,622.48</u>	<u>81,022,509.03</u>
Total Liabilities	<u>137,331,126.95</u>	<u>3,761,281.08</u>	<u>141,092,408.03</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	145,437,748.60	7,248,781.56	152,686,530.16
Restricted for:			
Landfill Closure and Postclosure Costs		1,268,873.42	1,268,873.42
Indigent Care	380,653.18		380,653.18
Debt Service	3,610,605.24		3,610,605.24
Road Projects	3,703,224.34		3,703,224.34
Term Endowments	14,830,865.57		14,830,865.57
Unrestricted	<u>24,683,330.73</u>	<u>14,938,792.86</u>	<u>39,622,123.59</u>
Total Net Assets	<u>\$ 192,646,427.66</u>	<u>\$ 23,456,447.84</u>	<u>\$ 216,102,875.50</u>

Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
<u>Governmental Activities</u>			
General Government	\$ 23,746,495.87	\$ 11,361,387.23	\$ 5,124,860.86
Public Safety	21,749,158.91	792,925.05	256,559.64
Highways and Roads	28,397,863.15	326,977.00	13,076,573.06
Health	2,313,216.59	78,198.20	
Welfare	343,453.52		99,788.00
Culture and Recreation	854,301.06		
Education	171,733.70		
Interest on Long-Term Debt	2,586,104.33		
Intergovernmental	13,176.55		
Total Governmental Activities	80,175,503.68	12,559,487.48	18,557,781.56
<u>Business-Type Activities</u>			
Solid Waste	8,748,005.18	12,736,982.01	
Total Business-Type Activities	8,748,005.18	12,736,982.01	
Total Primary Government	\$ 88,923,508.86	\$ 25,296,469.49	\$ 18,557,781.56

General Revenues:

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

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 20)

Net Assets - End of Year

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 952,871.62	\$ (6,307,376.16)	\$	\$ (6,307,376.16)
294,938.98	(20,404,735.24)		(20,404,735.24)
388,642.96	(14,605,670.13)		(14,605,670.13)
	(2,235,018.39)		(2,235,018.39)
	(243,665.52)		(243,665.52)
	(854,301.06)		(854,301.06)
	(171,733.70)		(171,733.70)
	(2,586,104.33)		(2,586,104.33)
	(13,176.55)		(13,176.55)
<u>1,636,453.56</u>	<u>(47,421,781.08)</u>		<u>(47,421,781.08)</u>
		3,988,976.83	3,988,976.83
		<u>3,988,976.83</u>	<u>3,988,976.83</u>
<u>\$ 1,636,453.56</u>	<u>(47,421,781.08)</u>	3,988,976.83	<u>(43,432,804.25)</u>
	14,676,075.02		14,676,075.02
	11,654,411.80		11,654,411.80
	9,472,680.20		9,472,680.20
	484,879.73		484,879.73
	7,212,406.27		7,212,406.27
	5,550,976.61		5,550,976.61
	2,377,859.80	1,261.16	2,379,120.96
	3,202,370.16	826,614.20	4,028,984.36
	1,759,485.54	292,447.68	2,051,933.22
	1,279,885.14		1,279,885.14
	657,675.76	(657,675.76)	
	<u>58,328,706.03</u>	<u>462,647.28</u>	<u>58,791,353.31</u>
	10,906,924.95	4,451,624.11	15,358,549.06
	<u>181,739,502.71</u>	<u>19,004,823.73</u>	<u>200,744,326.44</u>
<u>\$ 192,646,427.66</u>	<u>\$ 23,456,447.84</u>	<u>\$ 216,102,875.50</u>	

Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Assets</u>			
Cash and Cash Equivalents	\$ 20,039,227.97	\$ 2,458,706.82	\$ 124,957.24
Cash with Fiscal Agent			
Investments			
Taxes Receivable	19,061,103.82	567,273.32	9,132,153.55
Receivables (Note 4)	2,189,409.49	1,673,267.04	
Due From Other Funds	1,060,939.54	382,035.83	
Inventories	4,878.00		
Prepaid Items	13,343.69		
Total Assets	<u>42,368,902.51</u>	<u>5,081,283.01</u>	<u>9,257,110.79</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Payables (Note 10)	5,366,659.41	983,837.53	
Due To Other Funds	251,011.86	22,765.87	
Deferred Revenue	18,790,837.08		9,390,105.08
Accrued Wages Payable	403,680.58	300,208.67	
Total Liabilities	<u>24,812,188.93</u>	<u>1,306,812.07</u>	<u>9,390,105.08</u>
<u>Fund Balances</u>			
Reserved for:			
Inventories	4,878.00		
Debt Service			
Capital Projects			
Encumbrances	1,010,980.86	243,922.24	
Prepaid Items	13,343.69		
Indigent Care	380,653.18		
Other Purposes	4,778,079.60	1,753,040.36	
Unreserved, Reported in:			
General Fund	11,368,778.25		
Special Revenue Funds		1,777,508.34	(132,994.29)
Total Fund Balances	<u>17,556,713.58</u>	<u>3,774,470.94</u>	<u>(132,994.29)</u>
Total Liabilities and Fund Balances	<u>\$ 42,368,902.51</u>	<u>\$ 5,081,283.01</u>	<u>\$ 9,257,110.79</u>

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

Capital Projects Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 20,352,003.53	\$ 15,531,999.10	\$ 13,762,685.91	\$ 72,269,580.57
		4,527,080.92	4,527,080.92
		10,592.22	10,592.22
		5,268,699.55	34,029,230.24
113,838.46		3,753,080.87	7,729,595.86
		234,862.84	1,677,838.21
			4,878.00
50,000.00		128,539.60	191,883.29
<u>20,515,841.99</u>	<u>15,531,999.10</u>	<u>27,685,541.91</u>	<u>120,440,679.31</u>
617,183.43		220,667.02	7,188,347.39
640,246.47		793,971.94	1,707,996.14
		5,293,459.22	33,474,401.38
		211,191.39	915,080.64
<u>1,257,429.90</u>		<u>6,519,289.57</u>	<u>43,285,825.55</u>
			4,878.00
		4,683,843.17	4,683,843.17
14,197,173.21		6,273,953.85	20,471,127.06
5,011,238.88		299,633.64	6,565,775.62
50,000.00		128,539.60	191,883.29
			380,653.18
	15,531,999.10	110,130.25	22,173,249.31
			11,368,778.25
		9,670,151.83	11,314,665.88
<u>19,258,412.09</u>	<u>15,531,999.10</u>	<u>21,166,252.34</u>	<u>77,154,853.76</u>
<u>\$ 20,515,841.99</u>	<u>\$ 15,531,999.10</u>	<u>\$ 27,685,541.91</u>	<u>\$ 120,440,679.31</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2006***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 77,154,853.76

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

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

Land	\$ 10,227,568.18	
Infrastructure	167,059,972.75	
Infrastructure in Progress	568,543.39	
Construction in Progress	7,827,212.15	
Building and Building Improvements	54,085,611.35	
Improvements Other Than Buildings	3,703,605.64	
Computer and Communication Equipment	8,054,428.78	
Equipment and Furniture	1,097,991.57	
Motor Vehicles and Heavy Equipment	22,652,219.32	
Capital Assets Under Capital Lease	3,961,607.00	
Less: Accumulated Depreciation	<u>(68,589,153.08)</u>	
Total Capital Assets, Net of Depreciation		210,649,607.05

Deferred charges related to issuance costs of long-term liabilities are
not reported in the funds. 595,264.39

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

	<u>Due or Payable Within One Year</u>	<u>Due or Payable After One Year</u>	
Accrued Interest Payable	\$ 1,073,237.93		
Capital Lease Contracts Payable	820,338.47		
Notes Payable	60,000.00	45,000.00	
Warrants Payable	13,983,734.76	77,305,000.00	
Unamortized Discount	(7,034.03)	(125,469.96)	
Unamortized Premium	41,211.84	741,813.07	
Compensated Absences	1,271,922.02	543,543.44	
Total Liabilities	<u>\$ 17,243,410.99</u>	<u>\$ 78,509,886.55</u>	<u>(95,753,297.54)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 192,646,427.66

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Revenues</u>			
Taxes	\$ 29,606,683.78	\$ 7,212,406.27	\$ 7,465,221.38
Licenses and Permits	3,244,735.01		
Intergovernmental	7,000,094.61	7,325,969.64	
Charges for Services	7,587,336.38	291,067.00	
Fines and Forfeits	44,179.80		
Miscellaneous	2,347,443.01	417,256.91	102,868.45
Total Revenues	<u>49,830,472.59</u>	<u>15,246,699.82</u>	<u>7,568,089.83</u>
<u>Expenditures</u>			
Current:			
General Government	16,143,799.13		
Public Safety	18,136,554.08		
Highways and Roads		18,427,415.17	
Sanitation			
Health	1,129,460.89		
Welfare	800.00		
Culture and Recreation	137,595.66		
Education	146,942.54		
Intergovernmental	13,176.55		
Capital Outlay	2,871,559.47	8,704,035.34	
Debt Service:			
Principal Retirement	438,397.46	631,398.46	
Interest and Fiscal Charges	17,192.17	27,474.60	
Debt Issuance Costs			
Total Expenditures	<u>39,035,477.95</u>	<u>27,790,323.57</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>10,794,994.64</u>	<u>(12,543,623.75)</u>	<u>7,568,089.83</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,842,025.42	11,472,582.39	
Sale of Capital Assets	52,367.00	1,247,417.23	
Debt Issued			
Premiums on Debt Issued			
Transfers Out	<u>(7,846,910.22)</u>	<u>(4,946,031.77)</u>	<u>(8,437,000.00)</u>
Total Other Financing Sources (Uses)	<u>(5,952,517.80)</u>	<u>7,773,967.85</u>	<u>(8,437,000.00)</u>
Changes in Fund Balances	4,842,476.84	(4,769,655.90)	(868,910.17)
Fund Balances - Beginning of Year, as Restated (Note 20)	12,714,236.74	8,544,126.84	735,915.88
Fund Balances - End of Year	<u>\$ 17,556,713.58</u>	<u>\$ 3,774,470.94</u>	<u>\$ (132,994.29)</u>

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

Capital Projects Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		4,767,118.20	49,051,429.63
		100.00	3,244,835.01
		7,689,510.71	22,015,574.96
		1,180,580.44	9,058,983.82
			44,179.80
735,231.69	779,037.26	1,348,027.19	5,729,864.51
735,231.69	779,037.26	14,985,336.54	89,144,867.73
		4,705,104.23	20,848,903.36
		2,606,031.16	20,742,585.24
		6,702,176.50	25,129,591.67
		1,151,774.02	2,281,234.91
		336,720.60	337,520.60
		677,150.93	814,746.59
			146,942.54
			13,176.55
11,046,977.86		975,883.58	23,598,456.25
		6,133,819.55	7,203,615.47
		2,400,666.62	2,445,333.39
324,078.49			324,078.49
11,371,056.35		25,689,327.19	103,886,185.06
(10,635,824.66)	779,037.26	(10,703,990.65)	(14,741,317.33)
		12,392,109.71	25,706,717.52
		9,435.00	1,309,219.23
29,070,000.00			29,070,000.00
824,236.75			824,236.75
	(644,474.04)	(3,174,625.73)	(25,049,041.76)
29,894,236.75	(644,474.04)	9,226,918.98	31,861,131.74
19,258,412.09	134,563.22	(1,477,071.67)	17,119,814.41
	15,397,435.88	22,643,324.01	60,035,039.35
\$ 19,258,412.09	\$ 15,531,999.10	\$ 21,166,252.34	\$ 77,154,853.76

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 17,119,814.41

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

Governmental funds report capital outlays as expenditures. However, in the Statement
of Activities, the cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital outlays (\$23,598,456.25)
exceeded depreciation (\$7,006,272.45) in the current period. 16,592,183.80

In the Statement of Activities, only the gain (\$1,279,885.14) on the sale of capital assets
is reported, whereas in the governmental funds, the proceeds (\$1,309,219.23) from the
sale increase financial resources. Thus the change in net assets differs from the
change in fund balance by the net cost of the assets sold. (29,334.09)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces
long-term liabilities in the Statement of Net Assets and does not affect the Statement
of Activities. 7,203,615.47

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

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

	<u>Prior Period Debt</u>	<u>New Debt</u>	
Debt Issued:			
Warrants Issued		\$ (29,070,000.00)	
Issuance Costs		324,078.49	
Premiums		(824,236.75)	
Amortization of Discounts on Debt Issued	\$ (7,034.03)		
Amortization of Debt Issuance Costs	(19,353.70)	(16,203.92)	
Amortization of Premiums on Debt Issued		41,211.84	
Total	<u>\$ (26,387.73)</u>	<u>(29,545,150.34)</u>	
Net Adjustment			(29,571,538.07)

Some expenses reported in the Statement of Activities that do not require the use of the current financial resources are not reported as expenditures in the funds.

Net Increase in Accrued Interest Payable	(174,948.75)	
Net Increase in Compensated Absences	<u>(232,867.82)</u>	
Total Additional Expenditures		<u>(407,816.57)</u>

Change in Net Assets of Governmental Activities (Exhibit 2)	<u><u>\$ 10,906,924.95</u></u>
---	--------------------------------

Statement of Net Assets
Proprietary Funds
September 30, 2006

	<u>Enterprise Funds</u>		Total Enterprise Funds
	Solid Waste Fund	Other Enterprise Fund	
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 15,452,086.06	\$ 1,685,430.04	\$ 17,137,516.10
Accounts Receivable, Net (Note 4)	551,499.69	783,521.01	1,335,020.70
Due From Other Funds	163,357.89		163,357.89
Prepaid Items	1,287.70	4,736.76	6,024.46
Total Current Assets	<u>16,168,231.34</u>	<u>2,473,687.81</u>	<u>18,641,919.15</u>
Noncurrent Assets			
Restricted Cash and Cash Equivalents	1,268,873.42		1,268,873.42
Capital Assets, Net (Note 5)	6,361,712.38	1,047,069.18	7,408,781.56
Total Noncurrent Assets	<u>7,630,585.80</u>	<u>1,047,069.18</u>	<u>8,677,654.98</u>
Total Assets	<u>23,798,817.14</u>	<u>3,520,756.99</u>	<u>27,319,574.13</u>
Liabilities			
Current Liabilities			
Payables (Note 10)	570,543.28	73,130.94	643,674.22
Due To Other Funds	2,524.18	99,321.03	101,845.21
Accrued Wages Payable	86,149.20	58,629.00	144,778.20
Compensated Absences	193,166.59	92,039.59	285,206.18
Total Current Liabilities	<u>852,383.25</u>	<u>323,120.56</u>	<u>1,175,503.81</u>
Noncurrent Liabilities			
Long-Term Liabilities:			
Portion Due Within One Year:			
Notes Payable	40,000.00		40,000.00
Estimated Liability for Landfill Closure/ Postclosure Care Costs	135,000.00		135,000.00
Portion Due After One Year:			
Notes Payable	120,000.00		120,000.00
Estimated Liability for Landfill Closure/ Postclosure Care Costs	2,392,622.48		2,392,622.48
Total Noncurrent Liabilities	<u>2,687,622.48</u>		<u>2,687,622.48</u>
Total Liabilities	<u>\$ 3,540,005.73</u>	<u>\$ 323,120.56</u>	<u>\$ 3,863,126.29</u>

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

	Enterprise Funds		Total Enterprise Funds
	Solid Waste Fund	Other Enterprise Fund	
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 6,201,712.38	\$ 1,047,069.18	\$ 7,248,781.56
Restricted for:			
Landfill Closure and Postclosure Care Costs	1,268,873.42		1,268,873.42
Unrestricted	12,788,225.61	2,150,567.25	14,938,792.86
Total Net Assets	<u>\$ 20,258,811.41</u>	<u>\$ 3,197,636.43</u>	<u>\$ 23,456,447.84</u>

This Page Intentionally Blank

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Enterprise Funds</u>		Total Enterprise Funds
	Solid Waste Fund	Other Enterprise Fund	
<u>Revenues</u>			
Charges for Services	\$ 8,594,261.35	\$ 4,142,720.66	\$ 12,736,982.01
Total Revenues	<u>8,594,261.35</u>	<u>4,142,720.66</u>	<u>12,736,982.01</u>
<u>Operating Expenses</u>			
Salaries and Benefits	2,015,880.16	1,459,702.57	3,475,582.73
Contractual and Professional Services	252,325.70	1,250,480.73	1,502,806.43
Travel	15,494.31	18.69	15,513.00
Materials and Supplies	1,209,473.95	761,775.85	1,971,249.80
Utilities and Communications	87,335.53	53,249.72	140,585.25
Other Expenses	143,695.92	25,354.34	169,050.26
Depreciation	906,686.91	371,720.36	1,278,407.27
Landfill Expenses	143,310.44		143,310.44
Total Operating Expenses	<u>4,774,202.92</u>	<u>3,922,302.26</u>	<u>8,696,505.18</u>
Operating Income (Loss)	<u>3,820,058.43</u>	<u>220,418.40</u>	<u>4,040,476.83</u>
<u>Nonoperating Revenues (Expenses)</u>			
Miscellaneous	206,452.38	85,995.30	292,447.68
Interest Earned	731,183.89	95,430.31	826,614.20
Intergovernmental Expense	(51,500.00)		(51,500.00)
Intergovernmental Revenue	1,261.16		1,261.16
Total Nonoperating Revenues (Expenses)	<u>887,397.43</u>	<u>181,425.61</u>	<u>1,068,823.04</u>
Income (Loss) Before Transfers	<u>4,707,455.86</u>	<u>401,844.01</u>	<u>5,109,299.87</u>
<u>Operating Transfers</u>			
Transfers In	68,062.19		68,062.19
Transfers Out	(725,394.95)	(343.00)	(725,737.95)
Total Operating Transfers	<u>(657,332.76)</u>	<u>(343.00)</u>	<u>(657,675.76)</u>
Changes in Net Assets	4,050,123.10	401,501.01	4,451,624.11
Total Net Assets - Beginning of Year, as Restated (Note 20)	<u>16,208,688.31</u>	<u>2,796,135.42</u>	<u>19,004,823.73</u>
Total Net Assets - End of Year	<u>\$ 20,258,811.41</u>	<u>\$ 3,197,636.43</u>	<u>\$ 23,456,447.84</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Enterprise</u>
	<u>Solid Waste Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 8,712,527.92
Payments to Suppliers	(1,245,892.03)
Payments to Employees	(1,976,792.52)
Net Cash Provided (Used) by Operating Activities	<u>5,489,843.37</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Interfund Loans Made/Repaid	(121,934.84)
Miscellaneous Revenue	12,925.95
Transfers In	68,062.19
Intergovernmental Expense	(51,500.00)
Intergovernmental Revenue	1,261.16
Transfers Out	(725,394.95)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(816,580.49)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Sale of Capital Assets	197,738.90
Purchase of Capital Assets	(1,710,546.00)
Loan Proceeds	160,000.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,352,807.10)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	731,183.89
Net Cash Provided (Used) by Investing Activities	<u>731,183.89</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,051,639.67
Cash and Cash Equivalents - Beginning of Year	<u>12,669,319.81</u>
Cash and Cash Equivalents - End of Year	<u>\$ 16,720,959.48</u>

Funds	
Other Enterprise Fund	Total Enterprise Funds
\$ 4,089,427.25	\$ 12,801,955.17
(2,083,351.40)	(3,329,243.43)
(1,427,953.15)	(3,404,745.67)
<u>578,122.70</u>	<u>6,067,966.07</u>
(7,979.08)	(129,913.92)
3,635.55	16,561.50
	68,062.19
	(51,500.00)
	1,261.16
(343.00)	(725,737.95)
<u>(4,686.53)</u>	<u>(821,267.02)</u>
36,132.18	233,871.08
(689,286.06)	(2,399,832.06)
	160,000.00
<u>(653,153.88)</u>	<u>(2,005,960.98)</u>
95,430.31	826,614.20
<u>95,430.31</u>	<u>826,614.20</u>
15,712.60	4,067,352.27
<u>1,669,717.44</u>	<u>14,339,037.25</u>
<u>\$ 1,685,430.04</u>	<u>\$ 18,406,389.52</u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Enterprise</u>
	<u>Solid Waste Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ 3,820,058.43
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Depreciation Expense	906,686.91
Landfill Expense	143,310.44
Change in Assets and Liabilities:	
(Increase)/Decrease Receivables, Net	119,527.73
(Increase)/Decrease Prepays	356.97
Increase/(Decrease) Accounts Payable	460,815.25
Increase/(Decrease) Wages Payable	(959.92)
Increase/(Decrease) Compensated Absences	40,047.56
	<u>40,047.56</u>
Net Cash Provided by Operating Activities	<u>\$ 5,489,843.37</u>

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

Funds		
Other Enterprise Fund	Total Enterprise Funds	
\$ 220,418.40	\$ 4,040,476.83	
371,720.36	1,278,407.27	143,310.44
(53,293.41)	66,234.32	
(3,528.07)	(3,171.10)	
11,056.00	471,871.25	
14,374.47	13,414.55	
17,374.95	57,422.51	
<u>\$ 578,122.70</u>	<u>\$ 6,067,966.07</u>	

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 7,874,944.35	\$ 337,463.24
Receivables (Note 4)	5.00	
Due From Other Funds		5,700.00
Total Assets	<u>7,874,949.35</u>	<u>343,163.24</u>
<u>Liabilities</u>		
Payables (Note 10)	5,581,293.38	321,546.24
Due To Other Funds	37,054.75	
Payable to External Parties		21,617.00
Total Liabilities	<u>5,618,348.13</u>	<u>\$ 343,163.24</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	<u>2,256,601.22</u>	
Total Net Assets	<u>\$ 2,256,601.22</u>	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2006

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
State and Local Governments	\$ 131,624.06
Fees	1,421,352.68
Miscellaneous	79,563.00
Interest	36,646.15
Total Additions	<u>1,669,185.89</u>
<u>Deductions</u>	
Administrative Expenses	1,086,880.10
Total Deductions	<u>1,086,880.10</u>
Changes in Net Assets	582,305.79
Net Assets - Beginning of Year	<u>1,674,295.43</u>
Net Assets - End of Year	<u><u>\$ 2,256,601.22</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Baldwin County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Baldwin County Commission is a general purpose local government governed by separately elected commissioners. The accompanying financial statements present the activities of the Baldwin County Commission, (the primary government) and its component units. 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.

Based on the application of the above criteria, the Baldwin County Planning and Zoning Commission is a component unit that has been included in the accompanying financial statements as a blended component unit. Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Notes to the Financial Statements

For the Year Ended September 30, 2006

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' or Other Enterprise Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** - The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** - This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and right-of-ways.
- ◆ **Public Buildings, Roads and Bridges Fund** - This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads, and bridges.
- ◆ **Capital Projects Fund** - This fund is used to account for the expenditures of acquiring and constructing certain capital improvements in the County.
- ◆ **Oil and Gas Severance Tax Trust Fund** - This fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Commission's programs or its citizenry.

Notes to the Financial Statements
For the Year Ended September 30, 2006

The Commission reports the following major enterprise fund:

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

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

Governmental Fund Types

- ◆ **Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
- ◆ **Debt Service Funds** - These funds are used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest.
- ◆ **Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The Commission reports the following proprietary fund in the Other Enterprise Funds' column:

Other Enterprise Fund

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

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** - These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** - These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

Notes to the Financial Statements

For the Year Ended September 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued is reported as other financing sources.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has not elected to follow subsequent private-sector guidance.

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

1. Deposits and Investments

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

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

2. Receivables

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

Certain general obligation, special revenue warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Oil and Gas Severance Tax Trust Fund cash is restricted by law.

6. Capital Assets

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

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

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

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

7. Long-Term Obligations

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

The Series 2002 Health Tax General Obligation Warrants contain deferred issue costs of \$18,571.91 that are being amortized over 10 years. At September 30, 2006, the unamortized deferred issue costs were \$11,143.15.

The Series 2003 General Obligation Warrants contain deferred issue costs of \$108,676.56 and deferred discount of \$85,854.85 that are being amortized over 21 years. At September 30, 2006, the unamortized amounts were \$93,151.34 and \$73,589.87, respectively.

The Series 2004-B General Obligation Warrants contain deferred issue costs of \$206,726.30 and deferred discount of \$67,751.25 that are being amortized over 23 years. At September 30, 2006, the unamortized amounts were \$179,762.00 and \$58,914.12, respectively.

The Series 2004-C General Obligation Warrants contain deferred issue costs of \$10,000.00 that are being amortized over 3 years. At September 30, 2006, the unamortized deferred issue costs were \$3,333.33.

The Series 2006-A General Obligation Warrants contain deferred issue costs of \$324,078.49 and deferred premium of \$824,236.75 that are being amortized over 20 years. At September 30, 2006, the unamortized amounts were \$307,874.57 and \$783,024.91, respectively.

8. Compensated Absences

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

Annual Leave

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006, the liability for accrued annual and sick leave is approximately \$2,100,671.64. Of this amount \$1,557,128.20 is reported as current and \$543,543.44 is reported as non-current on the government-wide statement of net assets.

9. Net Assets/Fund Equity

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2006, the Public Buildings, Roads and Bridges Fund had a deficit fund balance of \$132,994.29. This deficit was caused by deferring unearned motor vehicle ad valorem taxes of \$257,951.53.

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 3 – Deposits and Investments

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

Note 4 – Receivables

On September 30, 2006, receivables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts in the enterprise funds, are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>					
Accounts Receivable	\$ 709.08	\$ 18,913.65	\$	\$ 53.77	\$ 19,676.50
Intergovernmental	2,188,700.41	1,654,353.39	113,838.46	3,753,027.10	7,709,919.36
Total Receivables	<u>\$2,189,409.49</u>	<u>\$1,673,267.04</u>	<u>\$113,838.46</u>	<u>\$3,753,080.87</u>	<u>\$7,729,595.86</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

Proprietary Funds	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
Receivables:			
Accounts Receivable	\$580,405.93	\$850,316.14	\$1,430,722.07
Gross Receivables	580,405.93	850,316.14	1,430,722.07
Less: Allowable for Doubtful Accounts	(28,906.24)	(66,795.13)	(95,701.37)
Net Total Receivables	<u>\$551,499.69</u>	<u>\$783,521.01</u>	<u>\$1,335,020.70</u>

Fiduciary Funds	Private-Purpose Trust Funds
Receivables:	
Due from External Parties	\$5.00
Total Receivables	<u>\$5.00</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Real Property Ad Valorem Taxes	\$32,638,208.97	\$
Motor Vehicle Ad Valorem Taxes		836,192.41
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$32,638,208.97</u>	<u>\$836,192.41</u>

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Restated Balance 10/01/2005	Reclassifications	Additions	Reductions	Balance 09/30/2006
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 9,746,584.32	\$	\$ 480,983.86	\$	\$ 10,227,568.18
Infrastructure in Progress	1,880,243.43	(1,863,855.48)	552,155.44		568,543.39
Construction in Progress	6,206,201.21	(5,897,476.88)	7,518,487.82		7,827,212.15
Total Capital Assets, Not Being Depreciated	17,833,028.96	(7,761,332.36)	8,551,627.12		18,623,323.72
Capital Assets Being Depreciated:					
Infrastructure	159,442,033.65	1,863,855.48	5,754,083.62		167,059,972.75
Buildings and Improvements	44,293,717.34	5,897,476.88	3,894,417.13		54,085,611.35
Improvements Other Than Buildings	3,300,144.14		403,461.50		3,703,605.64
Computer and Communication					
Equipment	7,670,066.60		384,362.18		8,054,428.78
Equipment and Furniture	808,976.20		346,984.47	(57,969.10)	1,097,991.57
Motor Vehicles and Heavy Equipment	16,448,434.71	3,356,698.62	4,263,520.23	(1,416,434.24)	22,652,219.32
Capital Assets Under Capital Lease	8,604,698.62	(3,356,698.62)		(1,286,393.00)	3,961,607.00
Total Capital Assets Being Depreciated	240,568,071.26	7,761,332.36	15,046,829.13	(2,760,796.34)	260,615,436.41
Less Accumulated Depreciation for:					
Infrastructure	(28,500,906.19)		(858,032.38)		(29,358,938.57)
Buildings and Improvements	(12,915,103.43)		(1,553,529.55)		(14,468,632.98)
Improvements Other Than Buildings	(402,036.74)		(113,815.49)		(515,852.23)
Computer and Communication					
Equipment	(6,310,738.58)		(583,513.05)		(6,894,251.63)
Equipment and Furniture	(635,261.05)		(85,373.67)	34,045.20	(686,589.52)
Motor Vehicles and Heavy Equipment	(10,858,095.43)	(3,291,962.24)	(2,267,128.59)	1,413,607.20	(15,003,579.06)
Capital Assets Under Capital Lease	(4,692,201.46)	3,291,962.24	(1,544,879.72)	1,283,809.85	(1,661,309.09)
Total Accumulated Depreciation	(64,314,342.88)		(7,006,272.45)	2,731,462.25	(68,589,153.08)
Total Capital Assets Being Depreciated, Net	176,253,728.38	7,761,332.36	8,040,556.68	(29,334.09)	192,026,283.33
Total Governmental Activities Capital Assets, Net	\$194,086,757.34	\$	\$24,353,516.16	\$ (29,334.09)	\$210,649,607.05

Notes to the Financial Statements
For the Year Ended September 30, 2006

The beginning balance of governmental activities' capital assets was restated by \$12,088,662.57 to retroactively report infrastructure (bridges) to comply with GASB Statement Number 34 requirements. In addition, a physical inventory taken in fiscal year 2006 resulted in a net restatement of \$7,991,015.24. Amounts in the reclassification column are the result of capital leases being paid off during the current year and the completion of construction and infrastructure projects in progress.

	Balance 10/01/2005	Reclassification	Additions	Reductions	Balance 09/30/2006
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,295,559.12	\$	\$ 401,537.50	\$	\$ 1,697,096.62
Total Capital Assets, Not Being Depreciated	1,295,559.12		401,537.50		1,697,096.62
Capital Assets Being Depreciated:					
Buildings	1,124,011.84				1,124,011.84
Improvements Other Than Buildings	7,495,484.69		72,000.00		7,567,484.69
Computer and Communication Equipment	71,323.34				71,323.34
Motor Vehicle and Heavy Equipment	5,717,573.46	1,074,030.00	1,799,488.64	(834,871.00)	7,756,221.10
Equipment and Furniture	53,922.36		126,805.92		180,728.28
Assets Under Capital Lease	1,858,100.66	\$(1,074,030.00)		(72,555.66)	711,515.00
Total Capital Assets, Being Depreciated	16,320,416.35		1,998,294.56	(907,426.66)	17,411,284.25
Less Accumulated Depreciation for:					
Buildings	(441,809.99)		(36,281.76)		(478,091.75)
Improvements Other Than Buildings	(5,968,168.42)		(86,650.87)		(6,054,819.29)
Computer and Communication Equipment	(71,323.34)				(71,323.34)
Motor Vehicle and Heavy Equipment	(4,071,168.86)	(455,952.21)	(980,730.95)	834,871.00	(4,672,981.02)
Equipment and Furniture	(44,509.41)		(19,138.75)		(63,648.16)
Assets Under Capital Lease	(726,801.58)	455,952.21	(155,604.94)	67,718.56	(358,735.75)
Total Accumulated Depreciation	(11,323,781.60)		(1,278,407.27)	902,589.56	(11,699,599.31)
Total Capital Assets Being Depreciated, Net	4,996,634.75		719,887.29	(4,837.10)	5,711,684.94
Total Business-Type Activities Capital Assets, Net	\$ 6,292,193.87	\$	\$ 1,121,424.79	\$ (4,837.10)	\$ 7,408,781.56

Amounts in the reclassification column are a result of capital leases being paid off during the current year.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$2,689,712.07
Public Safety	1,006,573.67
Highway and Roads	3,207,726.48
Health	31,981.68
Welfare	5,932.92
Culture and Recreation	39,554.47
Education	24,791.16
Total Depreciation Expense – Governmental Activities	<u>\$7,006,272.45</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Solid Waste	\$1,278,407.27
Total Depreciation Expense – Business-Type Activities	<u>\$1,278,407.27</u>

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006, was 6.17 percent based on the actuarial valuation performed as of September 30, 2004.

C. Annual Pension Cost

For the year ended September 30, 2006, the Commission's annual pension cost of \$1,107,367.90 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2005, 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, 2005, was 20 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2006	\$1,107,368	100%	\$0
09/30/2005	\$1,005,036	100%	\$0
09/30/2004	\$ 877,483	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2006

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
09/30/2005	\$30,499,679	\$37,147,942	\$6,648,263	82.1%	\$17,630,632	37.7%
09/30/2004**	\$27,834,036	\$30,970,229	\$3,136,193	89.9%	\$15,199,055	20.6%
09/30/2003***	\$25,660,049	\$28,006,738	\$2,346,689	91.6%	\$14,055,915	16.7%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

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

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

Note 7 – Other Postemployment Benefits (OPEB)

The Commission allows retired employees and officials to continue to participate in the County's health insurance plan. For those retired persons with at least 25 years of service, the Commission pays all but \$100 of single coverage. For those retired persons with at least 30 years of service, the Commission pays 100% of single coverage. The Commission does not pay the family coverage portion. The Commission's contributions are on a pay-as-you-go basis, and for the year ended September 30, 2006, the Commission's expenditures to cover approximately 15 participants totaled \$42,136.60.

Note 8 – Construction and Other Significant Commitments

Project Name	Amount Remaining
Construction Courthouse - Phase IV	\$1,245,835.11
Wilderness	1,001,549.56
Hazardous Waste Building	208,649.88
Level II Shelter	179,499.40
Palmetto Creek Boat Ramp	166,218.00
Total	<u>\$2,801,751.95</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006, amounted to \$82,177.82.

Note 10 – Payables

On September 30, 2006, payables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Other	Total
<u>Governmental Funds</u>				
General Fund	\$3,682,484.54	\$1,684,174.87	\$	\$5,366,659.41
Gasoline Tax Fund	983,837.53			983,837.53
Capital Projects Fund	617,183.43			617,183.43
Other Governmental Funds	174,617.33	932.65	45,117.04	220,667.02
Total Governmental Funds	5,458,122.83	1,685,107.52	45,117.04	7,188,347.39
<u>Business-Type Activities</u>				
Solid Waste Fund	570,543.28			570,543.28
Other Enterprise Fund	73,071.56		59.38	73,130.94
Total Business-Type Activities	643,614.84		59.38	643,674.22
<u>Fiduciary Funds</u>				
Private-Purpose Trust Fund	7,189.59		5,574,103.79	5,581,293.38
Agency Fund	114,505.97		207,040.27	321,546.24
Total Fiduciary Funds	\$ 121,695.56	\$	\$5,781,144.06	\$5,902,839.62

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 11 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$3,961,607.00 for governmental activities and \$711,515.00 for business-type activities at September 30, 2006. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30. Assets under lease that are reflected in the business-type activities and proprietary funds are being repaid by the General Fund; consequently, there is no liability attributable to these leases reflected in the business-type activities and proprietary funds.

Fiscal Year Ending	Governmental Activities
September 30, 2007	\$840,901.83
Total Minimum Lease Payments	840,901.83
Less: Amount Representing Interest	(20,563.36)
Present Value of Net Minimum Lease Payments	<u>\$820,338.47</u>

Note 12 – Short-Term Debt

During fiscal year 2005, the Commission incurred short-term debt for the purpose of purchasing land in Bay Minette. The Commission agreed to pay one-half the purchase price immediately and one-half the purchase price within 6 months of closing. This note was paid in full during fiscal year 2006. Short-term debt activity for the year ended September 30, 2006, was as follows:

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 13 – Long-Term Debt

Warrants Payable

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

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

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

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

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

In January 2006, General Obligation Warrants, with an interest rate of 3.20 to 5.00 percent, were issued to purchase and renovate the Regions Bank Building and property in Robertsedale, and to cover project cost overruns for Bay Minette Courthouse, Central Annex, and Girls Wilderness Facility. The debt service payments are made by the General Fund (51.11%), the Gasoline Tax Fund (43.41%), and the Wilderness fund (5.48%).

In September 2006, a General Obligation Warrant, with an interest rate of 5.99 percent, was issued to pay the acquisition, rehabilitation, and equipment costs associated with the Regions Bank Building (including the reimbursement of \$100,000.00 to the County's General Fund) and to pay all issuance and related expenses in the connection with the acquisition. The debt service payments are made by the Capital Projects Fund.

Notes Payable

Promissory notes were used to finance property acquisition of the Koontz Building, a dirt pit for road materials, and land for use by the McBride Landfill. The debt service payments are made by the Gasoline Tax Fund and the General Fund.

Promissory notes were used to finance property acquisition of land adjacent to the McBride Landfill. The debt service payments are made by the Solid Waste Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2006

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2006:

	Debt Outstanding 10/01/2005	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2006	Amounts Due Within One Year
<u>Governmental Activities</u>					
Warrants and Notes Payable:					
Warrants, 1996	\$ 1,395,000.00		\$(1,055,000.00)	\$ 340,000.00	\$ 340,000.00
Warrants, 1998	1,260,000.00		(545,000.00)	715,000.00	570,000.00
Warrants, 1999	4,945,000.00		(580,000.00)	4,365,000.00	610,000.00
Warrants, 2001	7,025,000.00		(1,645,000.00)	5,380,000.00	1,725,000.00
Warrants, 2002	16,005,000.00		(490,000.00)	15,515,000.00	505,000.00
Warrants, 2002	70,000.00		(10,000.00)	60,000.00	
Warrants, 2003	8,250,000.00		(300,000.00)	7,950,000.00	305,000.00
Warrants, 2004	10,490,000.00		(100,000.00)	10,390,000.00	850,000.00
Warrants, 2004-B	13,680,000.00			13,680,000.00	450,000.00
Warrants, 2004-C	4,823,734.76		(1,000,000.00)	3,823,734.76	3,823,734.76
Warrants, 2006-A		25,070,000.00		25,070,000.00	805,000.00
Warrant, 2006		4,000,000.00		4,000,000.00	4,000,000.00
Less: Unamortized Discount	(139,538.02)		7,034.03	(132,503.99)	(7,034.03)
Plus: Unamortized Premium		824,236.75	(41,211.84)	783,024.91	41,211.84
Total Warrants Payable	67,804,196.74	29,894,236.75	(5,759,177.81)	91,939,255.68	14,017,912.57
Notes Payable	165,000.00		(60,000.00)	105,000.00	60,000.00
Total Warrants and Notes Payable	67,969,196.74	29,894,236.75	(5,819,177.81)	92,044,255.68	14,077,912.57
<u>Other Liabilities:</u>					
Capital Leases	2,238,953.94		(1,418,615.47)	820,338.47	820,338.47
Compensated Absences	1,582,597.64	232,867.82		1,815,465.46	1,271,922.02
Total Other Liabilities	3,821,551.58	232,867.82	(1,418,615.47)	2,635,803.93	2,092,260.49
Total Governmental Activities Long-Term Liabilities	71,790,748.32	30,127,104.57	\$(7,237,793.28)	94,680,059.61	16,170,173.06
<u>Business-Type Activities:</u>					
Notes Payable		160,000.00		160,000.00	40,000.00
Compensated Absences	227,783.67	57,422.51		285,206.18	285,206.18
Estimated Liability for Landfill Closure/Postclosure Costs	2,384,312.04	143,310.44		2,527,622.48	135,000.00
Total Business-Type Activities Long-Term Liabilities	\$ 2,612,095.71	\$ 360,732.95	\$	\$ 2,972,828.66	\$ 460,206.18

The capital lease liability for the governmental activities will be liquidated by the General Fund (29%), and the Gasoline Tax Fund (71%).

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 39% has been paid by the General Fund, 26% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	Notes Payable		General Obligation Warrants		Capital Leases Contracts Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2007	\$ 60,000.00	\$	\$13,983,734.76	\$ 3,890,892.66	\$820,338.47	\$20,563.36	\$ 18,775,529.25
2008	45,000.00		5,700,000.00	3,416,179.25			9,161,179.25
2009			5,805,000.00	3,208,665.00			9,013,665.00
2010			4,165,000.00	2,980,446.25			7,145,446.25
2011			4,335,000.00	2,810,208.75			7,145,208.75
2012-2016			21,200,000.00	11,276,128.00			32,476,128.00
2017-2021			19,195,000.00	6,484,728.75			25,679,728.75
2022-2026			16,905,000.00	1,983,768.00			18,888,768.00
Total	\$105,000.00	\$	\$91,288,734.76	\$36,051,016.66	\$820,338.47	\$20,563.36	\$128,285,653.25

Fiscal Year Ending	Business-Type Activities		Total Principal and Interest Requirements to Maturity
	Notes Payable		
	Principal	Interest	
September 30, 2007	\$ 40,000.00	\$	\$ 40,000.00
2008	40,000.00		40,000.00
2009	40,000.00		40,000.00
2010	40,000.00		40,000.00
Total	\$160,000.00	\$	\$160,000.00

Issuance Costs, Discounts, and Premiums

The Commission has issuance costs as well as premiums and discounts in connection with the issuance of its 2002, 2003, 2004-B, 2004-C, 2006-A General Obligation Warrants. The issuance costs are being amortized using the straight-line method over a period of years.

	Issuance Costs	(Discount)	Premium
Total Issuance Costs, and Discount/Premium	\$668,053.26	\$(153,606.10)	\$824,236.75
Amount Amortized Prior Year	(37,231.25)	14,068.08	
Balance Issuance Costs, and Discount/Premium	630,822.01	(139,538.02)	824,236.75
Current Amount Amortized	(35,557.62)	7,034.03	(41,211.84)
Balance Issuance Costs, and Discount/Premium	\$595,264.39	\$(132,503.99)	\$783,024.91

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 14 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,527,622.48 as of September 30, 2006, which is based on 51.1% usage (filled) of the landfill. It is estimated that an additional \$2,418,342.52 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, 2006. 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, 2006, funds of \$1,268,873.42 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.

Note 15 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$5,000,000.

Notes to the Financial Statements
For the Year Ended September 30, 2006

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to \$750,000 per incident with a \$25,000 deductible.

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

Note 16 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2006, were as follows:

	Due from Other Funds					Total
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Solid Waste Fund	Agency Funds	
<u>Due to Other Funds:</u>						
General Fund	\$	\$ 17,596.37	\$231,941.49	\$ 1,474.00	\$	\$ 251,011.86
Gasoline Tax Fund	22,389.90		375.97			22,765.87
Capital Projects Fund	640,246.47					640,246.47
Other Governmental Funds	364,993.40	360,555.21	2,545.38	65,877.95		793,971.94
Solid Waste Fund	1,918.41	605.77				2,524.18
Other Enterprise Fund	36.61	3,278.48		96,005.94		99,321.03
Private-Purpose Trust Funds	31,354.75				5,700.00	37,054.75
Total	\$1,060,939.54	\$382,035.83	\$234,862.84	\$163,357.89	\$5,700.00	\$1,846,896.10

Notes to the Financial Statements

For the Year Ended September 30, 2006

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2006, were as follows:

	Operating Transfers In				Total
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Solid Waste Fund	
<u>Operating Transfers Out:</u>					
General Fund	\$ 77,250.00	\$ 1,830,448.00	\$ 5,936,241.22	\$ 2,971.00	\$ 7,846,910.22
Gasoline Tax Fund	10,000.00		4,936,031.77		4,946,031.77
Public Buildings, Roads and Bridges Fund		8,437,000.00			8,437,000.00
Oil and Gas Severance Tax Trust Fund	644,474.04				644,474.04
Other Governmental Funds	609,958.38	1,205,134.39	1,294,441.77	65,091.19	3,174,625.73
Solid Waste Fund	500,000.00		225,394.95		725,394.95
Other Enterprise Fund	343.00				343.00
Total	<u>\$1,842,025.42</u>	<u>\$11,472,582.39</u>	<u>\$12,392,109.71</u>	<u>\$68,062.19</u>	<u>\$25,774,779.71</u>

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

Note 17 – Related Parties

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

Another of the Baldwin County Commissioners owns an accounting firm which performs professional services for the Baldwin County Cattle and Fair Association, Inc., and Gatlin Hudson Architects. During fiscal year 2006, the Commission voted to upgrade the Baldwin County Cattle and Fair Association's arena and coliseum for use as a hurricane evacuation shelter which included borrowing approximately \$1.6 million for the project. The Commission has taken several formal actions related to contracting with Gatlin Hudson Architects.

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 18 – Related Organizations

Several boards are considered related organizations of the Baldwin County Commission. For each board, a majority of the members are appointed by the Baldwin County Commission. The Commission, however, is not financially accountable, because it does not impose its will and does not have a financial benefit or burden relationship; therefore, they are not considered part of the Commission's financial reporting entity. The following is a list of the related organizations:

- ◆ North Baldwin Health Care Authority
- ◆ Eastern Shore Health Care Authority
- ◆ South Baldwin Health Care Authority
- ◆ Baldwin County Historic Development Commission
- ◆ Baldwin County Emergency Communications District
- ◆ Baldwin County Board of Mental Health
- ◆ Baldwin County Housing Authority
- ◆ Baldwin County Library Board
- ◆ Public Building Authority of Baldwin County, Alabama

Note 19 – Subsequent Events

At its December 19, 2006 meeting, the Commission entered into a master lease purchase agreement with Compass Bank for \$5,100,000.00 to purchase various equipment items.

At its March 20, 2007 meeting, the Commission took action to proceed with borrowing funds in the amount of \$13,045,000.00 for various capital projects approved in the fiscal year 2007 budget.

Note 20 – Restatements

Restatements were made to correct various errors from the prior period. Also, restatements were made to remove prior years compensated absences at the fund level, which was added back at the government wide level. In addition, the Commission retroactively reported bridges built or acquired since June 30, 1980, and corrected capital assets' balances as a result of a physical inventory.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

	General Fund
Governmental Funds:	
Fund Balance, September 30, 2005, as Previously Reported	\$13,083,914.65
Restatements	(369,677.91)
Fund Balance, September 30, 2005, as Restated	<u>\$12,714,236.74</u>
Governmental Activities Net Assets Balance, September 30, 2005, as Previously Reported	
<u>Add/(Deduct)</u>	
Restatements of Beginning Fund Balances	
Add Back Compensated Absences Liability	
Corrections as a Result of Physical Inventory	
Effect of Retroactive Reporting of Infrastructure	
Governmental Activities Net Assets Balance, September 30, 2005, as Restated	

	Solid Waste Fund	Other Enterprise Fund	Total Business-Type Activities
Business-Type Activities/Proprietary Funds:			
Net Assets, September 30, 2005, as Previously Reported	\$16,173,083.44	\$2,847,200.09	\$19,020,283.53
Restatements	35,604.87	(51,064.67)	(15,459.80)
Net Assets, September 30, 2005, as Restated	<u>\$16,208,688.31</u>	<u>\$2,796,135.42</u>	<u>\$19,004,823.73</u>

Note 21 – Change in Reporting Entity

The Offices of the Baldwin County Revenue Commissioner, Judge of Probate and Sheriff were previously considered to be component units of Baldwin County and the activities of these offices were previously excluded from the financial statements of the Baldwin County Commission. However, These offices, are now considered to be part of the reporting entity of the Baldwin County Commission rather than component units and the activity of these offices are now included in the financial statements of the Baldwin County Commission.

Notes to the Financial Statements
For the Year Ended September 30, 2006

Gasoline Tax Tax Fund	Public Buildings, Roads and Bridges Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$10,199,674.60	\$	\$15,397,435.88	\$19,120,579.00	\$ 58,537,520.01
(1,655,547.76)	735,915.88		3,522,745.01	1,497,519.34
<u>\$ 8,544,126.84</u>	<u>\$735,915.88</u>	<u>\$15,397,435.88</u>	<u>\$22,643,324.01</u>	<u>60,035,039.35</u>
				161,278,701.21
				1,497,519.34
				(1,116,395.65)
				7,991,015.24
				12,088,662.57
				<u>\$181,739,502.71</u>

This Page Intentionally Blank

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006

	Budgeted Amounts	
	Original	Final
<u>Revenues</u>		
Taxes	\$ 27,893,348.00	\$ 28,534,418.00
Licenses and Permits	1,582,905.00	1,737,020.00
Intergovernmental	7,143,655.00	6,614,802.00
Charges for Services	8,162,240.00	8,353,443.00
Fines and Forfeits		
Miscellaneous	1,668,470.00	1,889,698.00
Total Revenues	46,450,618.00	47,129,381.00
<u>Expenditures</u>		
Current:		
General Government	17,305,685.00	18,226,523.46
Public Safety	17,254,880.00	19,707,770.54
Highways and Roads		
Sanitation		
Health	1,136,754.00	1,136,754.00
Welfare	800.00	1,600.00
Culture and Recreation	85,000.00	189,069.00
Education	146,833.00	146,833.00
Capital Outlay	19,053,596.00	2,020,925.00
Debt Service:		
Principal Retirement	1,105,967.00	1,105,967.00
Interest and Fiscal Charges		
Intergovernmental		
Total Expenditures	56,089,515.00	42,535,442.00
Excess (Deficiency) of Revenues Over Expenditures	(9,638,897.00)	4,593,939.00
<u>Other Financing Sources (Uses)</u>		
Transfers In	16,234,715.00	2,282,753.00
Sale of Capital Assets		
Other Sources		
Transfers Out	(6,676,293.00)	(8,712,135.00)
Total Other Financing Sources (Uses)	9,558,422.00	(6,429,382.00)
Net Changes in Fund Balances	(80,475.00)	(1,835,443.00)
Fund Balances - Beginning of Year	80,475.00	1,835,443.00
Fund Balances - End of Year	\$	\$

Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
\$ 29,606,683.78	\$ 29,606,683.78
3,244,735.01	3,244,735.01
7,000,094.61	7,000,094.61
7,587,336.38	7,587,336.38
44,179.80	44,179.80
2,347,443.01	2,347,443.01
<u>49,830,472.59</u>	<u>49,830,472.59</u>
16,143,799.13	16,143,799.13
18,136,554.08	18,136,554.08
1,129,460.89	1,129,460.89
800.00	800.00
137,595.66	137,595.66
146,942.54	146,942.54
2,871,559.47	2,871,559.47
438,397.46	438,397.46
17,192.17	17,192.17
13,176.55	13,176.55
<u>39,035,477.95</u>	<u>39,035,477.95</u>
<u>10,794,994.64</u>	<u>10,794,994.64</u>
1,842,025.42	1,842,025.42
52,367.00	52,367.00
(7,846,910.22)	(7,846,910.22)
<u>(5,952,517.80)</u>	<u>(5,952,517.80)</u>
4,842,476.84	4,842,476.84
<u>12,714,236.74</u>	<u>12,714,236.74</u>
<u>\$ 17,556,713.58</u>	<u>\$ 17,556,713.58</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts	
	Original	Final
<u>Revenues</u>		
Taxes	\$ 7,261,000.00	\$ 7,261,000.00
Intergovernmental	2,653,000.00	9,792,918.00
Charges for Services	20,300.00	147,080.00
Miscellaneous	519,470.00	644,762.00
Total Revenues	10,453,770.00	17,845,760.00
<u>Expenditures</u>		
Current:		
Highways and Roads	14,680,800.00	24,568,660.09
Capital Outlay	14,680,170.00	14,815,122.00
Debt Service:		
Principal Retirement	1,478,377.00	1,506,960.91
Interest and Fiscal Charges		
Total Expenditures	30,839,347.00	40,890,743.00
Excess (Deficiency) of Revenues Over Expenditures	(20,385,577.00)	(23,044,983.00)
<u>Other Financing Sources (Uses)</u>		
Transfers In	23,675,870.00	26,093,367.00
Sale of Capital Assets		
Other Sources		
Transfers Out	(5,245,532.00)	(8,164,564.00)
Total Other Financing Sources (Uses)	18,430,338.00	17,928,803.00
Net Changes in Fund Balances	(1,955,239.00)	(5,116,180.00)
Fund Balances - Beginning of Year	1,955,239.00	5,139,260.00
Fund Balances - End of Year	\$	\$ 23,080.00

Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
\$ 7,212,406.27	\$ 7,212,406.27
7,325,969.64	7,325,969.64
291,067.00	291,067.00
417,256.91	417,256.91
<u>15,246,699.82</u>	<u>15,246,699.82</u>
18,427,415.17	18,427,415.17
8,704,035.34	8,704,035.34
631,398.46	631,398.46
27,474.60	27,474.60
<u>27,790,323.57</u>	<u>27,790,323.57</u>
<u>(12,543,623.75)</u>	<u>(12,543,623.75)</u>
11,472,582.39	11,472,582.39
1,247,417.23	1,247,417.23
(4,946,031.77)	(4,946,031.77)
<u>7,773,967.85</u>	<u>7,773,967.85</u>
(4,769,655.90)	(4,769,655.90)
8,544,126.84	8,544,126.84
<u>\$ 3,774,470.94</u>	<u>\$ 3,774,470.94</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts	
	Original	Final
<u>Revenues</u>		
Taxes	\$ 6,720,000.00	\$ 6,720,000.00
Intergovernmental	215,000.00	215,000.00
Miscellaneous	102,000.00	102,000.00
Total Revenues	<u>7,037,000.00</u>	<u>7,037,000.00</u>
<u>Expenditures</u>		
Excess (Deficiency) of Revenues Over Expenditures	<u>7,037,000.00</u>	<u>7,037,000.00</u>
<u>Other Financing Sources (Uses)</u>		
Transfers Out	<u>(7,037,000.00)</u>	<u>(7,037,000.00)</u>
Total Other Financing Sources (Uses)	<u>(7,037,000.00)</u>	<u>(7,037,000.00)</u>
Net Changes in Fund Balances		
Fund Balances - Beginning of Year		
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>

Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
\$ 7,465,221.38	\$ 7,465,221.38
102,868.45	102,868.45
<u>7,568,089.83</u>	<u>7,568,089.83</u>
<hr/>	
<u>7,568,089.83</u>	<u>7,568,089.83</u>
(8,437,000.00)	(8,437,000.00)
<u>(8,437,000.00)</u>	<u>(8,437,000.00)</u>
(868,910.17)	(868,910.17)
<u>735,915.88</u>	<u>735,915.88</u>
<u>\$ (132,994.29)</u>	<u>\$ (132,994.29)</u>

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Direct Program</u>		
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Watershed Protection and Flood Prevention	10.904	
Sub-Total Watershed Protection and Flood Prevention (M)		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	690-1660
National School Lunch Program	10.555	690-1660
Sub-Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Coastal Zone Management Administration Awards	11.419	
<u>Passed Through Alabama Department of Conservations and Natural Resources</u>		
Coastal Zone Management Administration Awards - Section 306	11.419	BC-CZM-306a-04-01
Coastal Zone Management Administration Awards - Section 306	11.419	BC-CZM-306-05-01
Sub-Total Passed Through Conservation and Natural Resources		
Sub-Total Coastal Zone Management Administration Awards		
<u>Passed Through Alabama Department of Environmental Management</u>		
Financial Assistance for National Centers for Coastal Ocean Science	11.426	N.A.
Total U. S. Department of Commerce		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
08/23/2005-03/09/2006	\$ 280,050.00	\$ 233,000.00	\$ 233,000.00	\$ 233,000.00
11/10/2005-03/17/2006	126,772.00	95,079.00	95,079.00	95,079.00
10/07/2005-06/13/2006	57,008.00	42,757.00	42,757.00	42,757.00
	<u>463,830.00</u>	<u>370,836.00</u>	<u>370,836.00</u>	<u>370,836.00</u>
10/01/2005-09/30/2006	14,359.14	14,359.14	14,359.14	14,359.14
10/01/2005-09/30/2006	21,750.86	21,750.86	21,750.86	21,750.86
	<u>36,110.00</u>	<u>36,110.00</u>	<u>36,110.00</u>	<u>36,110.00</u>
	<u>499,940.00</u>	<u>406,946.00</u>	<u>406,946.00</u>	<u>406,946.00</u>
12/01/2001-11/30/2006	3,137,416.00	3,137,416.00	316,733.39	316,733.39
12/01/2004-08/30/2006	50,000.00	50,000.00	50,000.00	50,000.00
01/15/2005-03/31/2006	25,000.00	25,000.00	25,000.00	25,000.00
	<u>75,000.00</u>	<u>75,000.00</u>	<u>75,000.00</u>	<u>75,000.00</u>
	<u>3,212,416.00</u>	<u>3,212,416.00</u>	<u>391,733.39</u>	<u>391,733.39</u>
10/01/2005-09/30/2006	<u>90,000.00</u>	<u>20,000.00</u>	<u>19,991.00</u>	<u>19,991.00</u>
	<u>3,302,416.00</u>	<u>3,232,416.00</u>	<u>411,724.39</u>	<u>411,724.39</u>
	\$ 3,802,356.00	\$ 3,639,362.00	\$ 818,670.39	\$ 818,670.39

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs</u>		
Community Development Block Grants/State's Program (Kirkman Lane Sewer Project)	14.228	CY-SF-PF-03-001
Community Development Block Grant/State's Program (Perdido Water Project)	14.228	CY-CM-PF-02-001
Community Development Block Grant/State's Program (Disaster Recovery)	14.228	DR - 05 - 006
Total Community Development Block Grant/State's Program		
<u>U. S. Department of Justice Direct Program</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	
<u>Passed Through Alabama Department of Economic and Community Affairs (ADECA)</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-DH-03-003
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-01-026
Sub-Total Passed Through ADECA		
Sub-Total Edward Byrne Memorial Justice Assistance Grant Programs		
Edward Byrne Memorial Formula Grant Program	16.579	03-DB-02-031
Total U. S. Department of Justice		
<u>U. S. Department of Labor Passed Through Alabama Department of Economic and Community Affairs</u>		
WIA Dislocated Workers (M)	17.260	4F206047
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 3,802,356.00	\$ 3,639,362.00	\$ 818,670.39	\$ 818,670.39
08/19/2003-03/31/2006	400,000.00	350,000.00	1,600.00	1,600.00
08/23/2002-03/31/2006	550,000.00	500,000.00	2,200.00	2,200.00
08/30/2005-Completion	810,850.00	410,850.00	180,631.41	180,631.41
	<u>1,760,850.00</u>	<u>1,260,850.00</u>	<u>184,431.41</u>	<u>184,431.41</u>
10/01/2004-09/30/2008	193,324.00	193,324.00	193,324.00	193,324.00
06/01/2006-05/31/2007	488,888.89	440,000.00	35,060.23	35,060.23
12/01/2005-11/30/2006	178,618.49	89,309.20	67,371.80	67,371.80
	<u>667,507.38</u>	<u>529,309.20</u>	<u>102,432.03</u>	<u>102,432.03</u>
	860,831.38	722,633.20	295,756.03	295,756.03
12/01/2004-11/30/2005	145,981.19	109,485.75	20,191.78	20,191.78
	<u>1,006,812.57</u>	<u>832,118.95</u>	<u>315,947.81</u>	<u>315,947.81</u>
11/01/2004-06/30/2006	1,609,248.88	1,609,248.88	857,753.87	857,753.87
	<u>1,609,248.88</u>	<u>1,609,248.88</u>	<u>857,753.87</u>	<u>857,753.87</u>
	\$ 8,179,267.45	\$ 7,341,579.83	\$ 2,176,803.48	\$ 2,176,803.48

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Recreational Trails Program (Coastal Crescent Trail)	20.219	00-RT-54-020
Recreational Trails Program	20.219	05-RT-54-003
<u>Passed Through Alabama Department of Transportation</u>		
Recreational Trails Program (Eastern Shore - Montrose Section)	20.219	TCSP-SP02(912)
Total Recreational Trails Program		
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-1000-48
Formula Grants for Other Than Urbanized Areas	20.509	JARC-100-0447-871
Sub-Total Formula Grants for Other Than Urbanized Areas (M)		
Total U. S. Department of Transportation		
<u>U. S. Environmental Protection Agency</u>		
<u>Direct Program</u>		
Regional Wetland Program Development Grants	66.461	
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
State Domestic Preparedness Equipment Support Program	97.004	4SHL
State Domestic Preparedness Equipment Support Program	97.004	5ZUHF
State Domestic Preparedness Equipment Support Program	97.004	3DOE2
State Domestic Preparedness Equipment Support Program	97.004	3DOE
State Domestic Preparedness Equipment Support Program	97.004	3DE2
State Domestic Preparedness Equipment Support Program	97.004	3DE1
Sub-Total State Domestic Preparedness Equipment Support Program		
Homeland Security Grant Program	97.067	5SHL
Sub-Total Homeland Security Cluster (M)		
Emergency Management Performance Grants	97.042	06 EMPG: 05
Emergency Management Performance Grants	97.042	05 EMP
Total Emergency Management Performance Grants		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 8,179,267.45	\$ 7,341,579.83	\$ 2,176,803.48	\$ 2,176,803.48
04/15/2004-04/01/2007	31,250.00	25,000.00	25,000.00	25,000.00
03/25/2005-03/01/2007	95,090.00	76,072.00	76,072.00	76,072.00
10/24/2002-Completion	1,486,961.00	1,486,961.00	911,115.73	911,115.73
	1,613,301.00	1,588,033.00	1,012,187.73	1,012,187.73
10/01/2005-09/30/2006	672,296.00	672,296.00	545,220.00	545,220.00
10/01/2005-09/30/2006	65,047.00	65,047.00	50,878.00	50,878.00
	737,343.00	737,343.00	596,098.00	596,098.00
	2,350,644.00	2,325,376.00	1,608,285.73	1,608,285.73
10/01/2004-09/30/2006	266,667.00	200,000.00	126,960.04	126,960.04
12/01/2003-11/30/2006	20,000.00	20,000.00	19,404.00	19,404.00
11/01/2005-12/30/2005	2,750.00	2,750.00	2,750.00	2,750.00
06/13/2005-02/15/2006	3,000.00	3,000.00	1,150.00	1,150.00
01/01/2006-03/01/2006	10,000.00	10,000.00	4,336.53	4,336.53
04/01/2003-03/31/2007	14,000.00	14,000.00	2,867.66	2,867.66
04/01/2003-03/31/2007	5,000.00	5,000.00	5,000.00	5,000.00
	54,750.00	54,750.00	35,508.19	35,508.19
10/01/2004-12/31/2007	439,810.00	439,810.00	393,135.91	393,135.91
	494,560.00	494,560.00	428,644.10	428,644.10
10/01/2005-09/30/2006	55,152.00	45,783.48	45,783.48	45,783.48
10/01/2004-09/30/2006	15,000.00	15,000.00	14,925.96	14,925.96
	70,152.00	60,783.48	60,709.44	60,709.44
	\$ 10,796,578.45	\$ 9,866,955.83	\$ 3,912,049.25	\$ 3,912,049.25

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Disaster Grants - Public Assistance	97.036	FEMA-1438-DR-AL-PA
Disaster Grants - Public Assistance	97.036	FEMA-1605-DR-AL-PA
Sub-Total Disaster Grants - Public Assistance		
Flood Mitigation Assistance	97.029	FMA-PJ-04AL-2004003
Hazard Mitigation Grant	97.039	DR-1549-083
Hazard Mitigation Grant	97.039	DR-1549-012
Hazard Mitigation Grant	97.039	DR-1549-011
Hazard Mitigation Grant	97.039	DR-1549-156
Hazard Mitigation Grant	97.039	DR-1549-158
Hazard Mitigation Grant	97.039	DR-1549-163
Hazard Mitigation Grant	97.039	DR-1549-165
Sub-Total Hazard Mitigation		
Total U. S. Department of Homeland Security		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through South Alabama Regional Planning Commission</u>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2006
<u>Passed Through Alabama Emergency Management Agency</u>		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	05SNS
Total U. S. Department of Health and Human Services		
<u>Election Assistance Commission</u>		
<u>Passed Through Office of Secretary of State</u>		
Help America Vote Act Requirements Payments (M)	90.401	N.A.
<u>Social Security Administration</u>		
<u>Direct Program</u>		
Social Security - Disability Insurance	96.001	
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 10,796,578.45	\$ 9,866,955.83	\$ 3,912,049.25	\$ 3,912,049.25
07/22/2005-Completion	393,076.23	297,045.33	27,498.09	27,498.09
08/29/2005-Completion	4,563,324.51	4,563,324.51	2,271,576.07	2,271,576.07
	4,956,400.74	4,860,369.84	2,299,074.16	2,299,074.16
	53,954.00	40,458.75	40,458.75	40,458.75
09/01/2005-06/15/2006	857,141.00	642,856.00	520,163.31	520,163.31
05/16/2005-04/30/2006	62,825.00	47,118.00	35,047.50	35,047.50
05/25/2005-05/31/2006	75,130.00	56,348.00	31,909.38	31,909.38
02/14/2006-10/31/2006	70,063.00	52,547.00	43,875.00	43,875.00
02/14/2006-11/30/2006	47,114.00	35,336.00	33,646.00	33,646.00
02/24/2006-09/30/2006	91,804.00	68,853.00	61,549.00	61,549.00
04/30/2006-12/30/2006	275,992.00	206,994.00	48,453.34	48,453.34
	1,480,069.00	1,110,052.00	774,643.53	774,643.53
	7,055,135.74	6,566,224.07	3,603,529.98	3,603,529.98
10/01/2005-09/30/2006	317,984.00	99,788.00	99,788.00	99,788.00
01/01/2005-01/31/2006	4,427.00	4,427.00	4,424.59	4,424.59
	322,411.00	104,215.00	104,212.59	104,212.59
10/01/2005-09/30/2006	307,275.00	307,275.00	307,275.00	307,275.00
	800.00	800.00	800.00	800.00
	\$ 18,482,200.19	\$ 16,845,469.90	\$ 7,927,866.82	\$ 7,927,866.82

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Other Federal Assistance</u>		
<u>Department of Justice</u>		
<u>Direct Program</u>		
Federally Forfeited Property (M)	N.A.	
<u>Passed Through Alabama Department of Public Safety</u>		
High Intensity Drug Trafficking Area Grant	N.A.	I3PGCP504/I4PGCP504
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		
	\$ 18,482,200.19	\$ 16,845,469.90	\$ 7,927,866.82	\$ 7,927,866.82
10/01/2005-09/30/2006	304,280.28	304,280.28	125,506.06	304,280.28
10/01/2004-09/30/2005	228,765.00	228,765.00	22,538.03	22,538.03
	<u>\$ 19,015,245.47</u>	<u>\$ 17,378,515.18</u>	<u>\$ 8,075,910.91</u>	<u>\$ 8,254,685.13</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2006***

Note 1 – Basis of Presentation

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

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
WIA – Dislocated Workers	17.260	\$857,753.87

Additional Information

Commission Members and Administrative Personnel
October 1, 2005 through September 30, 2006

Commission Members			Term Expires
Hon. David Ed Bishop (**)	Chairman	687 Greenwood Avenue Fairhope, AL 36532	November 13, 2006
Hon. Frank Burt, Jr.	Member	46780 Rockhill Road Bay Minette, AL 36507	November 13, 2006
Hon. Wayne A. Gruenloh	Member	13525 Rue Royal Lane Silverhill, AL 36576	November 13, 2006
Hon. Albert Lipscomb (*)	Member	P. O. Box 209 Magnolia Springs, AL 36555	November 13, 2006

Administrative Personnel

Locke W. Williams	Clerk/ Treasurer	10357-A U. S. Highway 98 Fairhope, AL 36532	Retired – September 30, 2006
Michael L. Thompson	County Administrator	14257 Greeno Road Fairhope, AL 36532	Indefinite

(*) Chairman beginning November 1, 2005.

(**) Chairman through October 31, 2005.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission as of and for the year ended September 30, 2006, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated May 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

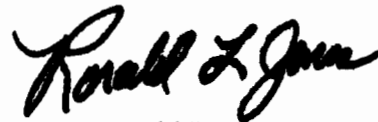
In planning and performing our audit, we considered the Baldwin County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide opinions on the internal control over financial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

Compliance and Other Matters

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 11, 2007

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

Compliance

We have audited the compliance of the Baldwin County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Baldwin County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion on the Baldwin County Commission's compliance based on our audit.

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

In our opinion, the Baldwin County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

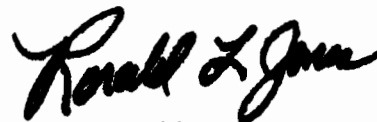
Internal Control Over Compliance

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 11, 2007

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.904	Watershed Protection and Flood Prevention
16.Unknown	Federally Forfeited Property
17.260	WIA Dislocated Workers
20.509	Formula Grants for Other Than Urbanized Areas
97.004 and 97.067	Homeland Security Cluster
90.401	Help America Vote Requirements Payments

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

Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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



Auditee Response/Corrective Action Plan



COUNTY COMMISSION

BALDWIN COUNTY

312 COURTHOUSE SQUARE, SUITE 11
BAY MINETTE, ALABAMA 36507

(251) 937-0282

FAX (251) 580-2514

kbaggett@co.baldwin.al.us

CLERK/TREASURER
DAVID K. BAGGETT

Mr. Mike Scroggins
Director of County Audits
P. O. Box 302251
Montgomery, Alabama 36130-2251

July 12, 2007

Dear Mr. Scroggins,

Below is Baldwin County's audit response:

Finding Number (1): Paragraph 1: "The Commission's credit card policy states "Under absolutely no circumstances can a County Credit Card be used to obtain cash advances or pay expenses of a personal nature". Section 04 of the Constitution states "the legislature shall not have the power to authorize any county, city... etc. to lend its credit, or to grant public money or thing of value in aid of, or to any individual or corporation whatsoever...by issuing bonds or otherwise".

Paragraph 2: "The Commission issues county credit cards to certain elected officials and county employees. Three months of credit card payments were selected for testing. From the testing, sixteen instances were noted where the Judge of Probate used the county credit card to pay for personal expenses. These were caught by the accounting department and repaid by the official, but according to the Constitution and the Commission's policy, the charges should not have been made on the county credit card."

Response: The Clerk Treasurer notified the Probate Judge of the audit finding and asked that he turn in his card. The Probate Judge turned in his card on June 11, 2007 and the Clerk Treasurer destroyed the card and cancelled the credit card.

As we told the audit team, we believed that this was one of the best and smoothest audits we have had. We continue to appreciate the professional work your auditors perform. Please let us know if we can provide additional information.

Sincerely,

Kyle Baggett,
Clerk Treasurer