

Report on the

# Baldwin County Commission

Baldwin County, Alabama

October 1, 2006 through September 30, 2007

Filed: September 5, 2008



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*



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State of Alabama  
Department of  
**Examiners of Public Accounts**

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Ronald L. Jones  
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Baldwin County Commission for the period October 1, 2006 through September 30, 2007.

**SCOPE AND OBJECTIVES**

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

**CONTENTS OF REPORT**

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the management of Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Section** – includes basic financial statements (Exhibits 1 through 11), and notes to the financial statements.

5. **Required Supplementary Information** – includes Budget to Actual Comparisons (Exhibits 12 through 14), which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.
6. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 15), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 16) and the following reports and item required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards** (Exhibit 17) – a report on internal control related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

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

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

### **AUDIT COMMENTS**

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

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

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

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

### **STATUS OF PRIOR AUDIT**

The finding in the prior audit was substantially resolved.



Sworn to and subscribed before me this  
the 30<sup>th</sup> day of July, 2008.

Debbie M. Robinson

Notary Public

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

Sworn to and subscribed before me this  
the 1<sup>st</sup> day of August, 2008.

Nancy L. Heenan  
Notary Public

Respectfully submitted,

Mary E. Dunckley

Mary E. Dunckley  
Examiner of Public Accounts

Ashley Carlisle

Ashley Carlisle  
Examiner of Public Accounts

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## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the Baldwin County Commission 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.

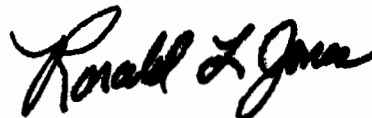
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 of the Baldwin County Commission, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2008, 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

July 29, 2008

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

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

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

The Management Discussion and Analysis (MD&A) focuses on the activities of the Baldwin County Commission for the fiscal year ended September 30, 2007. 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, 2007, by \$219,865,667.73 in Governmental Activities and \$24,516,513.62 in Business-Type Activities for a total of \$244,382,181.35. Of these amounts \$26,803,902.92 and \$15,548,326.22 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 \$27,442,848.57 or 14.3% for Governmental Activities and increased by \$1,060,065.78 or 4.5% for Business-Type Activities. The total net assets increased by \$28,502,914.35 or 13.2%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$80,697,287.38 which reflects an increase of \$3,686,802.67 or 4.8% over the prior year.

Total long-term liabilities for the Baldwin County Commission for governmental activities increased by a net of \$5,641,114.31 or 6.0%, during the current fiscal year and total long-term liabilities for business-type activities increased by a net of \$801,978.71 or 27.0%, as described in Note 11 in the Notes to the Financial Statements.

### **Overview of Financial Statements**

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

Government-wide financial statements

Fund financial statements

Proprietary Funds statements

Fiduciary Funds statements

Notes to financial statements

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

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

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

### **Proprietary Funds Statements**

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

Exhibits #7 (Statement of Net Assets), #8 (Statement of Revenues, Expenses, and Changes in 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).

### **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 major Governmental Funds. Baldwin County adopts an annual budget for these Funds and the comparison Schedules are presented to demonstrate compliance with the Fund budgets.

### **Additional Information**

With the implementation of Governmental Accounting Standards Board (GASB) Statement 34, the County 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 \$27,442,848.57 and the business-type net assets increased by \$1,060,065.78 for a total net increase of \$28,502,914.35. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$244,382,181.35 as of the fiscal year ending September 30, 2007.

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

**Statement of Net Assets  
Comparative Analysis**

<b>Governmental Activities</b>				
	<b>As Of 9/30/2007</b>	<b>As Of 9/30/2006</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$86,232,539.63	\$119,327,947.00	(\$33,095,407.37)	-27.7%
Noncurrent Assets	282,905,487.29	210,566,750.16	72,338,737.13	34.4%
<b>Total Assets</b>	<b>\$369,138,026.92</b>	<b>\$329,894,697.16</b>	<b>\$39,243,329.76</b>	<b>11.9%</b>
Current Liabilities	\$58,412,291.68	\$58,965,608.00	(\$553,316.32)	-0.9%
Noncurrent Liabilities	90,860,067.51	78,506,270.00	12,353,797.51	15.7%
<b>Total Liabilities</b>	<b>149,272,359.19</b>	<b>137,471,878.00</b>	<b>11,800,481.19</b>	<b>8.6%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	165,268,799.72	145,358,509.00	19,910,290.72	13.7%
Restricted	27,792,965.09	22,525,347.00	5,267,618.09	23.4%
Unrestricted	26,803,902.92	24,538,963.16	2,264,939.76	9.2%
<b>Total Net Assets</b>	<b>219,865,667.73</b>	<b>192,422,819.16</b>	<b>27,442,848.57</b>	<b>14.3%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$369,138,026.92</b>	<b>\$329,894,697.16</b>	<b>\$39,243,329.76</b>	<b>11.9%</b>

<b>Business Type Activities</b>				
	<b>As Of 9/30/07</b>	<b>As Of 9/30/06</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$18,816,373.17	\$18,540,073.94	\$276,299.23	1.5%
Noncurrent Assets	9,971,403.19	8,677,654.98	1,293,748.21	14.9%
<b>Total Assets</b>	<b>\$28,787,776.36</b>	<b>\$27,217,728.92</b>	<b>\$1,570,047.44</b>	<b>5.8%</b>
Current Liabilities	\$1,144,197.44	\$1,248,658.60	(\$104,461.16)	-8.4%
Noncurrent Liabilities	3,127,065.30	2,512,622.48	614,442.82	24.5%
<b>Total Liabilities</b>	<b>4,271,262.74</b>	<b>3,761,281.08</b>	<b>509,981.66</b>	<b>13.6%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	7,494,323.90	7,248,781.56	245,542.34	3.4%
Restricted	1,473,863.50	1,268,873.42	204,990.08	16.2%
Unrestricted	15,548,326.22	14,938,792.86	609,533.36	4.1%
<b>Total Net Assets</b>	<b>24,516,513.62</b>	<b>23,456,447.84</b>	<b>1,060,065.78</b>	<b>4.5%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$28,787,776.36</b>	<b>\$27,217,728.92</b>	<b>\$1,570,047.44</b>	<b>5.8%</b>

	<b>Total Activities</b>			
	<b>As Of 9/30/07</b>	<b>As Of 9/30/06</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$105,048,912.80	\$137,868,020.94	(\$32,819,108.14)	-23.8%
Noncurrent Assets	292,876,890.48	219,244,405.14	73,632,485.34	33.6%
Total Assets	<u>\$397,925,803.28</u>	<u>\$357,112,426.08</u>	<u>\$40,813,377.20</u>	11.4%
Current Liabilities	\$59,556,489.12	\$60,214,266.60	(\$657,777.48)	-1.1%
Noncurrent Liabilities	93,987,132.81	81,018,892.48	12,968,240.33	16.0%
Total Liabilities	<u>153,543,621.93</u>	<u>141,233,159.08</u>	<u>12,310,462.85</u>	8.7%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	172,763,123.62	152,607,290.56	20,155,833.06	13.2%
Restricted	29,266,828.59	23,794,220.42	5,472,608.17	23.0%
Unrestricted	42,352,229.14	39,477,756.02	2,874,473.12	7.3%
Total Net Assets	<u>244,382,181.35</u>	<u>215,879,267.00</u>	<u>28,502,914.35</u>	13.2%
Total Liabilities & Net Assets	<u>\$397,925,803.28</u>	<u>\$357,112,426.08</u>	<u>\$40,813,377.20</u>	11.4%

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 its 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 its citizens.

### **Statement of Activities**

The following schedules compare the revenues and expenses for the current and previous years. Governmental Activities increased the County's net assets by \$27,442,848.57 and Business-Type Activities increased net assets by \$1,060,065.78 for an overall increase of \$28,502,914.35. Property Taxes, Charges for Services, and Operating and Capital Grants & Contributions 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 9/30/2007	As Of 9/30/2006	Amount Of Change	
<b>REVENUES</b>				
Program Revenues				
Charges for Services	13,160,857.65	12,559,487.00	601,370.65	4.8%
Operating Grants & Contributions	12,635,839.09	18,413,413.00	(5,777,573.91)	-31.4%
Capital Grants & Contributions	11,643,163.93	1,636,454.00	10,006,709.93	611.5%
General Revenues				
Property Taxes	31,576,707.60	26,330,487.00	5,246,220.60	19.9%
General Sales Tax	9,547,613.47	9,472,680.00	74,933.47	0.8%
Special Sales Tax	492,911.29	484,880.00	8,031.29	1.7%
County Gasoline Sales Tax	7,267,494.45	7,212,406.00	55,088.45	0.8%
Miscellaneous Taxes	5,059,205.65	5,550,977.00	(491,771.35)	-8.9%
Grants and Contributions not Restricted for Specific Purposes	1,787,894.88	2,377,860.00	(589,965.12)	-24.8%
Unrestricted Investment Earnings	4,118,845.80	3,202,370.00	916,475.80	28.6%
Miscellaneous	2,794,315.00	1,759,485.45	1,034,829.55	58.8%
Gain on Disposition of Capital Assets	0.00	1,279,885.00	(1,279,885.00)	-100.0%
Transfers	731,112.93	657,676.00	73,436.93	11.2%
Total Revenues	<u>100,815,961.74</u>	<u>90,938,060.45</u>	<u>9,877,901.29</u>	10.9%
<b>EXPENSES</b>				
Program Activities				
General Government	25,605,633.42	23,825,736.00	1,779,897.42	7.5%
Public Safety	23,306,471.82	21,749,159.00	1,557,312.82	7.2%
Highways & Roads	15,295,783.15	28,397,863.00	(13,102,079.85)	-46.1%
Sanitation	2,584.68	0.00	2,584.68	100.0%
Health	3,313,431.94	2,313,217.00	1,000,214.94	43.2%
Welfare	394,924.97	343,453.00	51,471.97	15.0%
Culture & Recreation	1,086,648.82	854,301.00	232,347.82	27.2%
Education	205,157.94	171,734.00	33,423.94	19.5%
Interest on Long Term Debt	4,162,476.43	2,586,104.00	1,576,372.43	61.0%
Intergovernmental	0.00	13,177.00	(13,177.00)	-100.0%
Total Expenses	<u>73,373,113.17</u>	<u>80,254,744.00</u>	<u>(6,881,630.83)</u>	-8.6%
Increase (Decrease) in Net Assets	27,442,848.57	10,683,316.45	16,759,532.12	156.9%
Net Assets Beg. of Year As Restated	<u>192,422,819.16</u>	<u>181,739,502.71</u>	<u>10,683,316.45</u>	5.9%
Net Assets End of Year	<u>219,865,667.73</u>	<u>192,422,819.16</u>	<u>27,442,848.57</u>	14.3%

	<b>Business Type Activities</b>			
	<b>As Of 9/30/2007</b>	<b>As Of 9/30/2006</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	10,623,495.68	12,736,982.01	(2,113,486.33)	-16.6%
Capital Grants & Contributions	0.00	1,261.16	(1,261.16)	-100.0%
General Revenues				
Unrestricted Investment Earnings	987,978.57	826,614.20	161,364.37	19.5%
Miscellaneous	165,082.00	292,447.92	(127,365.92)	-43.6%
Transfers	(731,112.93)	(657,676.00)	(73,436.93)	11.2%
Total Revenues	<u>11,045,443.32</u>	<u>13,199,629.29</u>	<u>(2,154,185.97)</u>	-16.3%
<b>EXPENSES</b>				
Landfill	9,985,377.54	8,748,005.18	1,237,372.36	14.1%
Total Expenses	<u>9,985,377.54</u>	<u>8,748,005.18</u>	<u>1,237,372.36</u>	14.1%
Increase (Decrease) in Net Assets	1,060,065.78	4,451,624.11	(3,391,558.33)	-76.2%
Net Assets Beg. of Year As Restated	23,456,447.84	19,004,823.73	4,451,624.11	23.4%
Net Assets End of Year	<u>24,516,513.62</u>	<u>23,456,447.84</u>	<u>1,060,065.78</u>	4.5%

	<b>Total Activities</b>			
	<b>As Of 9/30/2007</b>	<b>As Of 9/30/2006</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	23,784,353.33	25,296,469.01	(1,512,115.68)	-6.0%
Operating Grants & Contributions	12,635,839.09	18,413,413.00	(5,777,573.91)	-31.4%
Capital Grants & Contributions	11,643,163.93	1,637,715.16	10,005,448.77	610.9%
General Revenues				
Property Taxes	31,576,707.60	26,330,487.00	5,246,220.60	19.9%
General Sales Tax	9,547,613.47	9,472,680.00	74,933.47	0.8%
Special Sales Tax	492,911.29	484,880.00	8,031.29	1.7%
County Gasoline Sales Tax	7,267,494.45	7,212,406.00	55,088.45	0.8%
Miscellaneous Taxes	5,059,205.65	5,550,977.00	(491,771.35)	-8.9%
Grants and Contributions not Restricted for Specific Purposes	1,787,894.88	2,377,860.00	(589,965.12)	-24.8%
Unrestricted Investment Earnings	5,106,824.37	4,028,984.20	1,077,840.17	26.8%
Miscellaneous	2,959,397.00	2,051,933.37	907,463.63	44.2%
Gain on Disposition of Capital Assets	0.00	1,279,885.00	(1,279,885.00)	-100.0%
Total Revenues	<u>111,861,405.06</u>	<u>104,137,689.74</u>	<u>7,723,715.32</u>	7.4%
<b>EXPENSES</b>				
Program Activities				
General Government	25,605,633.42	23,825,736.00	1,779,897.42	7.5%
Public Safety	23,306,471.82	21,749,159.00	1,557,312.82	7.2%
Highways & Roads	15,295,783.15	28,397,863.00	(13,102,079.85)	-46.1%
Sanitation	2,584.68	0.00	2,584.68	100.0%
Health	3,313,431.94	2,313,217.00	1,000,214.94	43.2%
Welfare	394,924.97	343,453.00	51,471.97	15.0%
Culture & Recreation	1,086,648.82	854,301.00	232,347.82	27.2%
Education	205,157.94	171,734.00	33,423.94	19.5%
Interest on Long Term Debt	4,162,476.43	2,586,104.00	1,576,372.43	61.0%
Intergovernmental	0.00	13,177.00	(13,177.00)	-100.0%
Landfill	9,985,377.54	8,748,005.18	1,237,372.36	14.1%
Total Expenses	<u>83,358,490.71</u>	<u>89,002,749.18</u>	<u>(5,644,258.47)</u>	-6.3%
Increase (Decrease) in Net Assets	28,502,914.35	15,134,940.56	13,367,973.79	88.3%
Net Assets Beg. of Year As Restated	215,879,267.00	200,744,326.44	15,134,940.56	7.5%
Net Assets End of Year	<u>244,382,181.35</u>	<u>215,879,267.00</u>	<u>28,502,914.35</u>	13.2%

Charges for Services account for 21.3% and Property Taxes account for 28.2% of total County revenues for the fiscal year ended September 30, 2007. Property Taxes, General Sales Tax, and County Gasoline Sales Tax each had continued growth for the fiscal year ended September 30, 2007. Total expenses for the County were \$83,358,490.71. Of this amount 30.7% went towards General Government, 28.0% towards Public Safety, and 18.3% 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 and new warrants, 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 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 2.1 million dollars is the result of a decrease in the volume of activity at the County Landfill sites. In the prior year a surge of activity resulted from the debris from Hurricanes Ivan and Katrina. The hurricane debris activity did not occur in the current year, thus resulting in a substantial decrease in revenue.

**2. Operating Grants & Contributions:**

In Governmental Activities there was a decrease of 5.8 million dollars. In the prior year, the County received FEMA reimbursements related to Hurricanes Ivan and Katrina. FEMA reimbursements were not as large in the current year.

**3. Capital Grants & 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. Additionally, the County saw substantial donations of subdivision infrastructure assets in the amount of \$9,495,899.97. The assets are added to the County's asset listing are now under County control and maintenance.

**4. Property Taxes:**

In Governmental Activities there was an increase of 5.2 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 & Special Sales Tax:**

In Governmental Activities there was a small increase of \$82,965. The County has experienced a drop in the sales of building materials that surged after Hurricanes Ivan and Katrina which offset gains made in other areas of retail growth.

**6. Miscellaneous Taxes:**

In Governmental Activities there was a decrease of \$491,771. The major loss of revenue in this category was from a decrease in the mortgage tax. As in many parts of the Country the housing market has slowed considerably.

**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 & Roads:**

Highway and road projects decreased substantially during the year. Expenditures on these projects were smaller than in the previous year which can be attributed to the size, complexity, and timing of project completion schedules.

**3. Interest on Long Term Debt:**

The amount of Long Term Debt increased during the current year and thus more interest was paid on the larger debt balance.

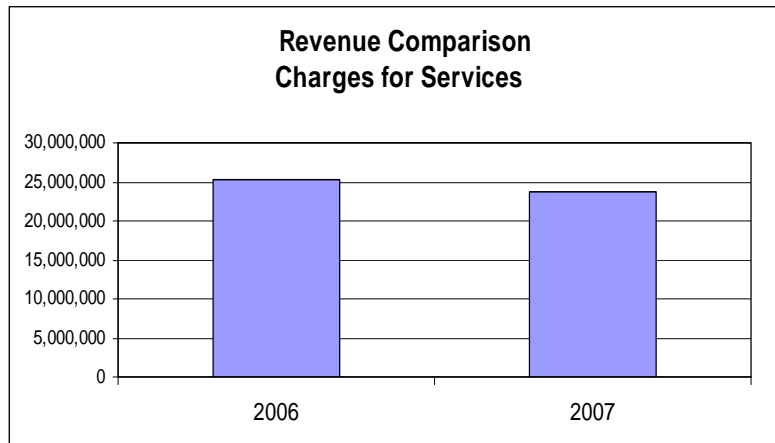
For the fiscal years ended September 30, 2007 and September 30, 2006, the following Attachment A is a graphic comparison of County sources of revenues, and the following Attachment B is a graphic comparison of County expenditures by activity.

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

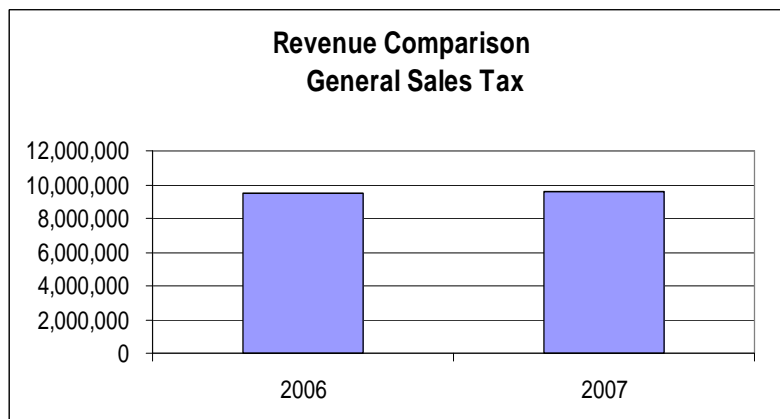
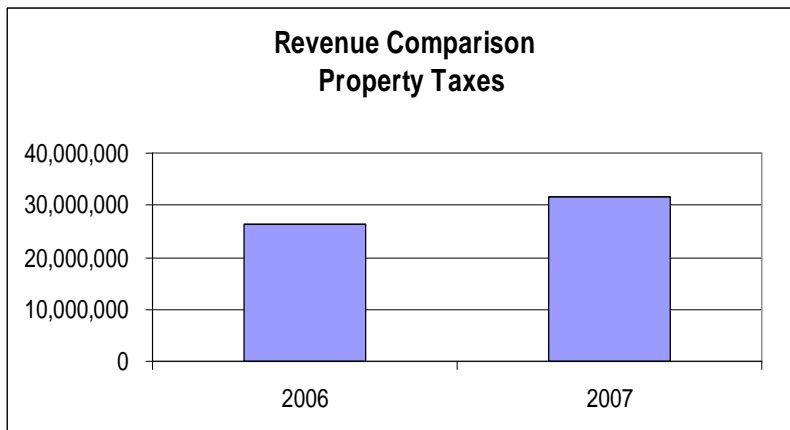
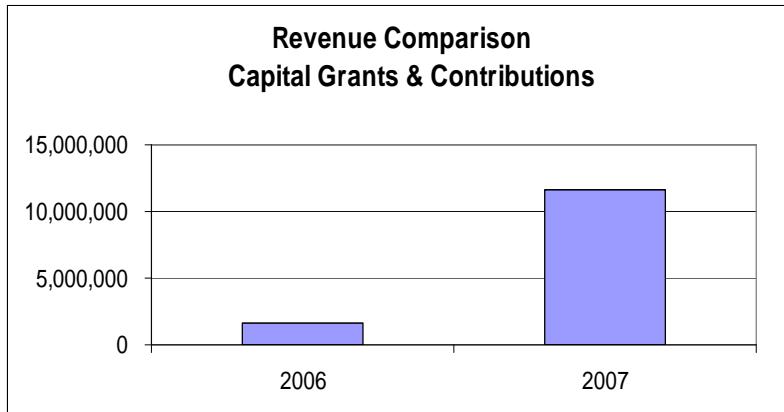
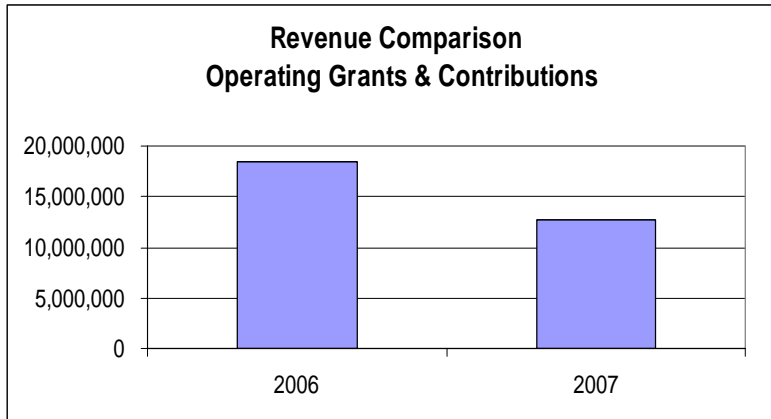
## ATTACHMENT A

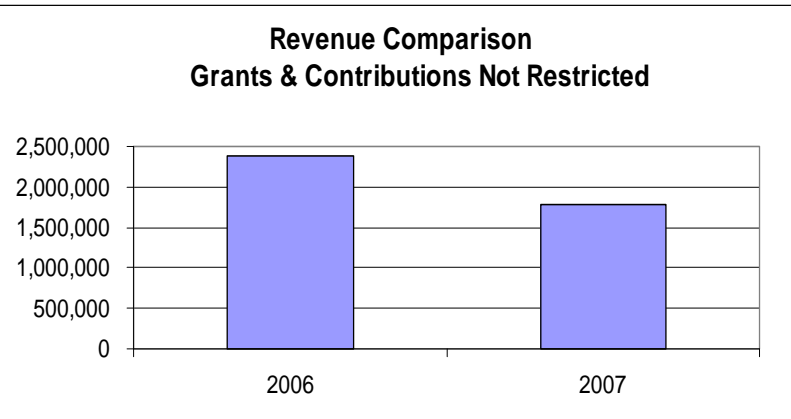
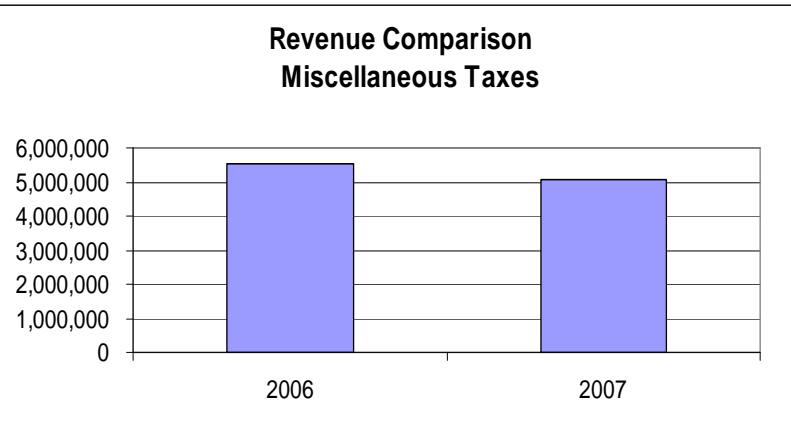
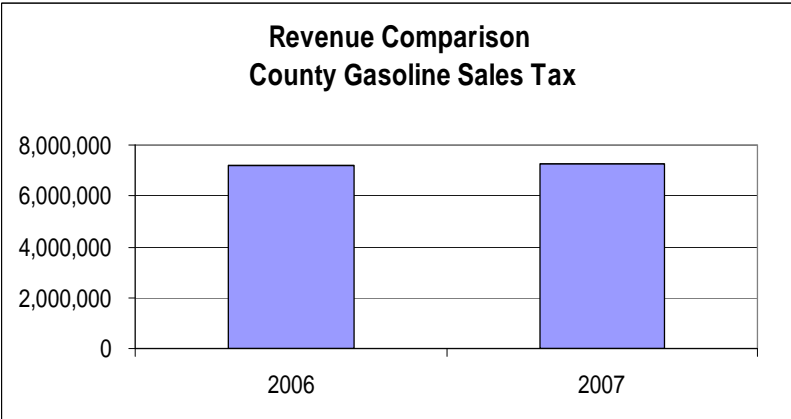
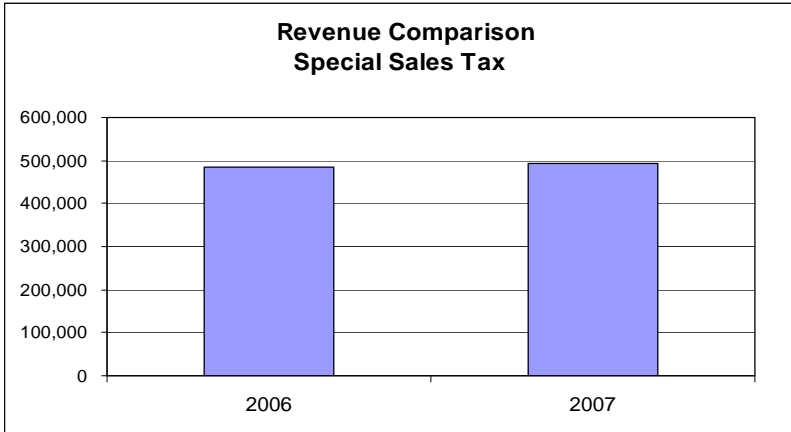
### BALDWIN COUNTY COMMISSION SOURCES OF REVENUE MULTIPLE YEAR COMPARISON

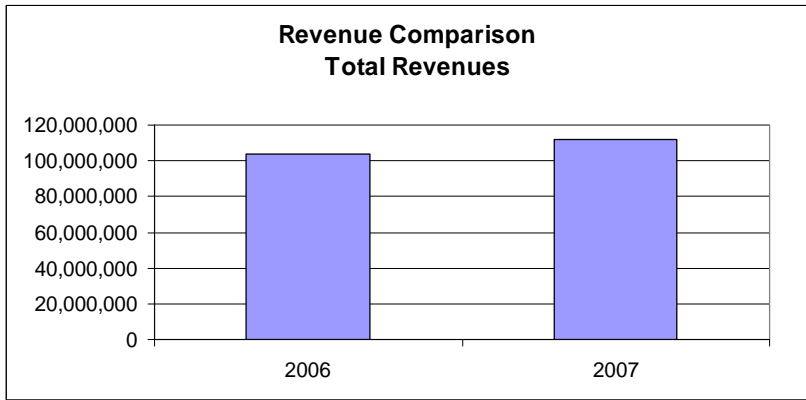
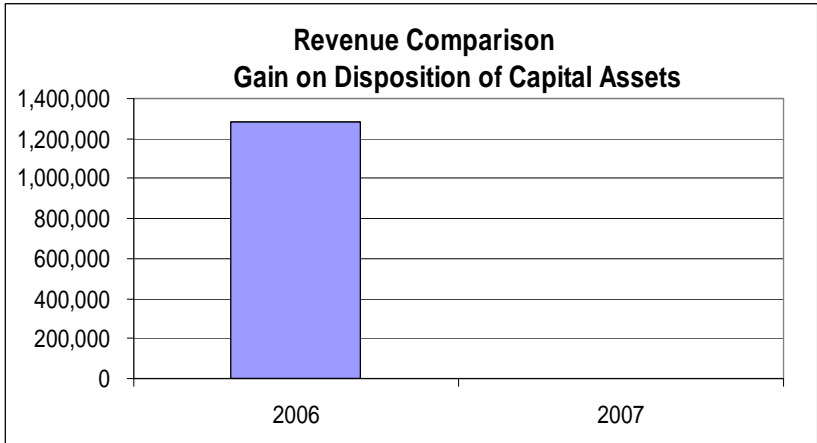
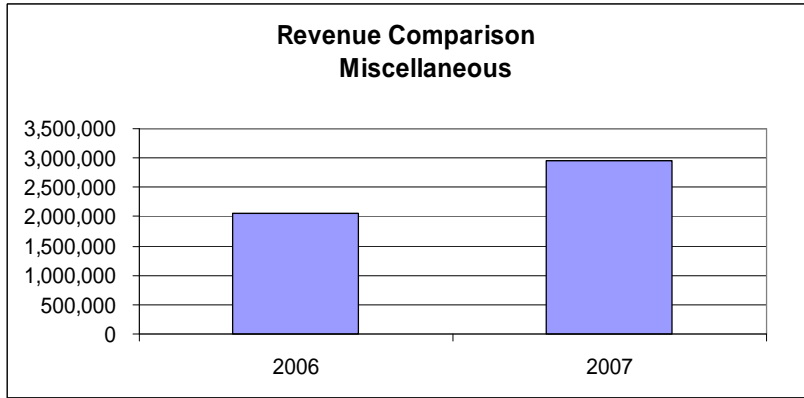
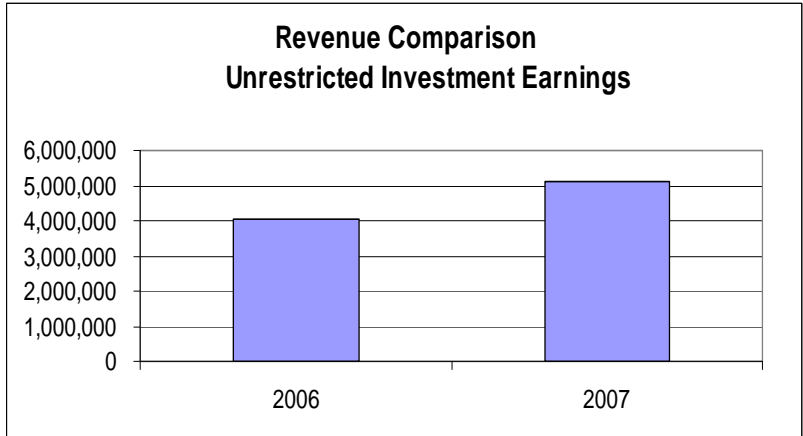
	As Of 9/30/2007	As Of 9/30/2006
Charges for Services	\$ 23,784,353	\$ 25,296,469
Operating Grants & Contributions	12,635,839	18,413,413
Capital Grants & Contributions	11,643,164	1,637,715
Property Taxes	31,576,708	26,330,487
General Sales Tax	9,547,613	9,472,680
Special Sales Tax	492,911	484,880
County Gasoline Sales Tax	7,267,494	7,212,406
Miscellaneous Taxes	5,059,206	5,550,977
Grants and Contributions not Restricted	1,787,895	2,377,860
Unrestricted Investment Earnings	5,106,824	4,028,984
Miscellaneous	2,959,397	2,051,933
Gain on Disposition of Capital Assets	0	1,279,885
<b>Total Revenues</b>	<b>\$ 111,861,404</b>	<b>\$ 104,137,689</b>







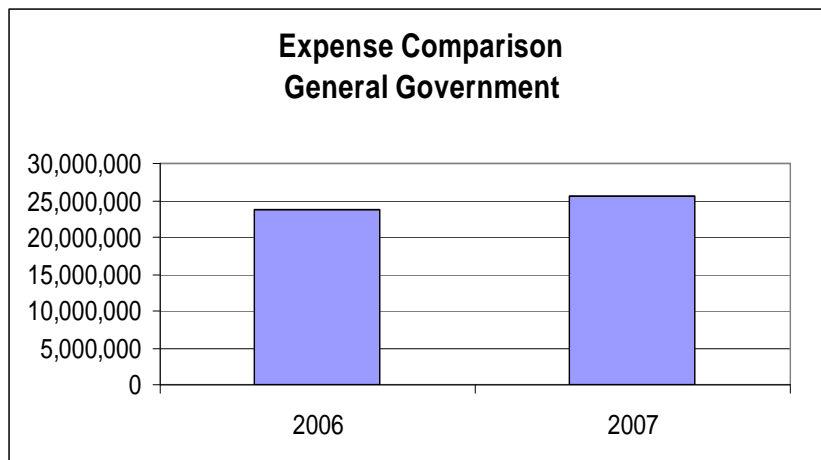


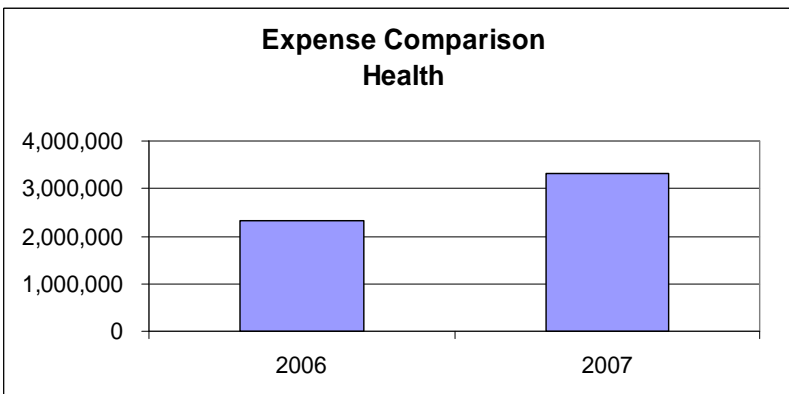
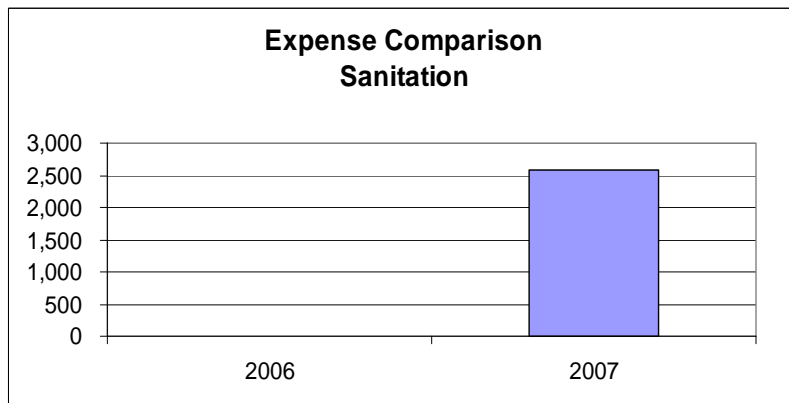
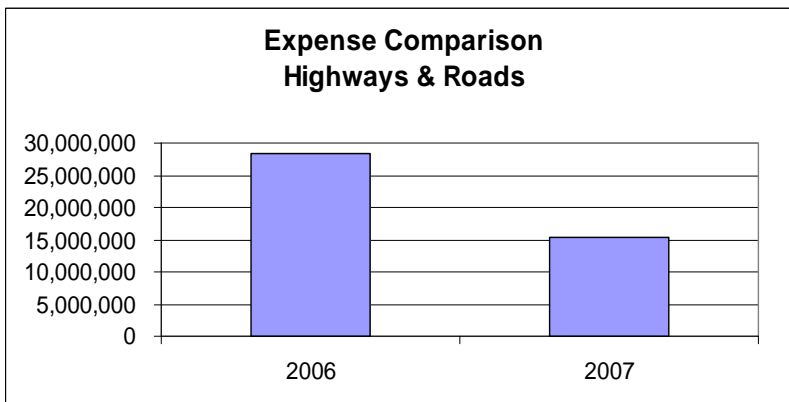
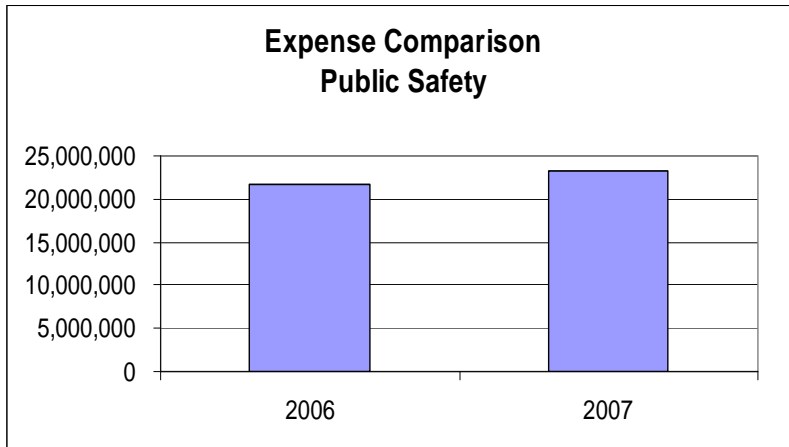


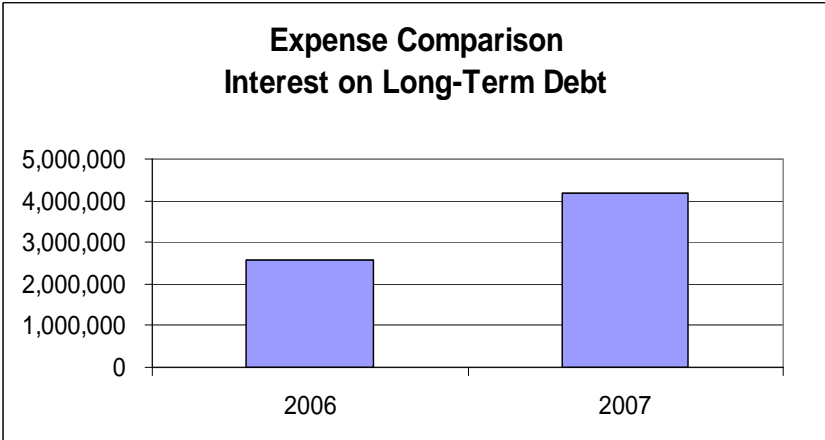
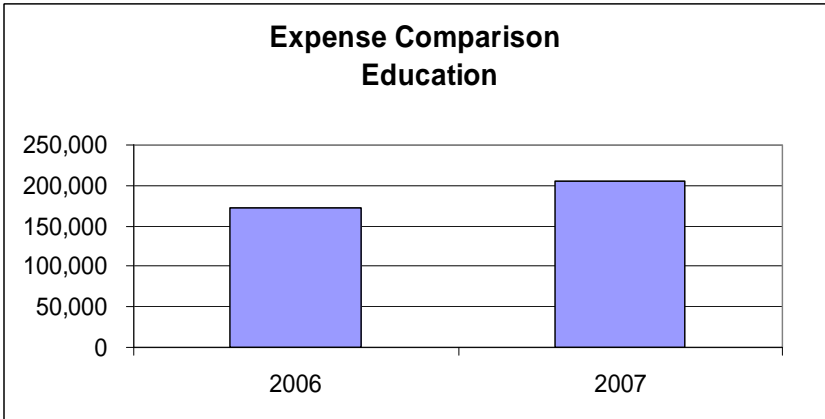
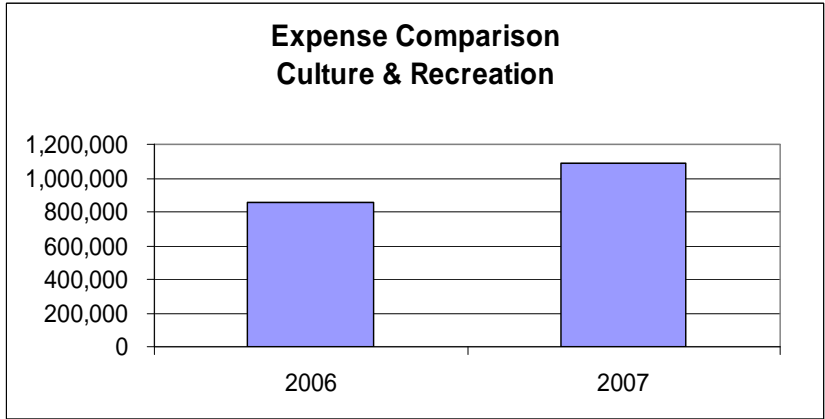
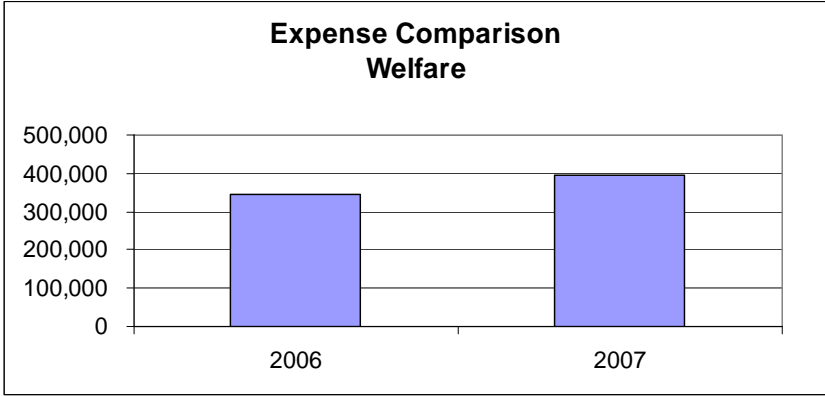
## ATTACHMENT B

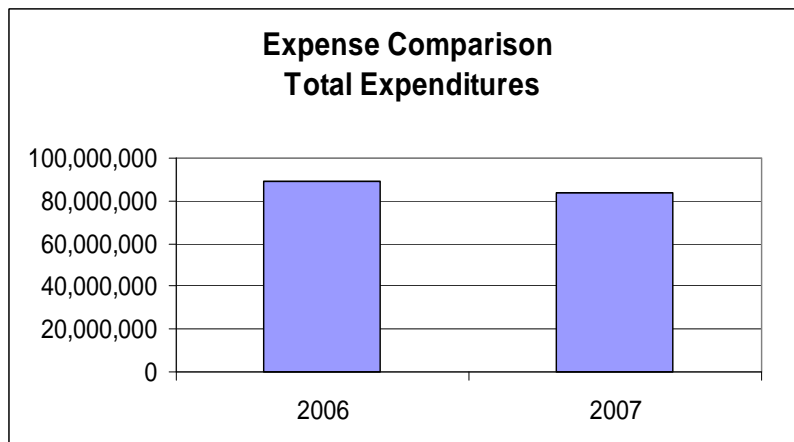
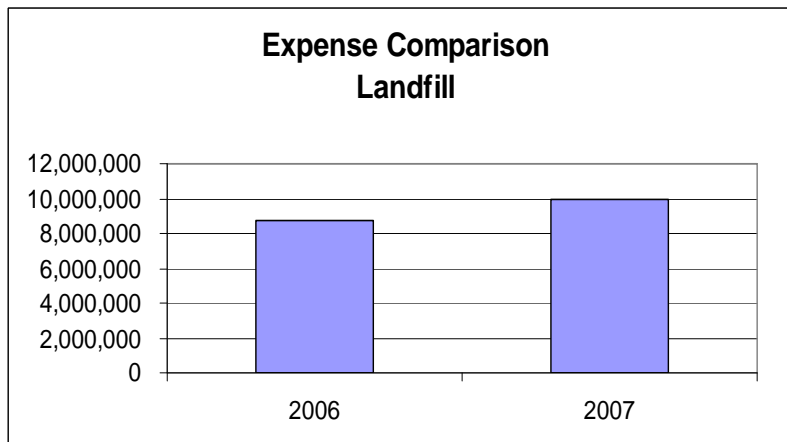
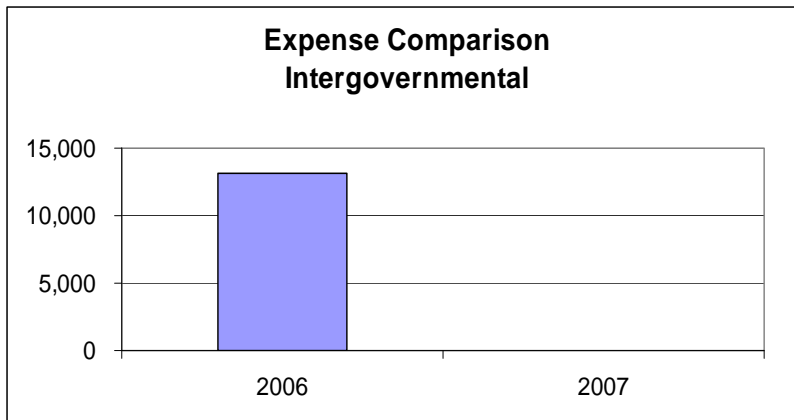
### BALDWIN COUNTY COMMISSION EXPENDITURES BY ACTIVITY MULTIPLE YEAR COMPARISON

	AS OF 9/30/2007		AS OF 9/30/2006
General Government	\$ 25,605,633	\$	23,825,736
Public Safety	23,306,472		21,749,159
Highways & Roads	15,295,783		28,397,863
Sanitation	2,585		0
Health	3,313,432		2,313,217
Welfare	394,925		343,453
Culture & Recreation	1,086,649		854,301
Education	205,158		171,734
Interest on Long-Term Debt	4,162,476		2,586,104
Intergovernmental	0		13,177
Landfill	9,985,378		8,748,005
<b>Total Expenditures</b>	<b>\$ 83,358,491</b>	<b>\$</b>	<b>89,002,749</b>









**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 \$83,358,490.71 and the combined charges for services plus operating and capital grants received were \$48,063,356.35 leaving a net cost to the County of \$35,295,134.36.

Charges for services amounted to \$23,784,353.33 and combined grants and contributions totaled \$24,279,003.02. The charges for services are the payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

### **Net Cost of Services Comparative Analysis**

<b>Function/Program</b>	<b>As Of 9/30/2007</b>	<b>As Of 9/30/2006</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
General Government	\$8,794,087.30	\$6,386,616.00	\$2,407,471.30	37.7%
Public Safety	21,683,172.48	20,549,104.00	1,134,068.48	5.5%
Highways and Roads	(3,516,778.58)	14,605,670.00	(18,122,448.58)	-124.1%
Sanitation	2,584.68	0.00	2,584.68	100.0%
Health	3,235,266.46	2,235,018.00	1,000,248.46	44.8%
Welfare	280,636.97	243,666.00	36,970.97	15.2%
Culture and Recreation	1,086,648.82	854,301.00	232,347.82	27.2%
Education	205,157.94	171,734.00	33,423.94	19.5%
Interest on Long-Term Debt	4,162,476.43	2,586,104.00	1,576,372.43	61.0%
Intergovernmental	0.00	13,177.00	(13,177.00)	-100.0%
Landfill	(638,118.14)	(3,988,977.00)	3,350,858.86	-84.0%
<b>Total Government Activities</b>	<b>\$35,295,134.36</b>	<b>\$43,656,413.00</b>	<b>(\$8,361,278.64)</b>	<b>-19.2%</b>

### **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 \$77,010,484.71 to \$80,697,287.38. This increase of \$3,686,802.67, or 4.8%, 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 \$1,060,065.78, or 4.5%. 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.



<b>Fund</b>	<b>Beginning Fund Balance</b>	<b>Net Increase (Decrease)</b>	<b>Ending Fund Balance</b>
General Fund	\$ 17,556,713.58	\$ 8,379,266.07	\$ 25,935,979.65
Gasoline Tax Fund	3,774,470.94	4,313,798.32	8,088,269.26
Public Buildings, Roads, and Bridges Fund	(132,994.29)	420,384.75	287,390.46
Capital Projects Fund	19,258,412.09	(1,605,861.07)	17,652,551.02
Debt Service Fund	4,683,843.17	(73,832.27)	4,610,010.90
Oil and Gas Trust Fund	15,531,999.10	79,712.08	15,611,711.18
Other Governmental Funds	16,338,040.12	(7,826,665.21)	8,511,374.91
<b>Totals</b>	<b>\$ 77,010,484.71</b>	<b>\$ 3,686,802.67</b>	<b>\$ 80,697,287.38</b>
Proprietary (Business) Funds	\$ 23,456,447.84	\$ 1,060,065.78	\$ 24,516,513.62

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. General Fund:**

The County experienced favorable increases in revenues from property taxes, interest income, rental income, and capital lease proceeds. Additionally the adjustments for prior period activity were more favorable to fund balance in the current year. Expense control also contributed to the increase in fund balance.

**2. Gasoline Tax Fund:**

While revenues did increase overall in the current year, the biggest contributor to the fund balance increase was that expenditures on projects were smaller than in the previous year. This can be attributed to the size, complexity, and timing of project completion schedules.

**3. 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. The revenue received from Property Taxes in the current year exceeded the transfers into the Gasoline Tax Fund resulting in the increase in fund balance.

**4. Capital Projects Fund:**

Expenditures on capital projects during the current year exceeded any new warrant proceeds resulting in the decrease to fund balance.

**Budgetary Highlights – General Fund**

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2007. The major budgetary revenue change was an increase in Taxes, which was primarily from increases from Property Tax. Actual revenues exceeded final budgeted revenues by \$2,610,385.35 (5.3%), which was primarily the result of larger than expected tax revenues and licenses and permits. The major change in budgeted expenses was in General Government and Public Safety. Actual total expenditures were less than the final budgeted amount by \$4,543,843.85 (10.5%).

Actual Total Other Financing Sources (Uses) exceeded the final budgeted amount by \$2,249,790.87 (32.9%).

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. All capital assets going back at least 20 years are completely reported.

At the end of fiscal year 2007, the County had invested over \$247 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$29 million, or 13.6 percent, over last year.

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

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>AMOUNT OF CHANGE</b>	<b>PERCENT OF CHANGE</b>
	<b>2007</b>	<b>2006</b>		
Land	\$13,855,843.09	\$10,227,568.18	\$3,628,274.91	35.5%
Infrastructure in Progress	6,819,254.47	1,168,543.39	5,650,711.08	483.6%
Construction in Progress	4,393,506.08	7,144,354.99	(2,750,848.91)	-38.5%
Infrastructure	152,392,622.20	137,701,034.18	14,691,588.02	10.7%
Buildings	48,845,734.82	39,616,978.37	9,228,756.45	23.3%
Improvements Other than Bldg	3,093,342.72	3,187,753.41	(94,410.69)	-3.0%
Computer and Communication Equipment	1,721,324.14	1,160,177.15	561,146.99	48.4%
Equipment and Furniture	478,277.32	411,402.05	66,875.27	16.3%
Motor Vehicles and Construction Equipment	5,522,445.26	7,648,640.26	(2,126,195.00)	-27.8%
Capital Assets Under Capital Lease	2,885,540.53	2,300,297.91	585,242.62	25.4%
	<b>\$240,007,890.63</b>	<b>\$210,566,749.89</b>	<b>\$29,441,140.74</b>	<b>14.0%</b>

	BUSINESS-TYPE ACTIVITIES		AMOUNT OF CHANGE	PERCENT OF CHANGE
	2007	2006		
	Land	\$1,697,096.62		
Infrastructure in Progress	0.00	0.00	0.00	0.0%
Construction in Progress	117,890.10	0.00	117,890.10	100.0%
Infrastructure	0.00	0.00	0.00	0.0%
Buildings	749,067.74	645,920.09	103,147.65	16.0%
Improvements Other than Bldg	1,597,877.45	1,512,665.40	85,212.05	5.6%
Computer and Communication Equipment	0.00	0.00	0.00	0.0%
Motor Vehicles and Construction Equipment	3,340,431.65	3,083,240.08	257,191.57	8.3%
Equipment and Furniture	111,960.34	117,080.12	(5,119.78)	-4.4%
Capital Assets Under Capital Lease	0.00	352,779.25	(352,779.25)	-100.0%
	<u>\$7,614,323.90</u>	<u>\$7,408,781.56</u>	<u>\$205,542.34</u>	<u>2.8%</u>

	TOTAL ACTIVITIES		AMOUNT OF CHANGE	PERCENT OF CHANGE
	2007	2006		
	Land	\$15,552,939.71		
Infrastructure in Progress	6,819,254.47	1,168,543.39	5,650,711.08	483.6%
Construction in Progress	4,511,396.18	7,144,354.99	(2,632,958.81)	-36.9%
Infrastructure	152,392,622.20	137,701,034.18	14,691,588.02	10.7%
Buildings	49,594,802.56	40,262,898.46	9,331,904.10	23.2%
Improvements Other than Bldg	4,691,220.17	4,700,418.81	(9,198.64)	-0.2%
Computer and Communication Equipment	1,721,324.14	1,160,177.15	561,146.99	48.4%
Equipment and Furniture	590,237.66	528,482.17	61,755.49	11.7%
Motor Vehicles and Construction Equipment	8,862,876.91	10,731,880.34	(1,869,003.43)	-17.4%
Capital Assets Under Capital Lease	2,885,540.53	2,653,077.16	232,463.37	8.8%
	<u>\$247,622,214.53</u>	<u>\$217,975,531.45</u>	<u>\$29,646,683.08</u>	<u>13.6%</u>

### **Debt Outstanding**

At October 1, 2006, the County's long-term bonded indebtedness and notes payable totaled \$92,200,637.97. At September 30, 2007, the County's long-term bonded indebtedness and notes payable increased to \$94,438,377.67. During the fiscal year the County issued warrants for \$16,347,661.00 and repaid/decreased warrants and notes in the total amount of \$14,109,921.30.

At October 1, 2006, the County's capital lease debt was \$820,338.47. At September 30, 2007, the County's capital lease debt was \$3,811,021.05. The County entered into additional capital leases during the year of \$5,100,000.00 and made capital lease payments of \$2,109,317.42.

The liability for compensated absences at September 30, 2007, was \$3,164,579.44.

The total of all long-term debt for the County at September 30, 2007, was \$104,092,363.58 which was \$6,443,093.02 more than the prior year ending balance of \$97,649,270.56. This was an increase of 6.6%.

The assessed valuation of taxable property in the County on October 1, 2007, was not less than \$3,977,340,266. Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2007, Baldwin County's maximum debt limit was \$198,867,013. With total liabilities of the County being \$153,543,622 as of the end of the current fiscal year, the County was at 77.2% of the legal debt limit.

### **Economic Factors**

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

The County's population has experienced significant growth. From 1990 to 2000 the population of Baldwin County increased by 42.9%. The Bureau of the Census estimates that from 2000 to 2007 the population of Baldwin County increased by 22.3%.

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, 2007***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 46,730,656.77	\$ 17,385,034.65	\$ 64,115,691.42
Investment	11,131.84		11,131.84
Taxes Receivable	36,984,603.98		36,984,603.98
Receivables, Net (Note 4)	2,279,102.18	1,371,809.14	3,650,911.32
Internal Balances	(56,885.35)	56,885.35	
Inventories	8,729.92		8,729.92
Receivable from External Parties	43,592.64		43,592.64
Prepaid Items	192,185.61	2,644.03	194,829.64
Deferred Charges	39,422.04		39,422.04
Total Current Assets	86,232,539.63	18,816,373.17	105,048,912.80
<b><u>Noncurrent Assets</u></b>			
Restricted Cash and Cash Equivalents	37,193,692.94	1,473,863.50	38,667,556.44
Restricted Cash with Fiscal Agent	5,028,357.29	883,215.79	5,911,573.08
Deferred Charges	675,546.43		675,546.43
Capital Assets (Note 5):			
Nondepreciable	25,068,603.64	1,814,986.72	26,883,590.36
Depreciable, Net	214,939,286.99	5,799,337.18	220,738,624.17
Total Noncurrent Assets	282,905,487.29	9,971,403.19	292,876,890.48
Total Assets	369,138,026.92	28,787,776.36	397,925,803.28
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payables (Note 9)	8,632,913.19	346,010.72	8,978,923.91
Accrued Interest Payable	1,236,922.54	20,098.46	1,257,021.00
Deferred Revenue	37,881,332.46		37,881,332.46
Accrued Wages Payable	1,203,634.79	130,346.19	1,333,980.98
Long-Term Liabilities:			
Portion Payable Within One Year:			
Notes Payable	45,000.00	40,000.00	85,000.00
Capital Leases Payable	974,490.56	163,190.86	1,137,681.42
Warrants Payable	6,260,817.38		6,260,817.38
Add: Unamortized Premium	41,211.84		41,211.84
Less: Unamortized Discount	(11,407.59)		(11,407.59)
Compensated Absences	2,147,376.51	301,410.76	2,448,787.27
Estimated Liability for Landfill Closure/ Postclosure Care Costs		143,140.45	143,140.45
Total Current Liabilities	\$ 58,412,291.68	\$ 1,144,197.44	\$ 59,556,489.12

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

	Governmental Activities	Business-Type Activities	Total
<b><u>Noncurrent Liabilities</u></b>			
Portion Payable After One Year:			
Notes Payable	\$	\$ 80,000.00	\$ 80,000.00
Capital Leases Payable	2,161,519.30	511,820.33	2,673,339.63
Warrants Payable	87,501,182.62		87,501,182.62
Add: Unamortized Premium	700,601.23		700,601.23
Less: Unamortized Discount	(219,027.81)		(219,027.81)
Compensated Absences	715,792.17		715,792.17
Estimated Liability for Landfill Closure/ Postclosure Care Costs		2,535,244.97	2,535,244.97
Total Noncurrent Liabilities	<u>90,860,067.51</u>	<u>3,127,065.30</u>	<u>93,987,132.81</u>
 Total Liabilities	 <u>149,272,359.19</u>	 <u>4,271,262.74</u>	 <u>153,543,621.93</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	165,268,799.72	7,494,323.90	172,763,123.62
Restricted for:			
Landfill Closure and Postclosure Costs		1,473,863.50	1,473,863.50
Indigent Care	444,269.03		444,269.03
Debt Service	3,373,088.36		3,373,088.36
Road Projects	9,117,302.27		9,117,302.27
Term Endowments	14,858,305.43		14,858,305.43
Unrestricted	<u>26,803,902.92</u>	<u>15,548,326.22</u>	<u>42,352,229.14</u>
Total Net Assets	<u>\$ 219,865,667.73</u>	<u>\$ 24,516,513.62</u>	<u>\$ 244,382,181.35</u>

**Statement of Activities**  
**For the Year Ended September 30, 2007**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 25,605,633.42	\$ 11,543,180.49	\$ 3,853,690.79
Public Safety	23,306,471.82	833,987.83	502,532.63
Highways and Roads	15,295,783.15	705,523.85	8,165,327.67
Sanitation	2,584.68		
Health	3,313,431.94	78,165.48	
Welfare	394,924.97		114,288.00
Culture and Recreation	1,086,648.82		
Education	205,157.94		
Interest on Long-Term Debt	4,162,476.43		
Total Governmental Activities	73,373,113.17	13,160,857.65	12,635,839.09
<b>Business-Type Activities:</b>			
Solid Waste	9,985,377.54	10,623,495.68	
Total Business-Type Activities	9,985,377.54	10,623,495.68	
Total Primary Government	\$ 83,358,490.71	\$ 23,784,353.33	\$ 12,635,839.09

**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
- Transfers
  - Total General Revenues and Transfers
- Change in Net Assets
- Net Assets - Beginning of Year, as Restated (Note 19)
- Net Assets - End of Year

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



<b>Net (Expenses) Revenues and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 1,414,674.84	\$ (8,794,087.30)	\$	\$ (8,794,087.30)
286,778.88	(21,683,172.48)		(21,683,172.48)
9,941,710.21	3,516,778.58		3,516,778.58
	(2,584.68)		(2,584.68)
	(3,235,266.46)		(3,235,266.46)
	(280,636.97)		(280,636.97)
	(1,086,648.82)		(1,086,648.82)
	(205,157.94)		(205,157.94)
	(4,162,476.43)		(4,162,476.43)
11,643,163.93	(35,933,252.50)		(35,933,252.50)
		638,118.14	638,118.14
		638,118.14	638,118.14
<u>\$ 11,643,163.93</u>	<u>(35,933,252.50)</u>	<u>638,118.14</u>	<u>(35,295,134.36)</u>
	18,484,811.46		18,484,811.46
	13,091,896.14		13,091,896.14
	9,547,613.47		9,547,613.47
	492,911.29		492,911.29
	7,267,494.45		7,267,494.45
	5,059,205.65		5,059,205.65
	1,787,894.88		1,787,894.88
	4,118,845.80	987,978.57	5,106,824.37
	2,794,315.00	165,082.00	2,959,397.00
	731,112.93	(731,112.93)	
	63,376,101.07	421,947.64	63,798,048.71
	27,442,848.57	1,060,065.78	28,502,914.35
	192,422,819.16	23,456,447.84	215,879,267.00
	<u>\$ 219,865,667.73</u>	<u>\$ 24,516,513.62</u>	<u>\$ 244,382,181.35</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2007***

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 31,801,301.29	\$ 8,172,239.18	\$ 550,366.22
Cash with Fiscal Agent	330,938.63	274,484.04	
Investments			
Taxes Receivable	19,782,116.02	555,244.36	11,473,625.49
Receivables (Note 4)	1,129,733.18	317,001.77	
Due From Other Funds	108,783.31	88,187.58	
Inventories	8,729.92		
Prepaid Items	21,258.01		
Total Assets	<u>53,182,860.36</u>	<u>9,407,156.93</u>	<u>12,023,991.71</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Payables (Note 9)	6,949,791.37	1,056,398.18	
Due To Other Funds	9,678.06	12,686.96	
Deferred Revenue	19,540,908.80		11,736,601.25
Accrued Wages Payable	746,502.48	249,802.53	
Total Liabilities	<u>27,246,880.71</u>	<u>1,318,887.67</u>	<u>11,736,601.25</u>
<b><u>Fund Balances</u></b>			
Reserved for:			
Inventories	8,729.92		
Debt Service			
Capital Projects			
Encumbrances	899,929.57	477,846.26	
Prepaid Expenses	21,258.01		
Indigent Care	444,269.03		
Other Purposes	5,911,171.63	1,969,333.11	
Unreserved, Reported in:			
General Fund	18,650,621.49		
Special Revenue		5,641,089.89	287,390.46
Total Fund Balances	<u>25,935,979.65</u>	<u>8,088,269.26</u>	<u>287,390.46</u>
Total Liabilities and Fund Balances	<u>\$ 53,182,860.36</u>	<u>\$ 9,407,156.93</u>	<u>\$ 12,023,991.71</u>

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

Capital Projects Fund	Debt Service Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 17,652,981.94	\$ 187,076.28 4,422,934.62	\$ 15,611,711.18	\$ 9,948,673.62	\$ 83,924,349.71
			11,131.84	5,028,357.29
			5,173,618.11	11,131.84
			832,367.23	36,984,603.98
			25,013.02	2,279,102.18
			170,927.60	221,983.91
				8,729.92
17,652,981.94	4,610,010.90	15,611,711.18	16,161,731.42	192,185.61
				128,650,444.44
430.92			626,292.72	8,632,913.19
			212,911.60	235,276.62
			6,603,822.41	37,881,332.46
			207,329.78	1,203,634.79
430.92			7,650,356.51	47,953,157.06
				8,729.92
	4,610,010.90			4,610,010.90
14,597,732.76			3,441,472.25	18,039,205.01
3,054,818.26			220,134.55	4,652,728.64
			170,927.60	192,185.61
				444,269.03
		15,611,711.18	121,257.95	23,613,473.87
				18,650,621.49
			4,557,582.56	10,486,062.91
17,652,551.02	4,610,010.90	15,611,711.18	8,511,374.91	80,697,287.38
\$ 17,652,981.94	\$ 4,610,010.90	\$ 15,611,711.18	\$ 16,161,731.42	\$ 128,650,444.44

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2007***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 80,697,287.38

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	\$ 13,855,843.09	
Infrastructure	182,692,351.34	
Infrastructure in Progress	6,819,254.47	
Construction in Progress	4,393,506.08	
Building and Building Improvements	65,328,492.72	
Improvements Other Than Buildings	3,734,329.84	
Computer and Communication Equipment	11,959,618.50	
Equipment and Furniture	1,282,872.75	
Motor Vehicles and Heavy Equipment	19,646,714.49	
Capital Assets Under Capital Lease	3,759,128.56	
Less: Accumulated Depreciation	<u>(73,464,221.21)</u>	
Total Capital Assets, Net of Depreciation		240,007,890.63

Deferred charges related to issuance costs of long-term liabilities are  
not reported in the funds. 714,968.47

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	\$ 1,236,922.54		
Capital Lease Contracts Payable	974,490.56	2,161,519.30	
Notes Payable	45,000.00		
Warrants Payable	6,260,817.38	87,501,182.62	
Unamortized Discount	(11,407.59)	(219,027.81)	
Unamortized Premium	41,211.84	700,601.23	
Estimated Liability for Compensated Absences	2,147,376.51	715,792.17	
Total Liabilities	<u>\$ 10,694,411.24</u>	<u>\$ 90,860,067.51</u>	<u>(101,554,478.75)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 219,865,667.73

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, 2007***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 32,998,615.02	\$ 7,267,494.45
Licenses and Permits	2,915,355.81	
Intergovernmental	4,315,969.41	4,541,009.49
Charges for Services	8,323,861.91	694,633.85
Fines and Forfeits	68,151.38	
Miscellaneous	3,248,205.50	513,300.89
Total Revenues	<u>51,870,159.03</u>	<u>13,016,438.68</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	17,386,130.22	43,163.76
Public Safety	18,187,270.53	
Highways and Roads		8,925,425.40
Health	1,125,670.58	
Welfare	700.00	
Culture and Recreation	218,419.68	
Education	180,366.78	
Capital Outlay	1,276,915.81	7,890,342.73
Debt Service:		
Principal Retirement	524,351.23	1,454,977.38
Interest and Fiscal Charges	5,881.12	14,682.24
Debt Issuance Costs		
Total Expenditures	<u>38,905,705.95</u>	<u>18,328,591.51</u>
Excess (Deficiency) of Revenues Over Expenses	<u>12,964,453.08</u>	<u>(5,312,152.83)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	2,236,069.63	11,691,152.72
Sale of Capital Assets	67,634.00	419,382.16
Inception of Capital Lease	836,436.00	3,398,564.00
Debt Issued		
Discounts on Debt Issued		
Transfers Out	(7,725,326.64)	(5,883,147.73)
Total Other Financing Sources (Uses)	<u>(4,585,187.01)</u>	<u>9,625,951.15</u>
Changes in Fund Balances	8,379,266.07	4,313,798.32
Fund Balances - Beginning of Year, as Restated (Note 19)	<u>17,556,713.58</u>	<u>3,774,470.94</u>
Fund Balances - End of Year	<u>\$ 25,935,979.65</u>	<u>\$ 8,088,269.26</u>

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

Public Buildings, Roads and Bridges Fund	Capital Projects Fund	Debt Service Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 9,320,484.21	\$	\$	\$	\$ 4,357,338.78	\$ 53,943,932.46
				1,235.00	2,916,590.81
				6,894,770.98	15,751,749.88
				993,927.00	10,012,422.76
					68,151.38
49,388.54	910,779.77	192,241.06	837,117.50	1,452,527.67	7,203,560.93
9,369,872.75	910,779.77	192,241.06	837,117.50	13,699,799.43	89,896,408.22
	9,961.91			4,809,204.86	22,248,460.75
				3,910,595.13	22,097,865.66
				2,645,836.79	11,571,262.19
				2,152,208.89	3,277,879.47
				388,545.46	389,245.46
				811,991.22	1,030,410.90
					180,366.78
	13,833,611.52			4,084,205.11	27,085,075.17
		13,980,117.05			15,959,445.66
	2,000.00	4,006,032.71			4,028,596.07
	135,163.56	27,295.89			162,459.45
	13,980,736.99	18,013,445.65		18,802,587.46	108,031,067.56
9,369,872.75	(13,069,957.22)	(17,821,204.59)	837,117.50	(5,102,788.03)	(18,134,659.34)
		17,695,872.32		3,647,519.73	35,270,614.40
				20,671.92	507,688.08
					4,235,000.00
	15,584,161.00	872,839.00			16,457,000.00
		(109,339.00)			(109,339.00)
(8,949,488.00)	(4,120,064.85)	(712,000.00)	(757,405.42)	(6,392,068.83)	(34,539,501.47)
(8,949,488.00)	11,464,096.15	17,747,372.32	(757,405.42)	(2,723,877.18)	21,821,462.01
420,384.75	(1,605,861.07)	(73,832.27)	79,712.08	(7,826,665.21)	3,686,802.67
(132,994.29)	19,258,412.09	4,683,843.17	15,531,999.10	16,338,040.12	77,010,484.71
\$ 287,390.46	\$ 17,652,551.02	\$ 4,610,010.90	\$ 15,611,711.18	\$ 8,511,374.91	\$ 80,697,287.38

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***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2007***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 3,686,802.67

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 (\$27,085,075.17) exceeded depreciation (\$7,286,907.20) in the current period. 19,798,167.97

In the Statement of Activities, donation of capital assets is recorded as revenue, whereas in the governmental funds it is not recorded. 9,705,899.97

In the Statement of Activities, only the gain (\$482,540.62) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$501,440.08) 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. (18,899.46)

In the Statement of Activities, the loss (\$37,779.74) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$6,248.00) 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. (44,027.74)

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. 15,959,445.66

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

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



	<u>Prior Period Debt</u>	<u>New Debt</u>	
Debt Issued:			
Warrants Issued		(16,457,000.00)	
Capital Leases Issued		(4,235,000.00)	
Issuance Costs		162,459.45	
Discounts		109,339.00	
Amortization of Discounts on Debt Issued	(7,034.03)	(4,373.56)	
Amortization of Debt Issuance Costs	(35,557.62)	(7,197.75)	
Amortization of Premiums on Debt Issued	41,211.84		
Total	<u>\$ (1,379.81)</u>	<u>(20,431,772.86)</u>	
Net Adjustment			(20,433,152.67)

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	\$ (163,684.61)	
Net Increase in Compensated Absences	<u>(1,047,703.22)</u>	
Total Additional Expenditures		<u>(1,211,387.83)</u>

Change in Net Assets of Governmental Activities (Exhibit 2)	<u><u>\$ 27,442,848.57</u></u>
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***Statement of Net Assets***  
***Proprietary Funds***  
***September 30, 2007***

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 15,581,330.56	\$ 1,803,704.09	\$ 17,385,034.65
Accounts Receivable, Net (Note 4)	539,915.88	831,893.26	1,371,809.14
Due From Other Funds	136,418.95		136,418.95
Prepaid Items	1,126.15	1,517.88	2,644.03
Total Current Assets	16,258,791.54	2,637,115.23	18,895,906.77
<b><u>Noncurrent Assets</u></b>			
Restricted Cash and Cash Equivalents	1,473,863.50		1,473,863.50
Restricted Cash with Fiscal Agent		883,215.79	883,215.79
Capital Assets, Net (Note 5)	6,871,396.24	742,927.66	7,614,323.90
Total Noncurrent Assets	8,345,259.74	1,626,143.45	9,971,403.19
Total Assets	24,604,051.28	4,263,258.68	28,867,309.96
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payables (Note 9)	200,979.62	145,031.10	346,010.72
Accrued Interest Payable	20,098.46		20,098.46
Due To Other Funds	5,662.73	73,870.87	79,533.60
Accrued Wages Payable	74,277.12	56,069.07	130,346.19
Long-Term Liabilities:			
Portion Due Within One Year:			
Capital Leases Payable		163,190.86	163,190.86
Notes Payable	40,000.00		40,000.00
Compensated Absences	178,383.80	123,026.96	301,410.76
Estimated Liability for Landfill Closure/ Postclosure Care Costs	143,140.45		143,140.45
Total Current Liabilities	\$ 662,542.18	\$ 561,188.86	\$ 1,223,731.04

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

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b><u>Noncurrent Liabilities</u></b>			
Long-Term Liabilities:			
Portion Due After One Year:			
Capital Leases Payable	\$	\$ 511,820.33	\$ 511,820.33
Notes Payable	80,000.00		80,000.00
Estimated Liability for Landfill Closure/ Postclosure Care Costs	2,535,244.97		2,535,244.97
Total Noncurrent Liabilities	<u>2,615,244.97</u>	511,820.33	<u>3,127,065.30</u>
 Total Liabilities	 <u>3,277,787.15</u>	 1,073,009.19	 <u>4,350,796.34</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	6,751,396.24	742,927.66	7,494,323.90
Restricted for:			
Landfill Closure and Postclosure Costs	1,473,863.50		1,473,863.50
Unrestricted	13,101,004.39	2,447,321.83	15,548,326.22
Total Net Assets	<u>\$ 21,326,264.13</u>	<u>\$ 3,190,249.49</u>	<u>\$ 24,516,513.62</u>

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***Statement of Revenues, Expenditures and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2007***

	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b><u>Revenues</u></b>			
Charges for Services	\$ 6,278,659.44	\$ 4,344,836.24	\$ 10,623,495.68
Total Revenues	<u>6,278,659.44</u>	<u>4,344,836.24</u>	<u>10,623,495.68</u>
<b><u>Operating Expenses</u></b>			
Salaries and Benefits	2,145,407.41	1,702,656.63	3,848,064.04
Contractual and Professional Services	457,724.42	1,313,245.70	1,770,970.12
Travel	19,724.29	506.25	20,230.54
Materials and Supplies	1,307,027.62	877,177.34	2,184,204.96
Utilities and Communications	126,413.49	26,239.60	152,653.09
Other Expenses	231,138.01	50,771.79	281,909.80
Depreciation	1,217,894.87	358,687.18	1,576,582.05
Landfill Expenses	150,762.94		150,762.94
Total Operating Expenses	<u>5,656,093.05</u>	<u>4,329,284.49</u>	<u>9,985,377.54</u>
Operating Income (Loss)	<u>622,566.39</u>	<u>15,551.75</u>	<u>638,118.14</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Other Miscellaneous	5,023.64	5,950.44	10,974.08
Interest Earned	880,269.70	107,708.87	987,978.57
Gain on Sale of Capital Assets	152,587.92	1,520.00	154,107.92
Total Nonoperating Revenues (Expenses)	<u>1,037,881.26</u>	<u>115,179.31</u>	<u>1,153,060.57</u>
Income (Loss) Before Transfers	<u>1,660,447.65</u>	<u>130,731.06</u>	<u>1,791,178.71</u>
<b><u>Operating Transfers</u></b>			
Transfers In	64,140.05		64,140.05
Transfers Out	(657,134.98)	(138,118.00)	(795,252.98)
Changes in Net Assets	1,067,452.72	(7,386.94)	1,060,065.78
Total Net Assets - Beginning of Year	<u>20,258,811.41</u>	<u>3,197,636.43</u>	<u>23,456,447.84</u>
Total Net Assets - End of Year	<u>\$ 21,326,264.13</u>	<u>\$ 3,190,249.49</u>	<u>\$ 24,516,513.62</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, 2007***

	<b>Solid Waste Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from Customers	\$ 6,290,243.25
Payments to Employees	(2,172,062.28)
Payments to Suppliers	(2,491,331.48)
Net Cash Provided (Used) by Operating Activities	<u>1,626,849.49</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Interfund Loans Made/Repaid	30,077.49
Miscellaneous	5,023.64
Transfers In	64,140.05
Transfers Out	(657,134.98)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(557,893.80)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Sale of Assets	152,587.92
Purchase of Capital Assets	(1,727,578.73)
Proceeds from Debt	
Repayment of Principal	(40,000.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,614,990.81)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest Revenue	880,269.70
Net Cash Provided (Used) by Investing Activities	<u>880,269.70</u>
Net Increase (Decrease) in Cash and Cash Equivalents	334,234.58
Cash and Cash Equivalents - Beginning of Year	<u>16,720,959.48</u>
Cash and Cash Equivalents - End of Year	<u>\$ 17,055,194.06</u>

Other Enterprise Fund	Total Enterprise Funds
\$ 4,296,463.99	\$ 10,586,707.24
(1,674,229.19)	(3,846,291.47)
(2,192,821.64)	(4,684,153.12)
429,413.16	2,056,262.65
(25,450.16)	4,627.33
5,950.44	10,974.08
	64,140.05
(138,118.00)	(795,252.98)
(157,617.72)	(715,511.52)
1,520.00	154,107.92
(54,545.66)	(1,782,124.39)
865,000.00	865,000.00
(189,988.81)	(229,988.81)
621,985.53	(993,005.28)
107,708.87	987,978.57
107,708.87	987,978.57
1,001,489.84	1,335,724.42
1,685,430.04	18,406,389.52
\$ 2,686,919.88	\$ 19,742,113.94

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Year Ended September 30, 2007***

	<b>Solid Waste Fund</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>	
Operating Income (Loss)	\$ 622,566.39
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>	
Depreciation Expense	1,217,894.87
Landfill Expense	150,762.94
Change in Assets and Liabilities:	
(Increase)/Decrease Receivables, Net	11,583.81
(Increase)/Decrease Prepaids	161.55
Increase/(Decrease) Accounts Payable	(349,465.20)
Increase/(Decrease) Wages Payable	(11,872.08)
Increase/(Decrease) Compensated Absences	(14,782.79)
	<hr/>
Net Cash Provided by Operating Activities	<u><u>\$ 1,626,849.49</u></u>

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



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<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
\$ 15,551.75	\$ 638,118.14
358,687.18	1,576,582.05
	150,762.94
(48,372.25)	(36,788.44)
3,218.88	3,380.43
71,900.16	(277,565.04)
(2,559.93)	(14,432.01)
30,987.37	16,204.58
<u>\$ 429,413.16</u>	<u>\$ 2,056,262.65</u>

***Statement of Fiduciary Net Assets***  
***Fiduciary Funds***  
***September 30, 2007***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 12,274,166.93	\$ 871,530.49
Total Assets	<u>12,274,166.93</u>	<u>871,530.49</u>
<b><u>Liabilities</u></b>		
Payables (Note 10)	9,194,755.46	842,896.12
Due To Other Funds	38,813.90	4,778.74
Payable to External Parties		23,855.63
Total Liabilities	<u>9,233,569.36</u>	<u>\$ 871,530.49</u>
<b><u>Net Assets</u></b>		
Held in Trust for Other Purposes	<u>3,040,597.57</u>	
Total Net Assets	<u>\$ 3,040,597.57</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, 2007***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
State and Local Governments	\$ 129,400.87
Probate Court	1,320,996.54
Fees	1,523,700.87
Miscellaneous	99,272.03
Interest	62,288.57
Total Additions	<u>3,135,658.88</u>
<b><u>Deductions</u></b>	
Administrative Expenses	1,099,327.16
Payments to Beneficiaries	1,361,151.63
Total Deductions	<u>2,460,478.79</u>
Changes in Net Assets	675,180.09
Net Assets - Beginning of Year, as Restated (Note 19)	<u>2,365,417.48</u>
Net Assets - End of Year	<u>\$ 3,040,597.57</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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.

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.
- ◆ **Debt Service Fund** – This fund is used to account for the accumulation of resources for and the payment of the Commission's general long-term debt principal and interest.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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- ◆ **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.

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.
- ◆ **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 Fund 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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

**3. Inventories**

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

**4. Prepaid Items**

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

**5. Restricted Assets**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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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	10 – 30 years
Improvements	\$5,000	30 years
Equipment and Furniture	\$5,000	5 – 7 years
Roads	\$5,000	20 years
Bridges	\$5,000	40 years

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

**7. Long-Term Obligations**

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

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, 2007, the unamortized deferred issue costs were \$9,285.96.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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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, 2007, the unamortized amounts were \$87,976.26 and \$69,501.55, 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, 2007, the unamortized amounts were \$170,773.90 and \$55,968.41, 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, 2007, the warrants were fully amortized.

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, 2007, the unamortized amounts were \$291,670.64 and \$741,813.08, respectively.

The Series 2007-A General Obligation Warrants contain deferred issue costs of \$160,075.23 and deferred discount of \$109,339.00 that are being amortized over 25 years. At September 30, 2007, the unamortized amounts were \$153,672.22 and \$104,965.44, respectively.

The Series 2007-B General Obligation Warrant contains deferred issue costs of \$2,384.22 that are being amortized over 3 years. At September 30, 2007, the unamortized amount was \$1,589.48.

**8. *Compensated Absences***

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

**Annual Leave**

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

**Sick Leave**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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, 2007, the liability for accrued annual and sick leave is approximately \$3,164,579.44. Of this amount \$2,147,376.51 is reported as current and \$715,792.17 is reported as non-current on the governmental activities column while \$301,410.76 is reported as current on the business-type activities column.

#### **9. Net Assets/Fund Equity**

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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

##### *Budgets*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. 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 a meeting in September of each year, but in any event not later than the first meeting in October, must estimate the Commission's revenues and expenditures and appropriate for the various purposes the respective amounts that are to be used for each purpose. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

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

#### *Note 3 – Deposits and Investments*

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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As of September 30, 2007, the Commission's cash with fiscal agent was invested as follows:

Investment Type	Maturities	Fair Value	Rating
Federated U. S. Treasury Cash Reserves Instl. Svc.	Average Maturity of 60 days or less	\$2,541,242.78	S & P AAAM Moody Aaa
Federated Auto Gov't Money TR No 44	Weighted Average Maturity of 90 days or Less	1,881,691.84	S & P AAAM Moody Aaa
FDRT Government Obligations Fund	Average Maturity of 60 days or less	1,488,638.46	S & P AAAM Moody Aaa
Total Cash with Fiscal Agent		<u>\$5,911,573.08</u>	

**Interest Rate Risk** – Interest rate risk occurs when market interest rate changes adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from market interest rate changes.

**Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating, if applicable and available, is presented in the table of investments. The Commission has no policy on credit risk.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy that limits the amount of securities that can be held by counterparties.

**Concentrations of Credit Risk** – The Commission has no policy in place and places no limit on the amount the Commission may invest in any one issuer.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2007**

**Note 4 – Receivables**

On September 30, 2007, receivables for the Commission’s individual major funds and other governmental and other enterprise 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	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>				
Accounts Receivable	\$	\$ 5,908.73	\$ 12,366.09	\$ 18,274.82
Intergovernmental	1,129,733.18	311,093.04	820,001.14	2,260,827.36
Total Receivables	<u>\$1,129,733.18</u>	<u>\$317,001.77</u>	<u>\$832,367.23</u>	<u>\$2,279,102.18</u>

Proprietary Funds	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<u>Receivables:</u>			
Accounts Receivable	\$567,223.40	\$905,639.29	\$1,472,862.69
Gross Receivables	567,223.40	905,639.29	1,472,862.69
Less: Allowable for Doubtful Accounts	(27,307.52)	(73,746.03)	(101,053.55)
Net Total Receivables	<u>\$539,915.88</u>	<u>\$831,893.26</u>	<u>\$1,371,809.14</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, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Real Property Ad Valorem Taxes	\$35,647,243.60	\$
Motor Vehicle Ad Valorem Taxes		852,479.34
Unexpended Reappraisal Funds		1,374,397.08
Unexpended Federal Grant Funds		7,212.44
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$35,647,243.60</u>	<u>\$2,234,088.86</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2007**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

	Restated Balance 10/1/2006	Reclassifications	Additions	Reductions	Balance 9/30/2007
<b>Governmental Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 10,227,568.18	\$	\$ 3,628,274.91	\$	\$ 13,855,843.09
Infrastructure in Progress	1,168,543.39	(3,857,650.99)	9,508,362.07		6,819,254.47
Construction in Progress	7,144,354.99	(9,814,956.80)	7,064,107.89		4,393,506.08
<b>Total Capital Assets, Not Being Depreciated</b>	<b>18,540,466.56</b>	<b>(13,672,607.79)</b>	<b>20,200,744.87</b>		<b>25,068,603.64</b>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	167,059,972.75	3,857,650.99	11,774,727.60		182,692,351.34
Buildings and Improvements	54,085,611.35	9,814,956.80	1,427,924.57		65,328,492.72
Improvements Other Than Buildings	3,703,605.64		30,724.20		3,734,329.84
Computer and Communication Equipment	8,054,428.78	3,550,718.04	522,265.63	(167,793.95)	11,959,618.50
Equipment and Furniture	1,097,991.57		190,537.12	(5,655.94)	1,282,872.75
Motor Vehicles and Heavy Equipment	22,652,219.32	(1,974,132.63)	1,028,893.18	(2,060,265.38)	19,646,714.49
Capital Assets Under Capital Lease	3,961,607.00	(1,576,585.41)	1,615,157.97	(241,051.00)	3,759,128.56
<b>Total Capital Assets Being Depreciated</b>	<b>260,615,436.41</b>	<b>13,672,607.79</b>	<b>16,590,230.27</b>	<b>(2,474,766.27)</b>	<b>288,403,508.20</b>
<b>Less Accumulated Depreciation for:</b>					
Infrastructure	(29,358,938.57)		(940,790.57)		(30,299,729.14)
Buildings and Improvements	(14,468,632.98)		(2,014,124.92)		(16,482,757.90)
Improvements Other Than Buildings	(515,852.23)		(125,134.89)		(640,987.12)
Computer and Communication Equipment	(6,894,251.63)	(2,845,271.40)	(665,781.90)	167,010.57	(10,238,294.36)
Equipment and Furniture	(686,589.52)		(123,661.85)	5,655.94	(804,595.43)
Motor Vehicles and Heavy Equipment	(15,003,579.06)	1,597,358.75	(2,716,170.48)	1,998,121.56	(14,124,269.23)
Capital Assets Under Capital Lease	(1,661,309.09)	1,247,912.65	(701,242.59)	241,051.00	(873,588.03)
<b>Total Accumulated Depreciation</b>	<b>(68,589,153.08)</b>		<b>(7,286,907.20)</b>	<b>2,411,839.07</b>	<b>(73,464,221.21)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>192,026,283.33</b>		<b>9,303,323.07</b>	<b>(62,927.20)</b>	<b>214,939,286.99</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$210,566,749.89</b>	<b>\$</b>	<b>\$29,504,067.94</b>	<b>\$ (62,927.20)</b>	<b>\$240,007,890.63</b>



***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

The beginning balance for governmental activities' capital assets was restated by a net amount of \$82,857.16 to correct prior year errors.

Amounts included in the 'reclassifications' column were necessary due to capital leases that were paid off during the year and completed projects.

There were donated capital assets totaling \$9,705,899.97 consisting of \$210,000.00 for land and subdivision roads of \$9,495,899.97.

	Balance 10/01/2006	Lease Reclassification	Additions	Reductions	Balance 9/30/2007
<b>Business-Type Activities:</b>					
<b>Capital Assets,</b>					
<b>Not Being Depreciated:</b>					
Land	\$ 1,697,096.62	\$	\$	\$	\$ 1,697,096.62
Construction In Progress			117,890.10		117,890.10
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,697,096.62</b>		<b>117,890.10</b>		<b>1,814,986.72</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	1,124,011.84		142,910.00		1,266,921.84
Improvements Other Than Buildings	7,567,484.69		179,508.85		7,746,993.54
Computer and Communication Equipment	71,323.34				71,323.34
Motor Vehicle and Heavy Equipment	7,756,221.10	711,515.00	1,316,916.32	(409,568.24)	9,375,084.18
Equipment and Furniture	180,728.28		24,899.12		205,627.40
Assets Under Capital Lease	711,515.00	(711,515.00)			
<b>Total Capital Assets, Being Depreciated</b>	<b>17,411,284.25</b>		<b>1,664,234.29</b>	<b>(409,568.24)</b>	<b>18,665,950.30</b>
<b>Less:</b>					
<b>Accumulated Depreciation for:</b>					
Buildings	(478,091.75)		(39,762.35)		(517,854.10)
Improvements Other Than Buildings	(6,054,819.29)		(94,296.80)		(6,149,116.09)
Computer and Communication Equipment	(71,323.34)				(71,323.34)
Motor Vehicle and Heavy Equipment	(4,672,981.02)	(358,735.75)	(1,412,504.00)	409,568.24	(6,034,652.53)
Equipment and Furniture	(63,648.16)		(30,018.90)		(93,667.06)
Assets Under Capital Lease	(358,735.75)	358,735.75			
<b>Total Accumulated Depreciation</b>	<b>(11,699,599.31)</b>		<b>(1,576,582.05)</b>	<b>409,568.24</b>	<b>(12,866,613.12)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>5,711,684.94</b>		<b>87,652.24</b>		<b>5,799,337.18</b>
<b>Business-Type Activities Capital Assets Net</b>	<b>\$ 7,408,781.56</b>	<b>\$</b>	<b>\$ 205,542.34</b>	<b>\$</b>	<b>\$ 7,614,323.90</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$2,501,337.18
Public Safety	1,208,606.16
Highway and Roads	3,452,118.12
Sanitation	2,584.68
Health	35,552.47
Welfare	5,679.51
Culture and Recreation	56,237.92
Education	24,791.16
Total Depreciation Expense - Governmental Activities	<u>\$7,286,907.20</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Solid Waste	\$1,576,582.05
Total Depreciation Expense - Business-Type Activities	<u>\$1,576,582.05</u>

**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 are provided to plan members.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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

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

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

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2007 was 6.83 percent based on the actuarial valuation performed as of September 30, 2004.

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

For the year ended September 30, 2007, the Commission's annual pension cost of \$1,378,282.27 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, 2006 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, 2006 was 13 years.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2007	\$1,378,282	100%	\$0
9/30/2006	\$1,107,368	100%	\$0
9/30/2005	\$1,005,036	100%	\$0

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
9/30/2006**	\$33,357,350	\$39,849,423	\$6,492,073	83.7%	\$18,665,927	34.8%
9/30/2005	\$30,499,679	\$37,147,942	\$6,648,263	82.1%	\$17,630,632	37.7%
9/30/2004***	\$27,834,036	\$30,970,229	\$3,136,193	89.9%	\$15,199,055	20.6%

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

\*\* Reflects changes in actuarial assumptions.

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

**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, 2007, the Commission's expenditures to cover approximately 16 participants totaled \$49,420.08.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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

Project Name	Amount Remaining
EOC Addition	\$ 85,617.43
CIS/Legal Building	1,253,069.27
Renovations Central Annex II Building	2,144,808.73
Renovations to DA Building	173,416.11
Hazardous Waste Building	208,649.88
Palmetto Creek Boat Ramp	166,218.00
USDA – NRCS EWP Project – CR 44	199,426.35
Magnolia Springs Restoration Project	82,895.43
Construction of Twin Beach Road Sidewalk	22,675.47
Total	<u>\$4,336,776.67</u>

**Note 9 – Payables**

On September 30, 2007, 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
<b><u>Governmental Funds</u></b>				
General Fund	\$3,505,321.07	\$3,444,470.30	\$	\$ 6,949,791.37
Gasoline Tax Fund	1,056,398.18			1,056,398.18
Capital Projects Fund	430.92			430.92
Other Governmental Funds	510,726.98	699.70	114,866.04	626,292.72
Total Governmental Funds	<u>5,072,877.15</u>	<u>3,445,170.00</u>	<u>114,866.04</u>	<u>8,632,913.19</u>
<b><u>Business-Type Activities</u></b>				
Solid Waste Fund	200,979.62			200,979.62
Other Enterprise Fund	144,971.72		59.38	145,031.10
Total Business-Type Activities	<u>345,951.34</u>		<u>59.38</u>	<u>346,010.72</u>
<b><u>Fiduciary Funds</u></b>				
Private-Purpose Trust	16,560.68		9,178,194.78	9,194,755.46
Agency	502,937.93		339,958.19	842,896.12
Total Fiduciary Funds	<u>\$ 519,498.61</u>	<u>\$</u>	<u>\$9,518,152.97</u>	<u>\$10,037,651.58</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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**Note 10 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$3,759,128.56 for governmental activities at September 30, 2007. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease-purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities	Business-Type Activities
September 30, 2008	\$1,098,990.14	\$189,988.81
2009	1,098,990.13	189,988.82
2010	608,584.45	181,329.02
2011	608,584.45	181,329.02
Total Minimum Lease Payments	3,415,149.17	742,635.67
Less: Amount Representing Interest	(279,139.31)	(67,624.48)
Present Value of Net Minimum Lease Payments	<u>\$3,136,009.86</u>	<u>\$675,011.19</u>

**Note 11 – Long-Term Debt**

**Warrants Payable**

In February 1996, General Obligation Warrants with interest rates 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 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.

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2007*

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In March 1999, General Obligation Warrants with 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 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 interest rates 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.

In December 2003, General Obligation Warrants with interest rates 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 interest rates 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 interest rates 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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In January 2006, General Obligation Warrants with interest rates of 3.20 to 5.00 percent were issued to purchase and renovate the Regions Bank Building and property in Robertsdale, 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 (42.82%), the Gasoline Tax Fund (41.29%), and the Wilderness fund (15.89%).

In September 2006, a General Obligation Taxable 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 General Fund.

In March 2007, General Obligation Warrants with interest rates of 4.00 to 5.00 percent were issued to acquire and construct the Series 2007A improvements and to pay any remaining issuance expenses. The debt service payments are made by the General and Gasoline Tax Funds.

In June 2007, a General Obligation Taxable Warrant with an interest rate of 5.54 percent was issued for the purchase of the Robertsdale Regions Bank Building and the rehabilitation, renovation, and equipment costs associated with the building. The debt service payments are made by the General and Gasoline Tax Funds.

In September 2007, General Obligation Warrant with an interest rate of 3.96 percent was issued for the purchase of property located on Fish River in the Fairhope area. The debt service payments are made by the Parks Fund.

**Notes Payable**

Promissory notes were used to finance property acquisition of the Dial Dirt Pit. The debt service payments are made by the Gasoline Tax Fund.

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



## Notes to the Financial Statements

### For the Year Ended September 30, 2007

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2007:

	Restated Debt Outstanding 10/1/2006	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/2007	Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants and Notes Payable:</b>					
Warrants, 1996	\$ 340,000.00	\$	\$ (340,000.00)	\$	\$
Warrants, 1998	715,000.00		(570,000.00)	145,000.00	145,000.00
Warrants, 1999	4,365,000.00		(610,000.00)	3,755,000.00	635,000.00
Warrants, 2001	5,380,000.00		(1,725,000.00)	3,655,000.00	1,790,000.00
Warrants, 2002	15,515,000.00		(505,000.00)	15,010,000.00	600,000.00
Warrants, 2002	60,000.00			60,000.00	10,000.00
Warrants, 2003	7,950,000.00		(305,000.00)	7,645,000.00	310,000.00
Warrants, 2004	10,390,000.00		(850,000.00)	9,540,000.00	920,000.00
Warrants, 2004-B	13,680,000.00		(450,000.00)	13,230,000.00	460,000.00
Warrants, 2004-C	3,823,734.76		(3,823,734.76)		
Warrants, 2006-A	25,070,000.00		(805,000.00)	24,265,000.00	830,000.00
Warrant, 2006 Taxable	3,996,382.29		(3,996,382.29)		
Warrant, 2007 Taxable		2,700,000.00		2,700,000.00	325,000.00
Warrants, 2007-A		13,045,000.00		13,045,000.00	
Warrant, 2007-B		712,000.00		712,000.00	235,817.38
Less: Unamortized Discount	(132,503.99)	(109,339.00)	11,407.59	(230,435.40)	(11,407.59)
Plus: Unamortized Premium	783,024.91		(41,211.84)	741,813.07	41,211.84
Total Warrants Payable	91,935,637.97	16,347,661.00	(14,009,921.30)	94,273,377.67	6,290,621.63
Notes Payable	105,000.00		(60,000.00)	45,000.00	45,000.00
Total Warrants and Notes Payable	92,040,637.97	16,347,661.00	(14,069,921.30)	94,318,377.67	6,335,621.63
<b>Other Liabilities:</b>					
Capital Leases	820,338.47	4,235,000.00	(1,919,328.61)	3,136,009.86	974,490.56
Compensated Absences	1,815,465.46	1,047,703.22		2,863,168.68	2,147,376.51
Total Other Liabilities	2,635,803.93	5,282,703.22	(1,919,328.61)	5,999,178.54	3,121,867.07
Total Governmental Activities Long-Term Liabilities	94,676,441.90	21,630,364.22	(15,989,249.91)	100,317,556.21	9,457,488.70
<b>Business-Type Activities:</b>					
Capital Lease Contracts Payable		865,000.00	(189,988.81)	675,011.19	163,190.86
Notes Payable	160,000.00		(40,000.00)	120,000.00	40,000.00
Estimated Liability for Compensated Absences	285,206.18	16,204.58		301,410.76	301,410.76
Estimated Liability for Landfill Closure/Post Closure Costs	2,527,622.48	150,762.94		2,678,385.42	143,140.45
Total Business-Type Activities Long-Term Liabilities	\$2,972,828.66	\$ 1,031,967.52	\$ (229,988.81)	\$ 3,774,807.37	\$ 647,742.07

The beginning balance for warrants payable was restated by \$3,617.71 to correct a prior period error.

The capital lease liability for the governmental activities will be liquidated by the General Fund (27%), and the Gasoline Tax Fund (73%). The capital lease liability for business-type activities will be liquidated by the Solid Waste Collection Fund.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2007**

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.

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

Fiscal Year Ending	Governmental Activities			
	Notes Payable		General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2008	\$45,000.00	\$	\$ 6,260,817.38	\$ 4,131,891.48
2009			6,383,385.48	3,908,527.63
2010			4,772,797.14	3,651,507.22
2011			4,720,000.00	3,450,980.51
2012			4,275,000.00	3,257,268.26
2013-2017			23,295,000.00	13,008,901.80
2018-2022			23,065,000.00	7,629,285.05
2023-2027			16,335,000.00	2,663,311.91
2028-2032			4,655,000.00	511,168.75
Total	\$45,000.00	\$	\$93,762,000.00	\$42,212,842.61

Fiscal Year Ending	Business-Type Activities				Total Principal and Interest Requirements to Maturity
	Notes Payable		Capital Leases Payable		
	Principal	Interest	Principal	Interest	
September 30, 2008	\$ 40,000.00	\$	\$163,190.86	\$26,797.95	\$229,988.81
2009	40,000.00		169,669.55	20,319.27	229,988.82
2010	40,000.00		167,745.64	13,583.38	221,329.02
2011			174,405.14	6,923.88	181,329.02
Total	\$120,000.00	\$	\$675,011.19	\$67,624.48	\$862,635.67

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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<u>Governmental Activities</u>		Total Principal and Interest Requirements to Maturity
<u>Capital Leases Contracts Payable</u>		
Principal	Interest	
\$ 974,490.56	\$124,499.58	\$ 11,536,699.00
1,013,177.81	85,812.32	11,390,903.24
562,995.29	45,589.16	9,032,888.81
585,346.20	23,238.25	8,779,564.96
		7,532,268.26
		36,303,901.80
		30,694,285.05
		18,998,311.91
		5,166,168.75
<u>\$3,136,009.86</u>	<u>\$279,139.31</u>	<u>\$139,434,991.78</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### 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, 2007-A, and 2007-B General Obligation Warrants. The issuance costs are being amortized using the straight-line method over a period of 10, 21, 23, 3, 20, 25 and 3 years respectively.

	Issuance Costs	(Discount)	Premium
Total Issuance Costs, and Discount/Premium	\$830,512.71	\$(262,945.10)	\$824,236.75
Amount Amortized Prior Year	(72,788.87)	21,102.11	(41,211.84)
Balance Issuance Costs, and Discount/Premium	757,723.84	(241,842.99)	783,024.91
Current Amount Amortized	(42,755.37)	11,407.59	(41,211.84)
Balance Issuance Costs, and Discount/Premium	<u>\$714,968.47</u>	<u>\$(230,435.40)</u>	<u>\$741,813.07</u>

#### Note 12 – 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 \$2,678,385.42 as of September 30, 2007, which is based on 54.15% usage (filled) of the landfill. It is estimated that an additional \$2,267,579.58 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, 2007. 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, 2007, funds of \$1,473,863.50 are held for these purposes. These funds are deposits on hand and are presented on the Commission's balance sheet as "Cash." It is anticipated that future inflation costs will be financed in part from earnings on these funds. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **Note 13 – Risk Management**

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

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

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

#### **Note 14 – Conduit Debt Obligations**

On June 1, 2007, the Public Building Authority of Baldwin County (PBA), which is a related organization of Baldwin County, issued \$6,405,000.00 of Building Revenue Warrants (DHR Project), Series 2007-A for the purpose of financing the acquisition, construction, and installation of an office building for use by the Baldwin County Department of Human Resources. Simultaneously, with the issuance of the warrants, a lease agreement was executed between the PBA and Baldwin County in addition to a sub-lease agreement between Baldwin County and the State of Alabama, acting by and through its Department of Human Resources. The sub-lease agreement was amended on August 1, 2007. The lease is limited obligation debt of the County and is payable solely from the revenues generated through the sub-lease agreement, as amended. The warrants and the lease do not constitute a debt or pledge of the faith and credit of the County and accordingly have not been reported in the accompanying financial statements. As of September 30, 2007, the outstanding balance of the lease is \$6,405,000.00.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

**Note 15 – Interfund Transactions**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2007, were as follows:

	Due From Other Funds				Total
	General Fund	Gasoline Tax Fund	Solid Waste Fund	Other Governmental Funds	
<b><u>Due To Other Funds:</u></b>					
General Fund	\$	\$ 3,063.49	\$	\$ 6,614.57	\$ 9,678.06
Gasoline Tax Fund	8,030.53			4,656.43	12,686.96
Other Governmental Funds	51,770.90	83,509.45	64,100.14	13,531.11	212,911.60
Solid Waste Fund	5,036.59	415.23		210.91	5,662.73
Other Enterprise Fund	352.65	1,199.41	72,318.81		73,870.87
Agency Fund	4,778.74				4,778.74
Private-Purpose Trust Funds	38,813.90				38,813.90
<b>Total</b>	<b>\$108,783.31</b>	<b>\$88,187.58</b>	<b>\$136,418.95</b>	<b>\$25,013.02</b>	<b>\$358,402.86</b>

**Interfund Transfers and Contributions**

The amounts of interfund transfers during the fiscal year ending September 30, 2007, were as follows:

	Operating Transfers In					Total
	General Fund	Gasoline Tax Fund	Debt Service Fund	Other Governmental Funds	Solid Waste Fund	
<b><u>Operating Transfers Out</u></b>						
General Fund	\$ 436,825.00	\$ 1,186,597.19	\$ 3,275,109.18	\$2,826,795.27	\$	\$ 7,725,326.64
Gasoline Tax Fund			5,806,906.75	76,240.98		5,883,147.73
Public Buildings, Roads and Bridges Fund		8,949,488.00				8,949,488.00
Oil and Gas Severance Tax Trust Fund	757,405.42					757,405.42
Capital Projects Fund			4,120,064.85			4,120,064.85
Debt Service Fund				712,000.00		712,000.00
Other Governmental Funds	501,219.21	1,555,067.53	4,239,192.04	32,450.00	64,140.05	6,392,068.83
Solid Waste Fund	402,502.00		254,599.50	33.48		657,134.98
Other Enterprise Fund	138,118.00					138,118.00
<b>Total</b>	<b>\$2,236,069.63</b>	<b>\$11,691,152.72</b>	<b>\$17,695,872.32</b>	<b>\$3,647,519.73</b>	<b>\$64,140.05</b>	<b>\$35,334,754.45</b>

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **Note 16 – Related Parties**

One of the Baldwin County Commissioners owns an accounting firm which performs accounting services for an architectural firm, which is performing architectural services to the Commission. The Commissioner has been quite consistent during formal meetings, abstaining on matters directly involving the architectural firm such as contracting for architectural services on a specific construction project. During fiscal year 2007, the Commissioner also stopped voting on matters indirectly involving the architectural firm such as construction contract bid awards, project change orders, and payment of invoices, etc.

#### **Note 17 – Related Organizations**

Several agencies are considered related organizations of the Baldwin County Commission. For each agency, 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
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#### **Note 18 – Subsequent Events**

At its November 6, 2007 meeting, the Commission approved the \$17,080,000, 2008-A Warrant to Sun Trust Leasing Corporation at 3.7658% (5 year non-callable rate). At its May 6, 2008 meeting, the Commission approved the issuance of the \$24,715,000 General Obligation Warrants, Series 2008-B, dated May 1, 2008.

#### **Note 19 – Restatements**

A restatement was made to correct an error from the prior period. There was a restatement in the LLEBG fund balance for federal funds received in prior periods that were not expended.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

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

Governmental Funds	General Fund	Gasoline Tax Tax Fund	Public Buildings, Roads and Bridges Fund
Fund Balance, September 30, 2006, as Previously Reported	\$17,556,713.58	\$3,774,470.94	\$(132,994.29)
Restatements			
Fund Balance, September 30, 2006, as Restated	<u>\$17,556,713.58</u>	<u>\$3,774,470.94</u>	<u>\$(132,994.29)</u>
Governmental Activities Net Assets Balance, September 30, 2006, as Previously Reported			
Add/(Deduct)			
Restatements of Beginning Fund Balances			
Correction to Beginning Construction In Progress			
Correction to Beginning Warrants Payable			
Governmental Activities Net Assets Balance, September 30, 2006, as Restated			

A restatement was made to Fiduciary Funds to add a private-purpose trust fund.

Fiduciary Funds	Private-Purpose Trust
Net Assets, September 30, 2006, as Previously Reported	\$2,256,601.22
Restatements	108,816.26
Net Assets, September 30, 2006, as Restated	<u>\$2,365,417.48</u>

**Note 20 – Contingent Liabilities**

The Inspector General’s auditors conducted an exit conference on April 16, 2008, where they presented their findings asking for repayment of \$10,495,628 related to the elimination of debris and the tipping fees charged to FEMA for using the Commission’s landfill after Hurricanes Ivan, Dennis and Katrina. They have not issued their final audit report. Therefore, the Commission does not know the final audit findings. The Commission strongly disagrees with the findings and has aggressively defended its position. The Commission intends to appeal if the final audit report does not change from the preliminary report.



***Notes to the Financial Statements***  
***For the Year Ended September 30, 2007***

Capital Projects Fund	Debt Service Fund	Oil and Gas Severance Tax Trust Fund	Other Governmental Funds	Total Governmental Funds
\$19,258,412.09	\$4,683,843.17	\$15,531,999.10	\$16,482,409.17 (144,369.05)	\$ 77,154,853.76 (144,369.05)
\$19,258,412.09	\$4,683,843.17	\$15,531,999.10	\$16,338,040.12	\$ 77,010,484.71
				\$192,646,427.66
				(144,369.05)
				(82,857.16)
				3,617.71
				<u>\$192,422,819.16</u>

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2007***

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b><u>Revenues</u></b>		
Taxes	\$ 29,223,862.00	\$ 31,309,694.00
Licenses and Permits	2,063,400.00	1,963,400.00
Intergovernmental	3,509,433.00	4,863,973.68
Charges for Services	8,798,240.00	9,216,200.00
Fines and Forfeits		
Miscellaneous	1,617,290.00	1,906,506.00
Total Revenues	45,212,225.00	49,259,773.68
<b><u>Expenditures</u></b>		
Current:		
General Government	19,224,831.00	20,583,149.84
Public Safety	17,050,798.00	18,398,342.68
Health	1,170,161.00	1,170,161.00
Welfare	1,600.00	2,500.00
Culture and Recreation	258,284.00	698,284.00
Education	166,833.00	166,833.00
Capital Outlay	1,771,600.00	2,024,129.28
Debt Service:		
Principal Retirement	822,713.00	401,150.00
Interest and Fiscal Charges	5,882.00	5,000.00
Total Expenditures	40,472,702.00	43,449,549.80
Excess (Deficiency) of Revenues Over Expenditures	4,739,523.00	5,810,223.88
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	1,284,983.00	1,293,603.00
Other Sources	200,450.00	200,450.00
Other Uses	(396,477.00)	(396,477.00)
Transfers Out	(6,451,749.00)	(7,932,553.88)
Total Other Financing Sources (Uses)	(5,362,793.00)	(6,834,977.88)
Net Change in Fund Balances	(623,270.00)	(1,024,754.00)
Fund Balances - Beginning of Year	623,270.00	1,024,754.00
Fund Balances - End of Year	\$	\$

<b>Actual Amounts Budgetary Basis</b>	<b>Actual Amounts GAAP Basis</b>
\$ 32,998,615.02	\$ 32,998,615.02
2,915,355.81	2,915,355.81
4,315,969.41	4,315,969.41
8,323,861.91	8,323,861.91
68,151.38	68,151.38
3,248,205.50	3,248,205.50
<u>51,870,159.03</u>	<u>51,870,159.03</u>
17,386,130.22	17,386,130.22
18,187,270.53	18,187,270.53
1,125,670.58	1,125,670.58
700.00	700.00
218,419.68	218,419.68
180,366.78	180,366.78
1,276,915.81	1,276,915.81
524,351.23	524,351.23
5,881.12	5,881.12
<u>38,905,705.95</u>	<u>38,905,705.95</u>
<u>12,964,453.08</u>	<u>12,964,453.08</u>
2,236,069.63	2,236,069.63
904,070.00	904,070.00
<u>(7,725,326.64)</u>	<u>(7,725,326.64)</u>
<u>(4,585,187.01)</u>	<u>(4,585,187.01)</u>
8,379,266.07	8,379,266.07
<u>17,556,713.58</u>	<u>17,556,713.58</u>
<u>\$ 25,935,979.65</u>	<u>\$ 25,935,979.65</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2007***

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b><u>Revenues</u></b>		
Taxes	\$ 7,242,500.00	\$ 7,242,500.00
Intergovernmental	7,568,914.00	7,641,883.91
Charges for Services	531,585.00	531,585.00
Miscellaneous	510,000.00	832,519.84
Total Revenues	15,852,999.00	16,248,488.75
<b><u>Expenditures</u></b>		
Current:		
General Government		11,280.35
Highways and Roads	16,445,118.00	20,020,792.67
Capital Outlay	1,325,000.00	1,512,000.00
Debt Service:		
Principal Retirement	1,790,000.00	1,394,000.00
Interest and Fiscal Charges	15,000.00	15,000.00
Total Expenditures	19,575,118.00	22,953,073.02
Excess (Deficiency) of Revenues Over Expenditures	(3,722,119.00)	(6,704,584.27)
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	8,694,619.00	11,412,821.25
Proceeds from Sale of Capital Assets		
Other Sources	1,285,000.00	1,285,000.00
Transfers Out	(6,257,500.00)	(6,333,740.98)
Total Other Financing Sources (Uses)	3,722,119.00	6,364,080.27
Net Changes in Fund Balances		(340,504.00)
Fund Balances - Beginning of Year		340,504.00
Fund Balances - End of Year	\$	\$

Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis
\$ 7,267,494.45	\$ 7,267,494.45
4,541,009.49	4,541,009.49
694,633.85	694,633.85
513,300.89	513,300.89
<u>13,016,438.68</u>	<u>13,016,438.68</u>
43,163.76	43,163.76
8,925,425.40	8,925,425.40
7,890,342.73	7,890,342.73
1,454,977.38	1,454,977.38
14,682.24	14,682.24
<u>18,328,591.51</u>	<u>18,328,591.51</u>
<u>(5,312,152.83)</u>	<u>(5,312,152.83)</u>
11,691,152.72	11,691,152.72
419,382.16	419,382.16
3,398,564.00	3,398,564.00
(5,883,147.73)	(5,883,147.73)
<u>9,625,951.15</u>	<u>9,625,951.15</u>
4,313,798.32	4,313,798.32
3,774,470.94	3,774,470.94
<u>\$ 8,088,269.26</u>	<u>\$ 8,088,269.26</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, 2007***

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b><u>Revenues</u></b>		
Taxes	\$ 7,241,274.00	\$ 8,633,543.00
Intergovernmental	215,700.00	215,700.00
Miscellaneous	100,245.00	100,245.00
Total Revenues	<u>7,557,219.00</u>	<u>8,949,488.00</u>
<b><u>Expenditures</u></b>		
Current:		
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>7,557,219.00</u>	<u>8,949,488.00</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers Out	<u>(7,557,219.00)</u>	<u>(8,949,488.00)</u>
Total Other Financing Sources (Uses)	<u>(7,557,219.00)</u>	<u>(8,949,488.00)</u>
Net Change in Fund Balances		
Fund Balances - Beginning of Year		
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>



<b>Actual Amounts Budgetary Basis</b>	<b>Actual Amounts GAAP Basis</b>
\$ 9,320,484.21	\$ 9,320,484.21
49,388.54	49,388.54
<u>9,369,872.75</u>	<u>9,369,872.75</u>
<u>9,369,872.75</u>	<u>9,369,872.75</u>
<u>(8,949,488.00)</u>	<u>(8,949,488.00)</u>
<u>(8,949,488.00)</u>	<u>(8,949,488.00)</u>
420,384.75	420,384.75
<u>(132,994.29)</u>	<u>(132,994.29)</u>
<u>\$ 287,390.46</u>	<u>\$ 287,390.46</u>

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Direct Program</u></b>		
Watershed Protection and Flood Prevention	10.904	69-4101-6-17
Watershed Protection and Flood Prevention	10.904	69-4101-6-18
Watershed Protection and Flood Prevention	10.904	69-4101-6-20
Total Watershed Protection and Flood Prevention Grants		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	N/A
National School Lunch Program	10.555	N/A
Sub-Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>		
Coastal Zone Management Administration Awards	11.419	BC-CZM-306-05-02
<b><u>Passed Through Alabama Department of Environmental Management</u></b>		
Financial Assistance for National Centers for Coastal Ocean Science	11.426	ADEM-C70591018
Total U. S. Department of Commerce		
<b><u>U. S. Department of Housing and Urban Development</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Community Development Block Grants/State's Program	14.228	DR - 06 - 004
Community Development Block Grants/State's Program	14.228	DR - 05 - 006
Total Community Development Block Grants/States Program (M)		
Emergency Shelter Grants Program	14.231	ESG -07 - 003
Emergency Shelter Grants Program	14.231	ESG -06 - 001
Emergency Shelter Grants Program	14.231	ESG -05 - 013
Total Emergency Shelter Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
08/22/2006-11/22/2006	\$ 746,667.00	\$ 560,000.00	\$ 474,474.20	\$ 474,474.20
08/22/2006-09/22/2007	1,169,334.00	877,000.00	522,144.02	522,144.02
08/22/2006-11/22/2006	122,666.00	92,000.00	92,000.00	92,000.00
	<u>2,038,667.00</u>	<u>1,529,000.00</u>	<u>1,088,618.22</u>	<u>1,088,618.22</u>
10/01/2006-09/30/2007	13,534.10	13,534.10	13,534.10	13,534.10
10/01/2006-09/30/2007	22,364.60	22,364.60	22,364.60	22,364.60
	<u>35,898.70</u>	<u>35,898.70</u>	<u>35,898.70</u>	<u>35,898.70</u>
	<u>2,074,565.70</u>	<u>1,564,898.70</u>	<u>1,124,516.92</u>	<u>1,124,516.92</u>
06/01/2006-08/30/2007	13,000.00	6,500.00	6,412.69	6,412.69
12/01/2006-10/30/2007	97,756.46	19,995.95	19,999.95	19,999.95
	<u>110,756.46</u>	<u>26,495.95</u>	<u>26,412.64</u>	<u>26,412.64</u>
06/27/2006-Completion	4,700,000.00	4,200,000.00	96,276.00	96,276.00
08/30/2005-Completion	810,850.00	410,850.00	205,218.59	205,218.59
	<u>5,510,850.00</u>	<u>4,610,850.00</u>	<u>301,494.59</u>	<u>301,494.59</u>
06/20/2007-06/19/2009	22,000.00	11,000.00	935.87	935.87
05/30/2006-05/29/2008	40,000.00	20,000.00	19,650.00	19,650.00
05/12/2005-03/29/2007	10,200.00	10,200.00	10,200.00	10,200.00
	<u>72,200.00</u>	<u>41,200.00</u>	<u>30,785.87</u>	<u>30,785.87</u>
	<u>5,583,050.00</u>	<u>4,652,050.00</u>	<u>332,280.46</u>	<u>332,280.46</u>
	\$ 7,768,372.16	\$ 6,243,444.65	\$ 1,483,210.02	\$ 1,483,210.02

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Justice</u></b>		
<b><u>Direct Program</u></b>		
Bulletproof Vest Partnership Program	16.607	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-BX-0242
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-DH-03-008
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-DH-03-003
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-DH-03-007
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-01-026
Total Edward Byrne Memorial Justice Assistance Grants (M)		
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
State and Local Domestic Preparedness Equipment Support Program (See Note 3)	16.007	5DOE
Total U. S. Department of Justice		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Passed Through Alabama Department of Transportation</u></b>		
Recreational Trails Program	20.219	STPTE-TE05(901)
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-1000-46525
Formula Grants for Other Than Urbanized Areas	20.509	JARC-1000-49631
Sub-Total Formula Grants for Other Than Urbanized Areas		
Total U. S. Department of Transportation		
<b><u>U. S. Environmental Protection Agency</u></b>		
<b><u>Direct Program</u></b>		
Regional Wetland Program Development Grants	66.461	CD-96409604
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 7,768,372.16	\$ 6,243,444.65	\$ 1,483,210.02	\$ 1,483,210.02
04/01/2006-09/30/2010	4,048.29	2,048.29	2,000.00	2,000.00
10/01/2004-09/30/2008	193,324.00	193,324.00	141,156.61	141,156.61
06/01/2007-05/31/2008	433,700.01	390,330.00	121,500.60	121,500.60
06/01/2006-05/31/2007	488,888.89	440,000.00	294,745.64	294,745.64
12/01/2006-11/30/2007	133,333.34	120,000.00	102,240.36	102,240.36
12/01/2005-11/30/2006	178,618.49	89,309.20	21,937.40	21,937.40
	1,427,864.73	1,232,963.20	681,580.61	681,580.61
01/25/2007-03/01/2007	10,000.00	10,000.00	10,000.00	10,000.00
	1,441,913.02	1,245,011.49	693,580.61	693,580.61
05/01/2005-04/30/2007	300,000.00	240,000.00	165,352.41	165,352.41
10/01/2006-09/30/2007	593,798.00	593,798.00	593,798.00	593,798.00
10/01/2006-09/30/2007	41,524.00	41,524.00	41,524.00	41,524.00
	635,322.00	635,322.00	635,322.00	635,322.00
	935,322.00	875,322.00	800,674.41	800,674.41
10/01/2004-09/30/2007	266,667.00	200,000.00	3,061.00	3,061.00
	\$ 10,412,274.18	\$ 8,563,778.14	\$ 2,980,526.04	\$ 2,980,526.04

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Homeland Security</u></b>		
<b><u>Passed Through Alabama Department of Homeland Security</u></b>		
Homeland Security Grant Program	97.067	6SHL
Homeland Security Grant Program	97.067	5SHL
Homeland Security Grant Program	97.067	5SCC
Homeland Security Grant Program	97.067	5SMA
Sub-Total Homeland Security Grant Program (see Note 3)		
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
Emergency Management Performance Grants	97.042	07 EMPG: 05
Disaster Grants - Public Assistance	97.036	FEMA-1549-DR-AL-PA
Disaster Grants - Public Assistance	97.036	FEMA-1593-DR-AL-PA
Sub-Total Public Assistance Grants		
Hazard Mitigation Grant	97.039	HMGP-DR-1549-083
Hazard Mitigation Grant	97.039	HMGP-DR-1549-145
Hazard Mitigation Grant	97.039	HMGP-DR-1593-001
Hazard Mitigation Grant	97.039	HMGP-DR-1549-156
Hazard Mitigation Grant	97.039	HMGP-DR-1549-165
Hazard Mitigation Grant	97.039	HMGP-DR-1549-163
Sub-Total Hazard Mitigation Grant (M)		
Total U. S. Department of Homeland Security		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through South Alabama Regional Planning Commission</u></b>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2007
<b><u>Passed Through Mobile County Emergency Management Agency</u></b>		
Centers for Disease Control and Prevention-- Investigations and Technical Assistance	93.283	SNS06
Total U. S. Department of Health and Human Services		
Sub-Total Forward		



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 10,412,274.18	\$ 8,563,778.14	\$ 2,980,526.04	\$ 2,980,526.04
08/28/2006-08/28/2007	240,000.00	240,000.00	202,732.25	202,732.25
04/01/2005-12/11/2006	300,000.00	300,000.00	24,184.25	24,184.25
04/01/2005-08/01/2007	20,000.00	20,000.00	14,116.97	14,116.97
04/01/2005-07/01/2007	7,500.00	7,500.00	7,092.91	7,092.91
	<u>567,500.00</u>	<u>567,500.00</u>	<u>248,126.38</u>	<u>248,126.38</u>
10/01/2006-09/30/2007	67,251.00	54,398.00	54,398.00	54,398.00
09/15/2004-Completion	35,301,051.70	31,905,189.95	34,370.21	34,370.21
07/10/2005-Completion	810,528.86	747,166.89	110,605.35	110,605.35
	<u>36,111,580.56</u>	<u>32,652,356.84</u>	<u>144,975.56</u>	<u>144,975.56</u>
09/15/2005-12/15/2006	857,141.00	642,856.00	122,692.69	122,692.69
03/23/2009-12/15/2006	71,736.38	53,802.29	53,802.29	53,802.29
12/01/2006-01/30/2009	78,035.00	58,526.00	58,526.25	58,526.25
02/14/2006-10/31/2006	70,063.00	52,547.00	8,672.00	8,672.00
04/30/2006-12/30/2006	275,992.00	206,994.00	158,540.66	158,540.66
02/24/2006-11/30/2006	91,804.00	68,853.00	7,237.68	7,237.68
	<u>1,444,771.38</u>	<u>1,083,578.29</u>	<u>409,471.57</u>	<u>409,471.57</u>
	<u>38,191,102.94</u>	<u>34,357,833.13</u>	<u>856,971.51</u>	<u>856,971.51</u>
10/01/2006-09/30/2007	316,333.00	89,788.00	89,788.00	89,788.00
10/01/2006-09/30/2007	5,000.00	5,000.00	5,000.00	5,000.00
	<u>321,333.00</u>	<u>94,788.00</u>	<u>94,788.00</u>	<u>94,788.00</u>
	\$ 48,924,710.12	\$ 43,016,399.27	\$ 3,932,285.55	\$ 3,932,285.55

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>Social Security Administration</u></b>		
<b><u>Direct Program</u></b>		
Social Security - Disability Insurance	96.001	
<b><u>General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	
<b><u>Other Federal Assistance</u></b>		
<b><u>Department of Justice</u></b>		
<b><u>Direct Program</u></b>		
Federally Forfeited Property	N/A	
<b><u>Passed Through Alabama Department of Public Safety</u></b>		
High Intensity Drug Trafficking Area Grant	N/A	17PGCP504Z
Total Other Federal Assistance		
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		
	\$ 48,924,710.12	\$ 43,016,399.27	\$ 3,932,285.55	\$ 3,932,285.55
10/01/2006-09/30/2007	200.00	200.00	200.00	200.00
10/01/2006-09/30/2007			59,664.78	59,664.78
10/01/2006-09/30/2007	297,224.42	157,354.14	157,354.14	87,158.15
10/01/2006-09/30/2007			23,416.73	23,416.73
	<u>297,224.42</u>	<u>157,354.14</u>	<u>180,770.87</u>	<u>110,574.88</u>
	<u>\$ 49,222,134.54</u>	<u>\$ 43,173,953.41</u>	<u>\$ 4,172,921.20</u>	<u>\$ 4,102,725.21</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2007***

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**Note 1 – Basis of Presentation**

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

**Note 2 – CDBG Program**

The Commission received federal awards under the Community Development Block Grants/State’s Program (CDDA #14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Small Cities Program (CFDA #14.219) were used for compliance testing.

**Note 3 – Homeland Security Cluster of Programs**

The Commission received federal funds from the U. S. Department of Justice passed through the Alabama Department of Homeland Security under CFDA Number 16.007 and from the U. S. Department of Homeland Security under CFDA Number 97.067. These grants were treated as a cluster of programs for the fiscal year ended September 30, 2007.

CFDA Number	Program	Revenue Recognized	Expenditures
16.007	State and Local Domestic Preparedness Equipment Support Program	\$ 10,000.00	\$ 10,000.00
97.067	Homeland Security Grant Program	248,126.38	248,126.38
	Total Homeland Security Cluster	<u>\$258,126.38</u>	<u>\$258,126.38</u>

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2006 through September 30, 2007***

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<b>Commission Members</b>			<b>Term Expires</b>
Hon. Wayne A. Gruenloh (*)	Chairman	13525 Rue Royal Lane Silverhill, AL 36576	November 9, 2010
Hon. David Ed Bishop	Member	687 Greenwood Avenue Fairhope, AL 36532	November 9, 2010
Hon. Charles F. Gruber	Member	13295 Illinois Street Elberta, AL 36530	November 9, 2010
Hon. Frank Burt, Jr.	Member	46780 Rockhill Road Bay Minette, AL 36507	November 9, 2010
Hon. Albert Lipscomb (**)	Member	9811 Vernant Park Road Magnolia Springs, AL 36555	November 13, 2006
<b><u>Administrative Personnel</u></b>			
David Kyle Baggett	Clerk/ Treasurer	10480 Clearview Lane Bay Minette, AL 36507	Indefinite
Michael L. Thompson	County Administrator	14257 Greeno Road Fairhope, AL 36532	Indefinite

(\*) Chairman beginning November 14, 2006

(\*\*) Chairman through November 13, 2006

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

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission as of and for the year ended September 30, 2007, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated July 29, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Baldwin County Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Baldwin County Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

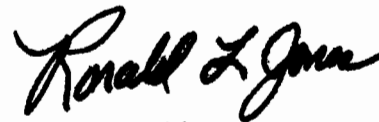
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**Compliance and Other Matters**

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***.

This report is intended solely for the information and use of management, the County Administrator and the Commissioners of Baldwin County, others within the entity, 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

July 29, 2008



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

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**Compliance**

We have audited the compliance of the Baldwin County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. 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, 2007.

**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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Baldwin County Commission's internal control over compliance.

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

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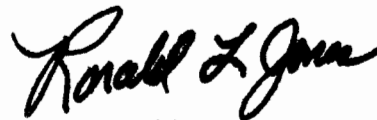
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A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Administrator and the Commissioners of Baldwin County, others within the entity, 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

July 29, 2008

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2007***

**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  
 Significant deficiency(ies) 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  
 Significant deficiency(ies) 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
14.228	Community Development Block Grants/State's Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
97.039	Hazard Mitigation Grant

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

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

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2007***

**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.	