

Report on the

Baldwin County Commission

Baldwin County, Alabama

October 1, 2019 through September 30, 2020

Filed: August 20, 2021



Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Baldwin County Commission, Baldwin County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Brittany H. Little, Amy Jones, and Lynn Benson. I, Brittany H. Little, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Brittany H. Little
Examiner of Public Accounts

rb

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Summary | A |
| Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters. | |
| Independent Auditor's Report | B |
| Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP). | |
| <u>Basic Financial Statements</u> | 1 |
| Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP. | |
| Exhibit #1 Statement of Net Position | 2 |
| Exhibit #2 Statement of Activities | 4 |
| Exhibit #3 Balance Sheet – Governmental Funds | 5 |
| Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 7 |
| Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 9 |
| Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 10 |
| Exhibit #7 Statement of Net Position – Proprietary Funds | 12 |
| Exhibit #8 Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds | 14 |
| Exhibit #9 Statement of Cash Flows – Proprietary Funds | 15 |
| Exhibit #10 Statement of Fiduciary Net Position | 17 |
| Exhibit #11 Statement of Changes in Fiduciary Net Position | 18 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Notes to the Financial Statements | 19 |
| <u>Required Supplementary Information</u> | 68 |
| Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information. | |
| Exhibit #12 Schedule of Changes in the Net Pension Liability Baldwin County | 69 |
| Exhibit #13 Schedule of Changes in the Net Pension Liability Baldwin County Sheriff's Office Personnel System | 70 |
| Exhibit #14 Schedule of the Employer's Contributions – Pension Baldwin County | 71 |
| Exhibit #15 Schedule of the Employer's Contributions – Pension Baldwin County Sheriff's Office Personnel System | 72 |
| Exhibit #16 Schedule of the Employer's Proportionate Share of the Net Pension Liability – Judicial Retirement Fund | 73 |
| Exhibit #17 Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability | 74 |
| Exhibit #18 Schedule of the Employer's Contributions – Other Postemployment Benefits (OPEB) | 75 |
| Exhibit #19 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 76 |
| Exhibit #20 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund | 78 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| <u>Supplementary Information</u> | 80 |
| Contains financial information and notes relative to federal financial assistance. | |
| Exhibit #21 Schedule of Expenditures of Federal Awards | 81 |
| Notes to the Schedule of Expenditures of Federal Awards | 83 |
| <u>Additional Information</u> | 84 |
| Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits. | |
| Exhibit #22 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel. | 85 |
| Exhibit #23 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls 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. | 86 |
| Exhibit #24 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Commission complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program. | 88 |
| Exhibit #25 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> . | 91 |



Department of
Examiners of Public Accounts

SUMMARY

**Baldwin County Commission
October 1, 2019 through September 30, 2020**

The Baldwin County Commission (the “Commission”) is governed by a four-member body elected by the citizens of Baldwin County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 22. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Baldwin County.

This report presents the results of an audit the objectives of which 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, including those applicable to its major federal financial assistance program. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 22, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Administrator of the County Commission: Wayne Dyess; Clerk/Treasurer: Cian Harrison; and County Commissioners: Charles F. Gruber, James E. Ball, Jr., Joe Davis, III, and Billie Jo Underwood. Representing the Department of Examiners of Public Accounts was Brian Wheeler, Audit Manager.

This Page Intentionally Blank

Independent Auditor's Report

Independent Auditor's Report

Members of the Baldwin County Commission,
County Administrator and Clerk/Treasurer
Bay Minette, Alabama

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the Baldwin County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A), the Schedules of Changes in the Net Pension Liability, the Schedules of the Employer's Contributions – Pensions, the Schedule of the Employer's Proportionate Share of the Net Pension Liability, the Schedule of the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedule of the Employer's Contributions – Other Postemployment Benefits (OPEB), and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 20), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

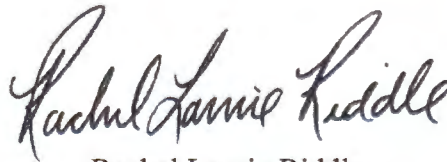
Supplementary Information

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 21), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2021, 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 solely 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 effectiveness of the Baldwin County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 21, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2020

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 96,213,487.68 | \$ 24,701,194.27 | \$ 120,914,681.95 |
| Receivables, Net (Note 4) | 49,273,675.23 | 1,621,064.67 | 50,894,739.90 |
| Taxes Receivable | 48,872,047.72 | | 48,872,047.72 |
| Internal Balances | 37,851.14 | (37,851.14) | |
| Inventories | 7,687.16 | | 7,687.16 |
| Prepaid Items | 99,035.75 | 365.27 | 99,401.02 |
| Total Current Assets | 194,503,784.68 | 26,284,773.07 | 220,788,557.75 |
| Noncurrent Assets | | | |
| Restricted Cash and Cash Equivalents | 13,190,057.21 | 3,987.42 | 13,194,044.63 |
| Restricted Cash with Fiscal Agent | 4,539,525.95 | | 4,539,525.95 |
| Capital Assets (Note 5): | | | |
| Nondepreciable | 80,213,004.33 | 7,195,372.99 | 87,408,377.32 |
| Depreciable, Net | 387,327,889.97 | 13,525,001.73 | 400,852,891.70 |
| Total Capital Assets, Net | 467,540,894.30 | 20,720,374.72 | 488,261,269.02 |
| Total Noncurrent Assets | 485,270,477.46 | 20,724,362.14 | 505,994,839.60 |
| Total Assets | 679,774,262.14 | 47,009,135.21 | 726,783,397.35 |
| Deferred Outflows of Resources | | | |
| Deferred Amount on Refunding | 3,413,305.53 | | 3,413,305.53 |
| Deferred Outflows Related to Net Pension Liability | 12,825,736.58 | 1,258,695.27 | 14,084,431.85 |
| Deferred Outflows Related to Other Postemployment Benefits (OPEB) Liability | 1,581,155.65 | | 1,581,155.65 |
| Total Deferred Outflows of Resources | 17,820,197.76 | 1,258,695.27 | 19,078,893.03 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables (Note 8) | 23,382,184.68 | 868,111.72 | 24,250,296.40 |
| Accrued Wages Payable | 1,645,926.17 | 351,115.34 | 1,997,041.51 |
| Unearned Revenue | 1,718,940.94 | | 1,718,940.94 |
| Long-Term Liabilities: | | | |
| Portion Payable Within One Year: | | | |
| Note from Direct Borrowing | 220,865.00 | | 220,865.00 |
| Warrants Payable | 6,784,145.12 | | 6,784,145.12 |
| Add: Unamortized Premium | 521,927.68 | | 521,927.68 |
| Less: Unamortized Discount | (8,552.51) | | (8,552.51) |
| Leases Payable | 1,090,470.68 | | 1,090,470.68 |
| Accrued Interest Payable | 936,941.88 | | 936,941.88 |
| Compensated Absences | 1,389,556.74 | 166,254.91 | 1,555,811.65 |
| Estimated Liability for Landfill Closure/Postclosure Care Costs | | 319,788.54 | 319,788.54 |
| Total Current Liabilities | \$ 37,682,406.38 | \$ 1,705,270.51 | \$ 39,387,676.89 |

Statement of Net Position
September 30, 2020

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------------------|
| <u>Noncurrent Liabilities</u> | | | |
| Portion Payable After One Year: | | | |
| Note from Direct Borrowing | \$ 220,865.00 | \$ | \$ 220,865.00 |
| Warrants Payable | 52,510,000.00 | | 52,510,000.00 |
| Add: Unamortized Premium | 4,681,031.54 | | 4,681,031.54 |
| Less: Unamortized Discount | (153,945.23) | | (153,945.23) |
| Leases Payable | 34,526,912.60 | | 34,526,912.60 |
| Compensated Absences | 3,117,336.04 | 349,779.02 | 3,467,115.06 |
| Estimated Liability for Other Postemployment Benefits (OPEB) Liability | 7,761,819.00 | 846,980.00 | 8,608,799.00 |
| Net Pension Liability | 32,086,051.52 | 3,075,885.48 | 35,161,937.00 |
| Estimated Liability for Landfill Closure/Postclosure Care Costs | | 4,297,138.72 | 4,297,138.72 |
| Total Noncurrent Liabilities | <u>134,750,070.47</u> | <u>8,569,783.22</u> | <u>143,319,853.69</u> |
| Total Liabilities | <u>172,432,476.85</u> | <u>10,275,053.73</u> | <u>182,707,530.58</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Unavailable Revenue - Property Taxes | 45,301,463.69 | | 45,301,463.69 |
| Deferred Inflows Related to Net Pension Liability | 2,457,368.82 | 496,297.18 | 2,953,666.00 |
| Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability | | 46,581.04 | 46,581.04 |
| Total Deferred Inflows of Resources | <u>47,758,832.51</u> | <u>542,878.22</u> | <u>48,301,710.73</u> |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | 415,071,045.10 | 20,720,374.72 | 435,791,419.82 |
| Restricted for: | | | |
| Landfill Closure and Postclosure Costs | | 5,445,743.41 | 5,445,743.41 |
| Debt Service | 3,602,584.07 | | 3,602,584.07 |
| Road Projects | 1,659,511.87 | | 1,659,511.87 |
| Term Endowments | 16,152,524.90 | | 16,152,524.90 |
| Other Purposes | 16,561,740.02 | | 16,561,740.02 |
| Unrestricted | <u>24,355,744.58</u> | <u>11,283,780.40</u> | <u>35,639,524.98</u> |
| Total Net Position | <u>\$ 477,403,150.54</u> | <u>\$ 37,449,898.53</u> | <u>\$ 514,853,049.07</u> |

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

This Page Intentionally Blank

Statement of Activities
For the Year Ended September 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 43,297,088.62 | \$ 14,291,273.77 | \$ 5,708,730.03 | \$ 7,570,387.00 | \$ (15,726,697.82) | | \$ (15,726,697.82) |
| Public Safety | 42,014,480.27 | 658,127.10 | 386,976.93 | | (40,969,376.24) | | (40,969,376.24) |
| Highways and Roads | 27,381,295.82 | 78,152.45 | | | (27,303,143.37) | | (27,303,143.37) |
| Sanitation | | | | | | | |
| Health | 2,837,522.64 | 41,461.14 | 1,170,280.17 | | (1,625,781.33) | | (1,625,781.33) |
| Welfare | 635,137.40 | | | | (635,137.40) | | (635,137.40) |
| Culture and Recreation | 1,881,861.18 | 87,262.31 | 15,875.00 | | (1,778,723.87) | | (1,778,723.87) |
| Education | 95,847.32 | | | | (95,847.32) | | (95,847.32) |
| Interest on Long-Term Debt | 3,680,764.28 | | | | (3,680,764.28) | | (3,680,764.28) |
| Total Governmental Activities | 121,823,997.53 | 15,156,276.77 | 7,281,862.13 | 7,570,387.00 | (91,815,471.63) | | (91,815,471.63) |
| Business-Type Activities | | | | | | | |
| Solid Waste | 16,500,974.15 | 17,921,216.60 | | 221,414.06 | | 1,641,656.51 | 1,641,656.51 |
| Total Business-Type Activities | 16,500,974.15 | 17,921,216.60 | | 221,414.06 | | 1,641,656.51 | 1,641,656.51 |
| Total Primary Government | \$ 138,324,971.68 | \$ 33,077,493.37 | \$ 7,281,862.13 | \$ 7,791,801.06 | (91,815,471.63) | 1,641,656.51 | (90,173,815.12) |
| General Revenues and Transfers: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes for General Purposes | | | | | 28,596,936.90 | | 28,596,936.90 |
| Property Taxes for Specific Purposes | | | | | 14,882,764.11 | | 14,882,764.11 |
| General Sales Tax | | | | | 22,940,279.04 | | 22,940,279.04 |
| Special Sales Tax | | | | | 945,144.53 | | 945,144.53 |
| County Gasoline Sales Tax | | | | | 8,381,456.38 | | 8,381,456.38 |
| Miscellaneous Taxes | | | | | 16,073,077.51 | | 16,073,077.51 |
| Grants/Contributions Not Restricted to Specific Programs | | | | | 973,155.75 | | 973,155.75 |
| Unrestricted Investment Earnings | | | | | 982,636.87 | | 982,636.87 |
| Miscellaneous | | | | | 31,974,962.56 | 475,073.05 | 32,450,035.61 |
| Gain on Disposition of Capital Assets | | | | | 1,519,810.55 | 184,963.08 | 1,704,773.63 |
| Transfers | | | | | 65,668.32 | (65,668.32) | |
| Total General Revenues and Transfers | | | | | 127,335,892.52 | 594,367.81 | 127,930,260.33 |
| Change in Net Position | | | | | 35,520,420.89 | 2,236,024.32 | 37,756,445.21 |
| Net Position - Beginning of Year | | | | | 441,882,729.65 | 35,213,874.21 | 477,096,603.86 |
| Net Position - End of Year | | | | | \$ 477,403,150.54 | \$ 37,449,898.53 | \$ 514,853,049.07 |

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

Balance Sheet
Governmental Funds
September 30, 2020

| | General Fund | Gasoline Tax Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 56,696,974.14 | \$ 17,171,860.07 | \$ 6,051,458.51 | \$ 29,483,252.17 | \$ 109,403,544.89 |
| Cash with Fiscal Agent | | | | 4,539,525.95 | 4,539,525.95 |
| Taxes Receivable | 41,783,413.70 | 817,849.36 | | 6,270,784.66 | 48,872,047.72 |
| Due from Other Funds | 914,555.52 | 61,409.06 | | | 975,964.58 |
| Receivables (Note 4) | 6,274,770.04 | 2,683,875.72 | 39,140,602.76 | 1,174,426.71 | 49,273,675.23 |
| Interest Receivable on Advance to Other Funds | | | | 66,162.77 | 66,162.77 |
| Inventories | 7,687.16 | | | | 7,687.16 |
| Prepaid Items | 99,035.75 | | | | 99,035.75 |
| Advances to Other Funds | 1,715,639.00 | | | 8,971,222.77 | 10,686,861.77 |
| Total Assets | 107,492,075.31 | 20,734,994.21 | 45,192,061.27 | 50,505,375.03 | 223,924,505.82 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Payables (Note 8) | 20,664,972.94 | 1,513,572.90 | 14,420.00 | 1,189,218.84 | 23,382,184.68 |
| Interest Payable on Advance from Other Funds | 66,162.77 | | | | 66,162.77 |
| Due to Other Funds | 440.00 | 41,698.62 | 719,710.98 | 176,263.84 | 938,113.44 |
| Accrued Wages Payable | 822,124.66 | 525,230.33 | | 298,571.18 | 1,645,926.17 |
| Unearned Revenue | | | | 1,718,940.94 | 1,718,940.94 |
| Advances from Other Funds | 8,971,222.77 | 1,715,639.00 | | | 10,686,861.77 |
| Total Liabilities | 30,524,923.14 | 3,796,140.85 | 734,130.98 | 3,382,994.80 | 38,438,189.77 |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenue - Property Taxes | 39,030,679.03 | | | 6,270,784.66 | 45,301,463.69 |
| Total Deferred Inflows of Resources | \$ 39,030,679.03 | \$ | \$ | \$ 6,270,784.66 | \$ 45,301,463.69 |

Balance Sheet
Governmental Funds
September 30, 2020

| | General Fund | Gasoline Tax Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ 7,687.16 | \$ | \$ | \$ | \$ 7,687.16 |
| Prepaid Items | 99,035.75 | | | | 99,035.75 |
| Term Endowments | | | | 16,152,524.90 | 16,152,524.90 |
| Restricted for: | | | | | |
| Debt Service | | | | 4,539,525.95 | 4,539,525.95 |
| Highways and Roads | | 514,750.53 | | 1,144,761.34 | 1,659,511.87 |
| Capital Projects | | | 44,457,930.29 | 52,634.86 | 44,510,565.15 |
| Other Purposes | 379,585.36 | | | 16,182,154.66 | 16,561,740.02 |
| Committed to: | | | | | |
| Other Purposes | 3,728,233.02 | | | | 3,728,233.02 |
| Assigned to: | | | | | |
| Encumbrances | 2,466,145.65 | 2,279,835.62 | | 3,777.18 | 4,749,758.45 |
| Highways and Roads | | 14,144,267.21 | | 360,380.28 | 14,504,647.49 |
| Debt Service | | | | 23,459.34 | 23,459.34 |
| Capital Projects | | | | 67,785.18 | 67,785.18 |
| Other Purposes | | | | 2,324,591.88 | 2,324,591.88 |
| Unassigned | 31,255,786.20 | | | | 31,255,786.20 |
| Total Fund Balances | 37,936,473.14 | 16,938,853.36 | 44,457,930.29 | 40,851,595.57 | 140,184,852.36 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 107,492,075.31 | \$ 20,734,994.21 | \$ 45,192,061.27 | \$ 50,505,375.03 | \$ 223,924,505.82 |

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 140,184,852.36

Amounts reported for governmental activities in the Statement of Net Position
(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 | \$ 65,476,236.87 | |
| Historical Artifacts | 112,000.00 | |
| Infrastructure | 373,266,844.88 | |
| Infrastructure in Progress | 11,679,996.10 | |
| Construction in Progress | 2,944,771.36 | |
| Building and Building Improvements | 93,689,675.59 | |
| Improvements Other Than Buildings | 33,353,620.48 | |
| Computer and Communication Equipment | 18,429,376.34 | |
| Equipment and Furniture | 5,240,291.54 | |
| Motor Vehicles and Heavy Equipment | 35,234,415.68 | |
| Capital Assets Under Capital Lease | 1,425,966.59 | |
| Less: Accumulated Depreciation | <u>(173,312,301.13)</u> | |
| Total Capital Assets | | 467,540,894.30 |

Losses on refunding of debt are reported as deferred outflows of resources and
are not available to pay for current period expenditures and, therefore, are
deferred on the Statement of Net Position. 3,413,305.53

Deferred outflows and inflows of resources related to Pension and Net Other
Postemployment Benefits (OPEB) are applicable to future periods and, therefore,
are not reported in the governmental funds.

| | | |
|--|---------------------|---------------|
| Deferred Outflows Related to Defined Benefit Pension Plan | \$ 12,825,736.58 | |
| Deferred Inflows Related to Defined Benefit Pension Plan | (2,457,368.82) | |
| Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) | <u>1,581,155.65</u> | |
| | | 11,949,523.41 |

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

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

| | Due or Payable Within One Year | Due or Payable After One Year | |
|--|-----------------------------------|----------------------------------|---------------------------------|
| Accrued Interest Payable | \$ 936,941.88 | \$ | |
| Installment Notes Payable | 220,865.00 | 220,865.00 | |
| Warrants Payable | 6,784,145.12 | 52,510,000.00 | |
| Unamortized Discount | (8,552.51) | (153,945.23) | |
| Unamortized Premium | 521,927.68 | 4,681,031.54 | |
| Leases Payable | 1,090,470.68 | 34,526,912.60 | |
| Net Pension Liability | | 32,086,051.52 | |
| Estimated Liability for Compensated Absences | 1,389,556.74 | 3,117,336.04 | |
| Other Postemployment Benefits (OPEB) Liability | | 7,761,819.00 | |
| Total Liabilities | <u>\$ 10,935,354.59</u> | <u>\$ 134,750,070.47</u> | <u>(145,685,425.06)</u> |
| Total Net Position - Governmental Activities (Exhibit 1) | | | <u><u>\$ 477,403,150.54</u></u> |

This Page Intentionally Blank

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

| | General Fund | Gasoline Tax Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Revenues | | | | | |
| Taxes | \$ 67,807,948.56 | \$ 8,381,456.38 | \$ | \$ 7,051,928.95 | \$ 83,241,333.89 |
| Licenses and Permits | 1,224,815.64 | | | 837,993.58 | 2,062,809.22 |
| Intergovernmental | 6,587,543.64 | 4,950,793.97 | | 20,541,830.56 | 32,080,168.17 |
| Charges for Services | 13,474,166.11 | 78,152.45 | | 1,288,204.67 | 14,840,523.23 |
| Fines and Forfeits | 14,351.39 | | | | 14,351.39 |
| Miscellaneous | 14,907,236.99 | 368,495.70 | 29,645.63 | 5,955,796.92 | 21,261,175.24 |
| Total Revenues | 104,016,062.33 | 13,778,898.50 | 29,645.63 | 35,675,754.68 | 153,500,361.14 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 36,770,751.25 | | | 6,922,158.85 | 43,692,910.10 |
| Public Safety | 30,717,269.39 | | | 8,562,814.91 | 39,280,084.30 |
| Highways and Roads | | 15,861,084.72 | | 2,628,007.16 | 18,489,091.88 |
| Sanitation | | | | | |
| Health | 819,931.87 | | | 2,005,414.25 | 2,825,346.12 |
| Welfare | 607,969.91 | | | | 607,969.91 |
| Culture and Recreation | 1,575,712.09 | | | | 1,575,712.09 |
| Education | 71,056.16 | | | | 71,056.16 |
| Capital Outlay | 7,761,828.87 | 10,396,216.85 | 873,817.24 | 9,198,799.91 | 28,230,662.87 |
| Debt Service: | | | | | |
| Principal Retirement | | | | 7,408,820.72 | 7,408,820.72 |
| Interest and Fiscal Charges | 335,958.14 | | | 3,527,824.23 | 3,863,782.37 |
| Issuance Costs | | | 538,925.69 | | 538,925.69 |
| Total Expenditures | 78,660,477.68 | 26,257,301.57 | 1,412,742.93 | 40,253,840.03 | 146,584,362.21 |
| Excess (Deficiency) of Revenues Over Expenditures | 25,355,584.65 | (12,478,403.07) | (1,383,097.30) | (4,578,085.35) | 6,915,998.93 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 2,839,614.96 | 16,275,492.29 | | 17,829,473.56 | 36,944,580.81 |
| Proceeds from Sale of Capital Assets | 45,921.79 | 3,161,371.02 | | 45,656.00 | 3,252,948.81 |
| Proceeds from Long-Term Debt Issued | 1,649,563.59 | | 46,705,000.00 | | 48,354,563.59 |
| Premium On Long-Term Debt Issued | | | 6,792,125.85 | | 6,792,125.85 |
| Transfers Out | (23,639,907.01) | (8,217,909.95) | (2,302,110.50) | (2,718,985.03) | (36,878,912.49) |
| Other Financing Uses | | | (5,353,538.36) | (3,974,027.76) | (9,327,566.12) |
| Total Other Financing Sources (Uses) | (19,104,806.67) | 11,218,953.36 | 45,841,476.99 | 11,182,116.77 | 49,137,740.45 |
| Net Change in Fund Balances | 6,250,777.98 | (1,259,449.71) | 44,458,379.69 | 6,604,031.42 | 56,053,739.38 |
| Fund Balances - Beginning of Year | 31,685,695.16 | 18,198,303.07 | (449.40) | 34,247,564.15 | 84,131,112.98 |
| Fund Balances - End of Year | \$ 37,936,473.14 | \$ 16,938,853.36 | \$ 44,457,930.29 | \$ 40,851,595.57 | \$ 140,184,852.36 |

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

***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, 2020***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 56,053,739.38

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 outlay (\$28,230,662.87)
exceeded depreciation (\$14,107,910.87) in the current period. 14,122,752.00

In the Statement of Activities, donation of capital assets is recorded as revenue, whereas
in the governmental funds it is not recorded. 2,594,536.55

In the Statement of Activities, only the gain or loss on the sale/disposal of
capital assets is reported, whereas in the governmental funds, the proceeds
from the sale/disposal are reported. Thus the changes in net position differs
from the change in fund balance by the costs of the assets sold. (1,733,138.26)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces
long-term liabilities in the Statement of Net Position and does not affect the Statement
of Activities. 7,408,820.72

Payments to refunding escrow agent are recorded as expenditures or other financing
uses in the governmental funds, but reductions to long-term liabilities in the
Statement of Net Position and does not affect the Statement of Activities. 9,327,566.12

This issuance of debt is reported as other financing sources in governmental funds and
thus contributes to the change in fund balance. However, in the Statement of Net
Position, issuing debt increases long term liabilities and does not affect the Statement
of Activities. (48,354,563.59)

Discounts, premiums, and insurance costs on debt issuance are recorded as financing
uses/expenditures in the governmental funds, but are deferred and amortized in the
Statement of Activities.

Premiums on Debt Issued (6,792,125.85)

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

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

| | | | |
|--|----|----------------|---------------------|
| Net Decrease in Accrued Interest Payable | \$ | 46,789.68 | |
| Amortization of Deferred Discount | | (8,552.51) | |
| Amortization of Premium | | 5,759,346.78 | |
| Amortization of Deferred Loss on Refunding | | (975,479.41) | |
| Net Increase in Other Postemployment Benefits (OPEB) Expense | | (132,101.00) | |
| Net Increase in Pension Expense | | (1,468,876.76) | |
| Net Increase in Compensated Absences | | (328,292.96) | |
| Total Additional Expenditures | | | <u>2,892,833.82</u> |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 35,520,420.89

Statement of Net Position
Proprietary Funds
September 30, 2020

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|---|------------------------|-----------------------------------|------------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 20,088,576.65 | \$ 4,612,617.62 | \$ 24,701,194.27 |
| Receivables, Net (Note 4) | 1,195,830.04 | 425,234.63 | 1,621,064.67 |
| Due from Other Funds | 79.80 | | 79.80 |
| Prepaid Items | 365.27 | | 365.27 |
| Total Current Assets | <u>21,284,851.76</u> | <u>5,037,852.25</u> | <u>26,322,704.01</u> |
| Noncurrent Assets | | | |
| Restricted Cash and Cash Equivalents | 3,987.42 | | 3,987.42 |
| Capital Assets (Note 5): | | | |
| Nondepreciable | 7,195,372.99 | | 7,195,372.99 |
| Depreciable, Net | 10,011,644.23 | 3,513,357.50 | 13,525,001.73 |
| Total Noncurrent Assets | <u>17,211,004.64</u> | <u>3,513,357.50</u> | <u>20,724,362.14</u> |
| Total Assets | <u>38,495,856.40</u> | <u>8,551,209.75</u> | <u>47,047,066.15</u> |
| Deferred Outflows of Resources | | | |
| Deferred Outflows Related to Net Pension Liability | 549,897.26 | 708,798.01 | 1,258,695.27 |
| Total Deferred Outflows of Resources | <u>549,897.26</u> | <u>708,798.01</u> | <u>1,258,695.27</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables (Note 8) | 358,692.75 | 509,418.97 | 868,111.72 |
| Due to Other Funds | 17,767.88 | 20,163.06 | 37,930.94 |
| Accrued Wages Payable | 156,907.17 | 194,208.17 | 351,115.34 |
| Long-Term Liabilities: | | | |
| Portion Due Within One Year: | | | |
| Compensated Absences | 67,641.68 | 98,613.23 | 166,254.91 |
| Estimated Liability for Landfill Closure/Postclosure Care Costs | 319,788.54 | | 319,788.54 |
| Total Current Liabilities | <u>\$ 920,798.02</u> | <u>\$ 822,403.43</u> | <u>\$ 1,743,201.45</u> |

Statement of Net Position
Proprietary Funds
September 30, 2020

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|---|-------------------------|-----------------------------------|------------------------------|
| <u>Noncurrent Liabilities</u> | | | |
| Long-Term Liabilities: | | | |
| Portion Due After One Year: | | | |
| Compensated Absences | \$ 148,887.43 | \$ 200,891.59 | \$ 349,779.02 |
| Net Pension Liability | 1,594,644.93 | 1,481,240.55 | 3,075,885.48 |
| Net Other Postemployment Benefits (OPEB) Liability | 311,352.00 | 535,628.00 | 846,980.00 |
| Estimated Liability for Landfill Closure/Postclosure Care Costs | 4,297,138.72 | | 4,297,138.72 |
| Total Noncurrent Liabilities | <u>6,352,023.08</u> | <u>2,217,760.14</u> | <u>8,569,783.22</u> |
| Total Liabilities | <u>7,272,821.10</u> | <u>3,040,163.57</u> | <u>10,312,984.67</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred Inflows Related to Net Pension Liability | 196,253.63 | 300,043.55 | 496,297.18 |
| Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability | <u>23,012.33</u> | <u>23,568.71</u> | <u>46,581.04</u> |
| Total Deferred Inflows of Resources | <u>219,265.96</u> | <u>323,612.26</u> | <u>542,878.22</u> |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | 17,207,017.22 | 3,513,357.50 | 20,720,374.72 |
| Restricted for: | | | |
| Landfill Closure and Postclosure Costs | 5,445,743.41 | | 5,445,743.41 |
| Unrestricted | <u>8,900,905.97</u> | <u>2,382,874.43</u> | <u>11,283,780.40</u> |
| Total Net Position | <u>\$ 31,553,666.60</u> | <u>\$ 5,896,231.93</u> | <u>\$ 37,449,898.53</u> |

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

This Page Intentionally Blank

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2020

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|---|-------------------------|-----------------------------------|------------------------------|
| Revenues | | | |
| Charges for Services | \$ 9,118,354.18 | \$ 8,802,862.42 | \$ 17,921,216.60 |
| Intergovernmental | 99,020.62 | 122,393.44 | 221,414.06 |
| Total Revenues | <u>9,217,374.80</u> | <u>8,925,255.86</u> | <u>18,142,630.66</u> |
| Operating Expenses | | | |
| Salaries and Benefits | 2,710,244.46 | 3,866,035.54 | 6,576,280.00 |
| Pension Expense | 90,194.94 | 133,123.05 | 223,317.99 |
| Contractual and Professional Services | 449,178.93 | 1,798,376.50 | 2,247,555.43 |
| Travel | 3,639.08 | 265.28 | 3,904.36 |
| Materials and Supplies | 1,572,210.91 | 1,488,241.34 | 3,060,452.25 |
| Utilities and Communications | 139,082.33 | 173,268.85 | 312,351.18 |
| Other Expenses | 733,947.17 | 234,222.22 | 968,169.39 |
| Depreciation | 1,759,175.81 | 1,029,979.20 | 2,789,155.01 |
| Landfill Expenses | 319,788.54 | | 319,788.54 |
| Total Operating Expenses | <u>7,777,462.17</u> | <u>8,723,511.98</u> | <u>16,500,974.15</u> |
| Operating Income (Loss) | <u>1,439,912.63</u> | <u>201,743.88</u> | <u>1,641,656.51</u> |
| Nonoperating Revenues (Expenses) | | | |
| Other Miscellaneous | 124,596.23 | 126,030.00 | 250,626.23 |
| Interest Earned | 182,324.18 | 42,122.64 | 224,446.82 |
| Gain on Sale of Capital Assets | 89,088.08 | 95,875.00 | 184,963.08 |
| Total Nonoperating Revenues (Expenses) | <u>396,008.49</u> | <u>264,027.64</u> | <u>660,036.13</u> |
| Income (Loss) Before Transfers | <u>1,835,921.12</u> | <u>465,771.52</u> | <u>2,301,692.64</u> |
| Operating Transfers | | | |
| Transfers Out | (65,668.32) | | (65,668.32) |
| Total Operating Transfers | <u>(65,668.32)</u> | | <u>(65,668.32)</u> |
| Changes in Net Position | 1,770,252.80 | 465,771.52 | 2,236,024.32 |
| Total Net Position - Beginning of Year | <u>29,783,413.80</u> | <u>5,430,460.41</u> | <u>35,213,874.21</u> |
| Total Net Position - End of Year | <u>\$ 31,553,666.60</u> | <u>\$ 5,896,231.93</u> | <u>\$ 37,449,898.53</u> |

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|--|-------------------------|-----------------------------------|------------------------------|
| <u>Cash Flows from Operating Activities</u> | | | |
| Receipts from Customers | \$ 8,652,372.49 | \$ 8,670,741.25 | \$ 17,323,113.74 |
| Intergovernmental Revenues | 99,020.62 | | 99,020.62 |
| Payments to Employees | (2,621,878.81) | (3,731,742.88) | (6,353,621.69) |
| Payments to Suppliers | (2,800,964.35) | (3,845,040.28) | (6,646,004.63) |
| Net Cash Provided (Used) by Operating Activities | <u>3,328,549.95</u> | <u>1,093,958.09</u> | <u>4,422,508.04</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | |
| Interfund Loans Made/Repaid | (12,587.16) | (15,219.82) | (27,806.98) |
| Miscellaneous | 124,596.23 | 126,030.00 | 250,626.23 |
| Transfers Out | (65,668.32) | | (65,668.32) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>46,340.75</u> | <u>110,810.18</u> | <u>157,150.93</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | |
| Sale of Assets | 107,786.00 | 95,875.00 | 203,661.00 |
| Purchase of Capital Assets | (1,988,821.52) | (1,457,669.86) | (3,446,491.38) |
| Intergovernmental | | 122,393.44 | 122,393.44 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,881,035.52)</u> | <u>(1,239,401.42)</u> | <u>(3,120,436.94)</u> |
| <u>Cash Flows from Investing Activities</u> | | | |
| Interest Revenue | 182,324.18 | 42,122.64 | 224,446.82 |
| Net Cash Provided (Used) by Investing Activities | <u>182,324.18</u> | <u>42,122.64</u> | <u>224,446.82</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,676,179.36 | 7,489.49 | 1,683,668.85 |
| Cash and Cash Equivalents - Beginning of Year | <u>18,416,384.71</u> | <u>4,605,128.13</u> | <u>23,021,512.84</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 20,092,564.07</u> | <u>\$ 4,612,617.62</u> | <u>\$ 24,705,181.69</u> |

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|---|------------------------|-----------------------------------|------------------------------|
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u> | | | |
| <u>Provided (Used) by Operating Activities</u> | | | |
| Operating Income (Loss) | \$ 1,439,912.63 | \$ 201,743.88 | \$ 1,641,656.51 |
| <u>Adjustments to Reconcile Operating Income to Net Cash</u> | | | |
| <u>Provided (Used) by Operating Activities</u> | | | |
| Depreciation Expense | 1,759,175.81 | 1,029,979.20 | 2,789,155.01 |
| Landfill Expense | 319,788.54 | | 319,788.54 |
| Pension Expense | 90,194.94 | 133,123.05 | 223,317.99 |
| Other Postemployment Benefits Expense | (7,009.00) | (9,768.00) | (16,777.00) |
| Non Operating Revenue - Grants | | (122,393.44) | (122,393.44) |
| Change in Assets and Liabilities: | | | |
| (Increase)/Decrease Receivables, Net | (465,981.69) | (132,121.17) | (598,102.86) |
| (Increase)/Decrease Prepaid Items | 80.34 | | 80.34 |
| Increase/(Decrease) Accounts Payable | 97,560.78 | (143,828.09) | (46,267.31) |
| Increase/(Decrease) Wages Payable | 80,049.15 | 84,411.56 | 164,460.71 |
| Increase/(Decrease) Compensated Absences | 14,778.45 | 52,811.10 | 67,589.55 |
| Net Cash Provided by Operating Activities | <u>\$ 3,328,549.95</u> | <u>\$ 1,093,958.09</u> | <u>\$ 4,422,508.04</u> |

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

Statement of Fiduciary Net Position
September 30, 2020

| | Private-Purpose Trust Funds | Agency Funds |
|----------------------------------|--|-------------------------|
| <u>Assets</u> | | |
| <u>Current Assets</u> | | |
| Cash and Cash Equivalents | \$ 8,927,532.78 | \$ 1,035,630.41 |
| Investments | 1,833,307.28 | |
| Receivables | 113,832.98 | |
| Total Current Assets | <u>10,874,673.04</u> | <u>1,035,630.41</u> |
| <u>Noncurrent Assets</u> | | |
| Capital Assets, Net | <u>67,114.06</u> | |
| Total Noncurrent Assets | <u>67,114.06</u> | |
| Total Assets | <u>10,941,787.10</u> | <u>1,035,630.41</u> |
| <u>Liabilities</u> | | |
| Payables (Note 8) | 2,179,440.02 | 230,472.30 |
| Accrued Wages Payable | 43,154.18 | |
| Payable to External Parties | 1,635.72 | 805,158.11 |
| Total Liabilities | <u>2,224,229.92</u> | <u>\$ 1,035,630.41</u> |
| <u>Net Position</u> | | |
| Held in Trust for Other Purposes | <u>8,717,557.18</u> | |
| Total Net Position | <u>\$ 8,717,557.18</u> | |

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020***

| | Private-Purpose Trust Funds |
|----------------------------------|--|
| <u>Additions</u> | |
| Contributions from: | |
| State and Local Governments | \$ 301,860.68 |
| Probate Court | 989,818.68 |
| Fees | 1,447,636.35 |
| Miscellaneous | 505,104.62 |
| Interest | 35,672.05 |
| Proceeds from Sale of Assets | 1,049.60 |
| Total Additions | <u>3,281,141.98</u> |
| <u>Deductions</u> | |
| Administrative Expenses | 2,492,883.25 |
| Payments to Beneficiaries | <u>1,412,732.95</u> |
| Total Deductions | <u>3,905,616.20</u> |
| Changes in Net Position | (624,474.22) |
| Net Position - Beginning of Year | <u>9,342,031.40</u> |
| Net Position - End of Year | <u>\$ 8,717,557.18</u> |

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The fund is also used to report the expenditures for building and maintaining public buildings, roads and bridges. The Commission also accounts for health self-insurance in this fund.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and right-of-ways.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or some capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

The Commission reports the following major enterprise funds:

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

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 post-closure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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 position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Notes to the Financial Statements
For the Year Ended September 30, 2020

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

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

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

Investments are reported at fair value, based on quoted market prices, except for the money market investments and repurchase agreements, which are reported at amortized cost, and certificates of deposit, which are reported at cost. The Commission reports all money market investments – U. S. Treasury bills and bankers’ acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

2. Receivables

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 by the County Commission. Property is assessed for taxation 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. Property tax revenue deferred is reported as a deferred inflow of resources.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in segregated bank accounts and their use is limited by applicable debt covenants. The Oil and Gas Severance Tax Trust Fund's 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 value on the date of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred, for repairs and maintenance, are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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. Deferred Outflows of Resources

Deferred outflows of resources are reported in the government-wide and proprietary funds Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

8. 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 Position. Warrant premiums and discounts are deferred and amortized over the life of the warrant. Warrants payable are reported at gross with the applicable warrant premium or discount reported separately. Warrant issuance costs are reported as an expense in the period incurred.

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

9. 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 all current, classified and probationary employees *hired before January 1, 2013* with five 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. Classified, appointed and probationary employees *hired on or after January 1, 2013* with five years or less service accrues 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 $\frac{1}{2}$ days per month, and for employees with more than 15 years of service at the rate of 1 and $\frac{3}{4}$ days per month.

Unused annual-vacation leave in excess of two times the amount earned by employee classification at the end of any calendar 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. Upon retirement, an employee shall be paid $\frac{1}{2}$ of their accumulated sick leave not to exceed 360 hours.

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

10. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

Notes to the Financial Statements

For the Year Ended September 30, 2020

11. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in the fund financial statements. Under GASB Statement Number 54, fund balance is composed of the following:

- ◆ **Nonspendable** fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items and long-term receivables.
- ◆ **Restricted** fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ ***Committed*** fund balances consist of amounts that are subject to a specific purpose imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ ***Assigned*** fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ ***Unassigned*** fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements
For the Year Ended September 30, 2020

F. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commission's Retiree Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

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

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

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

B. Stabilization Arrangements

The Commission has established policy number 8.7 for emergency reserves. During the annual budget process, the Commission will compute the amount needed to meet the targeted reserves. Funds from the Trust Reserve Accounts can only be expended for a bona fide emergency and must be approved by the Commission during a regular or special meeting. As of September 30, 2020, the balance set aside for emergency reserves for the General Fund is \$11,820,193.20, Gasoline Tax Fund is \$4,294,492.66 and Solid Waste Fund is \$1,701,785.70 which is not classified as committed on the financial statements because this agreement does not meet the criteria to be reported as such.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

Deposits

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 Deposit 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 certificates of deposits or money market funds.

Cash with Fiscal Agent

The Baldwin County Commission follows the requirements set out in Alabama State Law. These investment regulations are contained in the *Code of Alabama 1975*, Sections 19-3-120 and 19-3-120.1.

As of September 30, 2020, the Commission’s cash with fiscal agent was invested as follows:

| Investment Type | Maturities | Amortized Cost | Rating |
|---|--------------------------------------|-----------------------|----------------------------|
| Fidelity Investments Money Market Treasury Only – Class III | Weighted Average Maturity of 44 days | <u>\$4,539,525.95</u> | S & P AAAm Moody AAA-mf |

Notes to the Financial Statements

For the Year Ended September 30, 2020

Investments

Policy Statement

This policy is adopted by the County Commission to direct the financial affairs of the Baldwin County Commission. This policy applies to all funds or financial resources which are vested under the responsibility of the Baldwin County Commission Only. These policies do not govern funds that are managed under separate County entities and those not under the privity of the Baldwin County Commission.

Investment Policies

It is the policy of the Baldwin County Commission to invest public funds in a manner which will obtain a maximum rate of return while meeting the cash-flow demands of expenditures approved through the budgetary process. Also, this policy is intended to ensure adherence to all State and local statutes governing the investment of funds. This policy sets forth the investment program for the Baldwin County Commission and the guidelines to be followed in achieving its objective.

Designation of Investment Management

The authority to manage the investment program is derived from State statute, local law and these investment policies. Management responsibility for the investment program is hereby delegated to the County Clerk/Treasurer.

Ethics and Conflict of Interest

The County Clerk/Treasurer and other County employees that may be involved in the investment function shall refrain from personal activity that could conflict with the proper management of the investment program, or that could impair their ability to make impartial investment decisions. The County Clerk/Treasurer or other County employees involved in the investment program shall disclose to the County Commission any material financial interest in financial institutions that conduct business with the County and shall further disclose any large personal investment positions that could be related to the performance of Baldwin County. The County Clerk/Treasurer and any other employee of the county that is involved in the decision process of the investment program shall comply with the *Code of Alabama 1975*, Title 36, Chapter 25. All individuals involved in the decision-making process shall file Statement of Economic Interest with The Alabama Ethics Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Objectives

The objectives of the Baldwin County Commission's investment policy are as follows: protection of the principal, proper cash flow, and optimal rate of return on investment vehicles.

The County's Investment Portfolio shall be maintained, keeping all three of these objectives in mind. All investment purchase decisions shall take into considerations these three objectives in each and every decision.

1. The Protection of Principal shall be the top objective in the County's investment program. Protection of principal shall be controlled by investing in those investments that are only authorized by State and local law, which constitute some of the safest type of securities available in the market place. Most importantly, market risk on principal due to maturity dates and interest rates must be the primary focus in determining the investment portfolio diversification.
2. Proper Cash Flow shall be based upon the cash needs as projected through cash management analysis and monitoring. An investment may be liquidated prior to maturity to meet unanticipated cash needs and to re-deploy resources into other investment vehicles expected to outperform the current holdings.
3. Optimal Returns on investments is the third objective once principal safeguards and projected cash needs are established. The investment portfolio shall contain those investments only authorized by State and local law. Such authorized investments shall be purchased with the highest yield available within the constraints outlined in Objective 1 and 2 outlined above.

Investment Strategies

The Baldwin County Commission generally invests funds with the intent to hold to maturity. Investment portfolios shall consist of investments that are based on State and local law and are consistent with the objectives outlined above. Funds designated for immediate expenditure shall be passively invested to allow for liquidity in order to pay for upcoming obligations. Funds that are available for obligations that are not immediate should be invested on a structured laddered basis dependent on market conditions. The County's investment program shall utilize investment strategies based upon the unique characteristics of certain fund types and individual funds (i.e., operational, special, capital, debt).

Due Professional Care

Investments shall be made with professional judgment and due care that would be exhibited by a person of prudence, discretion and intelligence under the same prevailing circumstances. Investment portfolios should be based upon income production and not speculation.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Authorized Investments

The Baldwin County Commission's authority to invest County funds is granted under the *Code of Alabama 1975*, Title 11, Chapter 81, Section 19 and Title 11, Chapter 81, Section 21.

Maximum Maturities

No investment shall be purchased with maturity greater than three (3) years without direct prior approval of the Baldwin County Commission.

Procedural Requirement

The County Clerk/Treasurer is responsible for overseeing the daily operations in relation to the management of the County's investment portfolio. The County Clerk/Treasurer may assign staff members to assist in managing the overall program. After the passage of each annual fiscal year budget, the County Clerk/Treasurer will establish an overall annual investment strategy based upon the County's current financial position and the established fiscal plan for the upcoming year. The County Clerk/Treasurer, on a monthly basis, will review the status of the investment program and its portfolio and determine whether changes are required in its overall annual plan due unanticipated changes in immediate or near future cash needs.

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 Baldwin County Commission addresses this above.

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.

Concentration of Credit Risk

The Baldwin County Commission has no policy in place and places no limit on the amount the Commission may invest in any one issuer. The table below reflects all of the investment instruments. A summary of investment category is as follows:

| | | |
|------------------------------|-----------------------|---------|
| Investments in Money Markets | <u>\$4,539,525.95</u> | 100.00% |
|------------------------------|-----------------------|---------|

Notes to the Financial Statements
For the Year Ended September 30, 2020

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Baldwin County Commission has no policy that limits the amount of securities that can be held by counterparties.

Note 4 – Receivables

On September 30, 2020, receivables for the Commission’s individual major funds and other governmental funds’ in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Accounts | Intergovernmental | Other | Total |
|--------------------------|--------------------|-----------------------|------------------------|------------------------|
| <u>Receivables:</u> | | | | |
| General Fund | \$37,371.62 | \$5,794,409.17 | \$ 442,989.25 | \$ 6,274,770.04 |
| Gasoline Tax Fund | 3,439.64 | 1,114,036.22 | 1,566,399.86 | 2,683,875.72 |
| Capital Projects Fund | | | 39,140,602.76 | 39,140,602.76 |
| Other Governmental Funds | 46,612.50 | 1,127,784.21 | 30.00 | 1,174,426.71 |
| Total Governmental Funds | <u>\$87,423.76</u> | <u>\$8,036,229.60</u> | <u>\$41,150,021.87</u> | <u>\$49,273,675.23</u> |

Included in “Other” receivables above is \$39,140,602.76 in the Capital Projects Fund which represents amounts due from the Baldwin County Public Building Authority for the construction of the Jail Project.

| | Solid Waste Fund | Solid Waste Collection Fund | Total Enterprise Funds |
|---------------------------------------|-----------------------|-----------------------------------|------------------------------|
| <u>Proprietary Funds:</u> | | | |
| <u>Receivables:</u> | | | |
| Accounts Receivable | \$1,153,710.52 | \$314,841.19 | \$1,468,551.71 |
| Intergovernmental Receivable | 99,020.62 | 122,393.44 | 221,414.06 |
| Interest Receivable | 763.20 | | 763.20 |
| Gross Receivables | 1,253,494.34 | 437,234.63 | 1,690,728.97 |
| Less: Allowable for Doubtful Accounts | (57,664.30) | (12,000.00) | (69,664.30) |
| Net Total Receivables | <u>\$1,195,830.04</u> | <u>\$425,234.63</u> | <u>\$1,621,064.67</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

| | Balance 10/01/2019 | Reclassifications (*) |
|--|--------------------------|-----------------------|
| Governmental Activities: | | |
| Capital Assets, Not Being Depreciated: | | |
| Land | \$ 57,151,754.26 | \$ 500,000.00 |
| Historical Artifacts | 105,000.00 | |
| Infrastructure in Progress | 13,390,064.19 | (4,763,155.92) |
| Construction in Progress | 841,971.96 | (251,608.19) |
| Total Capital Assets, Not Being Depreciated | 71,488,790.41 | (4,514,764.11) |
| Capital Assets Being Depreciated: | | |
| Infrastructure | 364,398,583.08 | 3,771,652.33 |
| Buildings | 91,572,751.52 | 155,967.47 |
| Improvements Other Than Buildings | 32,492,225.30 | 487,620.84 |
| Computer and Communication Equipment | 17,697,462.20 | 73,959.55 |
| Equipment and Furniture | 4,574,227.13 | 25,563.92 |
| Motor Vehicle and Heavy Equipment | 32,884,752.61 | |
| Capital Assets Under Capital Lease | 439,000.00 | |
| Total Capital Assets Being Depreciated | 544,059,001.84 | 4,514,764.11 |
| Less Accumulated Depreciation for: | | |
| Infrastructure | (63,362,835.13) | |
| Buildings | (52,403,235.23) | |
| Improvements Other Than Buildings | (5,474,589.59) | |
| Computer and Communication Equipment | (16,426,999.45) | |
| Equipment and Furniture | (3,206,312.28) | |
| Motor Vehicle and Heavy Equipment | (22,022,060.11) | |
| Capital Assets Under Capital Lease | (95,016.44) | |
| Total Accumulated Depreciation | (162,991,048.23) | |
| Total Capital Assets Being Depreciated, Net | 381,067,953.61 | 4,514,764.11 |
| Total Governmental Activities Capital Assets, Net | \$ 452,556,744.02 | \$ |
| (*) Amounts included in the "Reclassifications" column were necessary due to projects that were completed or terminated during the year. | | |

Notes to the Financial Statements
For the Year Ended September 30, 2020

| Additions | Retirements | Balance 09/30/2020 |
|------------------|------------------|-----------------------|
| \$ 7,907,702.32 | \$ (83,219.71) | \$ 65,476,236.87 |
| 7,000.00 | | 112,000.00 |
| 3,053,087.83 | | 11,679,996.10 |
| 2,354,407.59 | | 2,944,771.36 |
| 13,322,197.74 | (83,219.71) | 80,213,004.33 |
| 5,096,609.47 | | 373,266,844.88 |
| 1,960,956.60 | | 93,689,675.59 |
| 373,774.34 | | 33,353,620.48 |
| 667,673.07 | (9,718.48) | 18,429,376.34 |
| 647,420.49 | (6,920.00) | 5,240,291.54 |
| 7,769,601.11 | (5,419,938.04) | 35,234,415.68 |
| 986,966.59 | | 1,425,966.59 |
| 17,503,001.67 | (5,436,576.52) | 560,640,191.10 |
| (4,274,611.97) | | (67,637,447.10) |
| (2,922,704.87) | | (55,325,940.10) |
| (1,080,364.32) | | (6,554,953.91) |
| (537,363.90) | 9,718.48 | (16,954,644.87) |
| (509,038.76) | 6,920.00 | (3,708,431.04) |
| (4,679,577.61) | 3,770,019.49 | (22,931,618.23) |
| (104,249.44) | | (199,265.88) |
| (14,107,910.87) | 3,786,657.97 | (173,312,301.13) |
| 3,395,090.80 | (1,649,918.55) | 387,327,889.97 |
| \$ 16,717,288.54 | \$(1,733,138.26) | \$ 467,540,894.30 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

| | Balance 10/01/2019 | Additions | Retirements | Balance 09/30/2020 |
|--|-------------------------|-----------------------|-----------------------|-------------------------|
| Business-Type Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 7,109,861.73 | \$ 1,968.86 | \$ | \$ 7,111,830.59 |
| Construction in Progress | 22,995.92 | 60,546.48 | | 83,542.40 |
| Total Capital Assets, Not Being Depreciated | <u>7,132,857.65</u> | <u>62,515.34</u> | | <u>7,195,372.99</u> |
| Capital Assets Being Depreciated: | | | | |
| Infrastructure | 153,883.18 | | | 153,883.18 |
| Buildings | 3,341,829.30 | | (30,350.00) | 3,311,479.30 |
| Improvements Other Than Buildings | 14,275,453.45 | | | 14,275,453.45 |
| Computer and Communication Equipment | 192,976.47 | | | 192,976.47 |
| Equipment and Furniture | 645,976.83 | | | 645,976.83 |
| Motor Vehicle and Heavy Equipment | 16,927,388.08 | 3,383,976.04 | (1,377,230.08) | 18,934,134.04 |
| Total Capital Assets Being Depreciated | <u>35,537,507.31</u> | <u>3,383,976.04</u> | <u>(1,407,580.08)</u> | <u>37,513,903.27</u> |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (21,081.32) | (7,694.15) | | (28,775.47) |
| Buildings | (1,401,047.75) | (103,353.01) | 13,741.34 | (1,490,659.42) |
| Improvements Other Than Buildings | (9,108,082.96) | (279,542.48) | | (9,387,625.44) |
| Computer and Communication Equipment | (169,684.24) | (9,322.00) | | (179,006.24) |
| Equipment and Furniture | (524,887.46) | (39,366.12) | | (564,253.58) |
| Motor Vehicle and Heavy Equipment | (11,363,844.96) | (2,349,877.25) | 1,375,140.82 | (12,338,581.39) |
| Total Accumulated Depreciation | <u>(22,588,628.69)</u> | <u>(2,789,155.01)</u> | <u>1,388,882.16</u> | <u>(23,988,901.54)</u> |
| Total Capital Assets Being Depreciated, Net | <u>12,948,878.62</u> | <u>594,821.03</u> | <u>(18,697.92)</u> | <u>13,525,001.73</u> |
| Total Business-Type Activities Capital Assets, Net | <u>\$ 20,081,736.27</u> | <u>\$ 657,336.37</u> | <u>\$ (18,697.92)</u> | <u>\$ 20,720,374.72</u> |

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

| | Current Year Depreciation Expense |
|--|---|
| Governmental Activities: | |
| General Government | \$ 3,271,838.02 |
| Public Safety | 1,975,050.07 |
| Highways and Roads | 8,557,104.29 |
| Welfare | 3,231.89 |
| Culture and Recreation | 275,895.44 |
| Education | 24,791.16 |
| Total Depreciation Expense – Governmental Activities | <u>\$14,107,910.87</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2020

| | Current Year Depreciation Expense |
|---|---|
| Business-Type Activities: | |
| Solid Waste | \$2,789,155.01 |
| Total Depreciation Expense – Business-Type Activities | \$2,789,155.01 |

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees’ Retirement System of Alabama (ERS), an agent multiple-employer plan (the “Plan”), was established 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 the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

| | |
|---|--------|
| Retirees and beneficiaries currently receiving benefits | 25,871 |
| Terminated employees entitled to but not yet receiving benefits | 1,794 |
| Terminated employees not entitled to a benefit | 11,001 |
| Active Members | 55,222 |
| Post-DROP participants who are still in active service | 98 |
| Total | 93,986 |

Notes to the Financial Statements

For the Year Ended September 30, 2020

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. However, the Commission did elect to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Baldwin County Commission's active employee contribution rate was 6.98% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.25% of pensionable payroll. For the year ended September 30, 2020, the Baldwin County Sheriff's Office active employee contribution rate was 7.50% of covered employee payroll, and the Baldwin County Sheriff's Office average contribution rate to fund the normal and accrued liability costs was 6.26% of pensionable payroll.

The Baldwin County Commission's contractually required contribution rate for the year ended September 30, 2020, was 5.80% of pensionable pay for Tier 1 employees, and 5.31% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,464,895 for the year ended September 30, 2020.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The Baldwin County Sheriff's Office contractually required contribution rate for the year ended September 30, 2020 was 7.10% of pensionable pay for Tier 1 employees, and 5.70% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission (Sheriff's Office) were \$1,081,329 for the year ended September 30, 2020.

B. Net Pension Liability

The Baldwin County Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

| | Baldwin County Commission | |
|---|---------------------------|--------------|
| | Total Pension Liability | |
| | Roll-Forward | |
| | Expected | Actual |
| (a) Total Pension Liability as of September 30, 2018 | \$83,042,476 | \$87,422,457 |
| (b) Discount Rate | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for October 1, 2018 - September 30, 2019 | 2,270,323 | 2,270,323 |
| (d) Transfers Among Employers | | (96,242) |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019 | (5,069,515) | (5,069,515) |
| (f) Total Pension Liability as of September 30, 2019 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))] | \$86,442,378 | \$91,063,376 |
| (g) Difference between Expected and Actual | | \$ 4,620,998 |
| (h) Less Liability Transferred for Immediate Recognition Experience (Gain)/Loss = (g) - (h) | | (96,242) |
| | | \$ 4,717,240 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

| | Baldwin County Sheriff's Office | |
|---|---------------------------------|---------------------------------------|
| | Total Pension Liability | |
| | Roll-Forward | |
| | Expected | Actual |
| (a) Total Pension Liability as of September 30, 2018 | \$44,343,783 | \$47,001,409 |
| (b) Discount Rate | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for October 1, 2018 - September 30, 2019 | 1,411,641 | 1,411,641 |
| (d) Transfers Among Employers | | 172,780 |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019 | (2,186,688) | (2,186,688) |
| (f) Total Pension Liability as of September 30, 2019 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))] | <u>\$46,899,020</u> | <u>\$49,934,063</u> |
| (g) Difference between Expected and Actual | | \$ 3,035,043 |
| (h) Less Liability Transferred for Immediate Recognition Experience (Gain)/Loss = (g) - (h) | | <u>172,780</u> <u>\$ 2,862,263</u> |

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

| | |
|---|---------------|
| Inflation | 2.75% |
| Salary Increases | 3.25% - 5.00% |
| Investment Rate of Return (*) | 7.70% |
| (*) Net of pension plan investment expense, including inflation | |

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

| | Target Allocation | Long-Term Expected Rate of Return (*) |
|---------------------------------------|----------------------|---|
| Fixed Income | 17.00% | 4.40% |
| U. S. Large Stocks | 32.00% | 8.00% |
| U. S. Mid Stocks | 9.00% | 10.00% |
| U. S. Small Stocks | 4.00% | 11.00% |
| International Developed Market Stocks | 12.00% | 9.50% |
| International Emerging Market Stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 10.10% |
| Real Estate | 10.00% | 7.50% |
| Cash Equivalents | 3.00% | 1.50% |
| Total | 100.00% | |

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2020

C. Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Baldwin County Commission | | | |
| Balances at September 30, 2018 | \$83,042,476 | \$69,162,075 | \$13,880,401 |
| Changes for the Year: | | | |
| Service Cost | 2,270,323 | | 2,270,323 |
| Interest | 6,199,094 | | 6,199,094 |
| Differences Between Expected and Actual Experience | 4,717,240 | | 4,717,240 |
| Contributions – Employer | | 1,342,489 | (1,342,489) |
| Contributions – Employee | | 1,867,721 | (1,867,721) |
| Net Investment Income | | 1,750,841 | (1,750,841) |
| Benefit Payments, including Refunds of Employee Contributions | (5,069,515) | (5,069,515) | |
| Transfers among Employers | (96,242) | (96,242) | |
| Net Changes | 8,020,900 | (204,706) | 8,225,606 |
| Balances at September 30, 2019 | \$91,063,376 | \$68,957,369 | \$22,106,007 |

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Baldwin County Sheriff's Office | | | |
| Balances at September 30, 2018 | \$44,343,783 | \$35,687,039 | \$ 8,656,744 |
| Changes for the Year: | | | |
| Service Cost | 1,411,641 | | 1,411,641 |
| Interest | 3,330,284 | | 3,330,284 |
| Differences Between Expected and Actual Experience | 2,862,263 | | 2,862,263 |
| Contributions – Employer | | 1,058,091 | (1,058,091) |
| Contributions – Employee | | 1,227,053 | (1,227,053) |
| Net Investment Income | | 919,858 | (919,858) |
| Benefit Payments, including Refunds of Employee Contributions | (2,186,688) | (2,186,688) | |
| Transfers among Employers | 172,780 | 172,780 | |
| Net Changes | 5,590,280 | 1,191,094 | 4,399,186 |
| Balances at September 30, 2019 | \$49,934,063 | \$36,878,133 | \$13,055,930 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Baldwin County Commission's and the Baldwin County Sheriff's Office net pension liability calculated using the discount rate of 7.70%, as well as what the Baldwin County Commission's and the Baldwin County Sheriff's Office proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

| | 1% Decrease (6.70%) | Current Discount Rate (7.70%) | 1% Increase (8.70%) |
|--|------------------------|-------------------------------------|------------------------|
| Baldwin County Commission Net Pension Liability | \$32,679,234 | \$22,106,007 | \$13,188,424 |
| Baldwin County Sheriff's Office Net Pension Liability | \$19,827,279 | \$13,055,930 | \$ 7,427,676 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements
For the Year Ended September 30, 2020

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the Baldwin County Commission and the Baldwin County Sheriff's Office recognized pension expense of \$2,573,742 and \$1,668,372, respectively. At September 30, 2020, the Baldwin County Commission and the Baldwin County Sheriff's Office reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| <u>Baldwin County Commission</u> | | |
| Differences between expected and actual experience | \$4,663,735 | \$2,580,806 |
| Changes in assumptions | 968,773 | |
| Net difference between projected and actual earnings on pension plan investments | 830,270 | |
| Employer contributions subsequent to the measurement date | 1,464,895 | |
| Total | 7,927,673 | 2,580,806 |
| <u>Baldwin County Sheriff's Office</u> | | |
| Differences between expected and actual experience | 3,571,954 | 372,860 |
| Changes in assumptions | 1,025,503 | |
| Net difference between projected and actual earnings on pension plan investments | 477,973 | |
| Employer contributions subsequent to the measurement date | 1,081,329 | |
| Total | \$6,156,759 | \$ 372,860 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

The \$1,464,895.00 for the Commission and the \$1,081,329.00 for the Baldwin County Sheriff's Office, reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| Year Ending: | Deferred Inflows/Outflows | |
|--------------------|---------------------------------|--|
| | Baldwin County Commission | Baldwin County Sheriff's Office |
| September 30, 2021 | \$ 501,136 | \$ 563,741 |
| 2022 | \$ 646,865 | \$ 677,482 |
| 2023 | \$1,044,007 | \$ 969,519 |
| 2024 | \$ 970,384 | \$1,121,775 |
| 2025 | \$ 719,580 | \$ 607,230 |
| Thereafter | \$ 0 | \$ 762,823 |

Judicial Retirement Fund– Baldwin County Probate Judge

Summary of Significant Accounting Policies

Pensions

The Judicial Retirement Fund of Alabama (JRF) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the JRF is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2020

General Information about the Pension Plan

Plan Description

The Judicial Retirement Fund of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 18, 1973, pursuant to the *Code of Alabama 1975*, Title 12, Chapter 18 (Act Number 1163, Acts of Alabama 1973) for the purpose of providing retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. The *Code of Alabama 1975*, Title 12, Chapter 18, Articles 3 and 4 (Act Number 1205, Acts of Alabama 1975) enlarged the scope and coverage of the JRF to include District and Probate Judges. The responsibility for the general administration and operation of the JRF is vested in the Board of Control of the Employees' Retirement System of Alabama (ERS). The JRF issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

The JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of creditable service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining age 60. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of creditable service (regardless of age), (2) completed 12 years of creditable service and has attained age 65, (3) completed 15 years of creditable service and whose age plus service equals or exceeds 77, (4) completed 10 years of creditable service and has attained age 70 or (5) been elected prior to July 30, 1979, and has 18 years of service (regardless of age). A member eligible to retire who has not requested his or her retirement benefit to commence at the end of the term in which the member's 70th birthday occurs is entitled only to the refund of his or her contributions (except for members with at least 25 years of creditable service). The service retirement benefit for circuit, appellate, and probate judges is 75% of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75% of the position's salary immediately prior to retirement.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Act Number 2015-498, Acts of Alabama, established a new group (Group 3) of members within JRF which consists of all justices, judges, circuit clerks, and district attorneys elected or appointed on or after November 8, 2016. Group 3 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. A district attorney who has Tier 1 ERS transferred service as an assistant or deputy district attorney is eligible for service retirement with 25 years of service credit, regardless of age. Service and disability retirement benefits are calculated using a retirement formula. Group 3 members who are judges or justices are allowed 4% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 75% of their average final compensation. Group 3 members who are clerks or district attorneys are allowed 3% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Contributions

JRF members contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, members were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, members are required by statute to contribute 8.50% of earnable compensation.

Pension Liabilities and Pension Expense

At September 30, 2020, the Baldwin County Commission did not have a liability for a proportionate share of the net pension liability because of the related State of Alabama support. The amount of the State of Alabama's proportionate share of net pension liability associated with the Baldwin County Commission is as follows:

| | |
|---|------------------|
| State of Alabama's proportionate share of the net pension liability associated with the Baldwin County Commission | <u>\$415,665</u> |
|---|------------------|

The net pension liability was measured as of September 30, 2019. The total pension liability is based on the actuarial valuation as of September 30, 2018. An expected total pension liability as of September 30, 2019 was determined using standard roll-forward techniques. The State of Alabama's proportion of the net pension liability associated with the Baldwin County Commission was based on actuarially determined contributions paid by the State of Alabama during the fiscal year ended September 30, 2019.

For the year ended September 30, 2020, the Baldwin County Commission recognized pension expense and revenue of \$44,937 for aid provided by the State of Alabama.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|-------------|
| Inflation | 2.75% |
| Salary Increases | 3.25%-3.50% |
| Investment Rate of Return (*) | 7.65% |
| (*) Net of pension plan investment expense | |

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the JRF based upon participation data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for the JRF were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

| | Target Allocation | Long-Term Expected Rate of Return (*) |
|--|----------------------|---|
| Fixed Income | 25.00% | 5.00% |
| U. S. Large Stocks | 34.00% | 9.00% |
| U. S. Mid Stocks | 8.00% | 12.00% |
| U. S. Small Stocks | 3.00% | 15.00% |
| International Developed Market Stocks | 15.00% | 11.00% |
| International Emerging Market Stocks | 3.00% | 16.00% |
| Real Estate | 10.00% | 7.50% |
| Cash Equivalents | 2.00% | 1.50% |
| Total | 100.00% | |
| (*) Includes assumed rate of inflation of 2.50%. | | |

Notes to the Financial Statements

For the Year Ended September 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 67 for the JRF prepared as of September 30, 2019. The auditor's report dated August 18, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Commission provides certain continuing health care and life insurance benefits for its retired employees. The Commission's OPEB Plan (the "OPEB Plan") is a single-employer defined benefit OPEB plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions – Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit*.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013 (called “Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees covered by benefit terms

At September 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefit payments | 66 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active Employees | 818 |
| Total | 884 |

Total OPEB Liability

The Commission’s total OPEB liability of \$8,608,799 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.5% annually |
| Salary Increases | 4.0% annually |
| Discount Rate | 2.66% annually (Beginning of Year to Determine ADC) 2.21%, annually (As of End of Year Measurement Date) |
| Healthcare Cost Trend Rates | 5.5% annually for ten years, 4.5% thereafter |
| Mortality | RP-2000 Table without projection |

Notes to the Financial Statements
For the Year Ended September 30, 2020

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2020, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2020.

Changes in the Total OPEB Liability

| | |
|--|--------------------|
| Balance at September 30, 2019 | \$6,602,523 |
| Changes for the Year: | |
| Service Cost | 135,335 |
| Interest | 167,731 |
| Differences between expected and actual experience | 1,362,149 |
| Changes in assumptions | 934,719 |
| Benefit payments and net transfers | (593,658) |
| Net Changes | <u>2,006,276</u> |
| Balance at September 30, 2020 | <u>\$8,608,799</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current discount rate:

| | 1.0% Decrease (1.21%) | Current (2.21%) | 1.0% Increase (3.21%) |
|----------------------|--------------------------|--------------------|--------------------------|
| Total OPEB Liability | \$10,267,479 | \$8,608,799 | \$7,306,626 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.5%) or 1-percentage point higher (6.5%) than the current healthcare trend rates:

| | 1.0% Decrease (4.5%) | Current Trend (5.5%) | 1.0% Increase (6.5%) |
|----------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability | \$7,295,456 | \$8,608,799 | \$10,274,886 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Commission recognized OPEB expense of \$708,982. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ | \$ |
| Changes in assumptions | 1,581,155 | (46,581) |
| Total | <u>\$1,581,155</u> | <u>\$(46,581)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending: | |
|--------------------|-------------|
| September 30, 2021 | \$ 405,916 |
| 2022 | \$ 405,916 |
| 2023 | \$ 405,916 |
| 2024 | \$ 405,916 |
| 2025 | \$ 405,916 |
| Thereafter | \$1,025,735 |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 8 – Payables

On September 30, 2020, payables for the Commission’s individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

| | Accounts Payable | Due to Other Governments | Other | Total |
|---|----------------------|-----------------------------|-----------------------|------------------------|
| <u>Governmental Funds:</u> | | | | |
| General Fund | \$10,792,305.76 | \$9,802,144.33 | \$ 70,522.85 | \$20,664,972.94 |
| Gasoline Tax Fund | 1,512,720.31 | 852.59 | | 1,513,572.90 |
| Capital Projects Fund | 14,420.00 | | | 14,420.00 |
| Other Governmental Funds | 1,183,844.11 | 5,374.73 | | 1,189,218.84 |
| Total Governmental Funds | <u>13,503,290.18</u> | <u>9,808,371.65</u> | <u>70,522.85</u> | <u>23,382,184.68</u> |
| <u>Business-Type Activities:</u> | | | | |
| Solid Waste Fund | 358,145.70 | 547.05 | | 358,692.75 |
| Solid Waste Collection Fund | 499,417.56 | 10,001.41 | | 509,418.97 |
| Total Business-Type Activities | <u>857,563.26</u> | <u>10,548.46</u> | | <u>868,111.72</u> |
| <u>Fiduciary Funds:</u> | | | | |
| Private-Purpose Trust | 180,616.93 | 70,897.28 | 1,927,925.81 | 2,179,440.02 |
| Agency | 1,672.16 | 578.47 | 228,221.67 | 230,472.30 |
| Total Fiduciary Funds | <u>\$ 182,289.09</u> | <u>\$ 71,475.75</u> | <u>\$2,156,147.48</u> | <u>\$ 2,409,912.32</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. 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. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

| Fiscal Year Ending | Governmental Activities |
|---|----------------------------|
| September 30, 2021 | \$ 2,425,633.18 |
| 2022 | 2,430,079.00 |
| 2023 | 2,429,453.99 |
| 2024 | 2,430,241.53 |
| 2025 | 2,433,120.69 |
| 2026-2030 | 11,122,050.04 |
| 2031-2035 | 11,130,050.04 |
| 2036-2040 | 11,171,900.08 |
| 2040-2045 | 9,903,399.92 |
| Total Minimum Lease Payments | 55,475,928.47 |
| Less: Amount Representing Interest | (19,858,545.19) |
| Present Value of Net Minimum Lease Payments | <u>\$ 35,617,383.28</u> |

Note 10 – Long-Term Debt

In January 2010, General Obligation Warrants with interest rates of 1 to 5 percent were issued for the purpose of the Series 2010 current refunding of the General Obligation Warrants, Series 1999, dated March 1, 1999 and the advanced refunding and redemption of the General Obligation Warrants, Series 2002 and Series 2003, dated March 1, 2002 and December 1, 2003, respectively. These warrants were refunded in fiscal year 2020 by General Obligation Warrants, Series 2020.

In September 2012, General Obligation Warrants with interest rates of 2 to 5 percent were issued for the purpose of the Series 2012 advance refunding of the General Obligation Warrants, Series 2004 issued in June 2004. The debt service payments are made by the Gasoline Tax Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2020

In February 2013, General Obligation Warrants with interest rates of 2 to 5 percent were issued for the purpose of the Series 2013 advance refunding of the General Obligation Warrants, Series 2006A issued in January 2006. The debt service payments are made by the General Fund, Gasoline Tax Fund and Wilderness Fund.

In June 2014, General Obligation Warrants with interest rates of 2.10 to 4.25 percent were issued for the purpose of the Series 2014 current refunding of the General Obligation Warrant, Series 2012-B, dated June 7, 2012. The payments are made from the General Fund.

In March 2015, General Obligation Warrants with interest rates of 2.00 to 5.00 percent were issued for the purpose of the Series 2015 advance refunding of the General Obligation Warrant, Series 2008C issued in September 2008 and the partial advance refunding of the General Obligation Warrants, Series 2007A issued in March 2007 and Series 2008B issued in May 2008. The debt service payments are made by the General Fund and Gasoline Tax Fund. In April 2018, the Commission set up a trust for \$1,000,000.00 for the future payment to warrant holders of the General Obligation Warrants, Series 2015 using current resources.

In May 2016, General Obligation Warrants with an interest rate of 1.72 percent were issued for the purpose of the Series 2016 construction of a RV Park at the county owned Live Oak Landing. The debt service payments are made by the Parks Fund with the support of transfers from the General Fund.

In October 2019, the Commission entered an equipment lease-purchase agreement with Motorola Solutions, Inc., to provide additional cell phone coverage to the Gulf Shores and Fort Morgan areas of the County. The Commission will make five (5) annual payments with an interest rate of 3.42%. Any payments received later than then (10) days from the due date will bear interest at 6% per annum. The payments are made from the General Fund.

In January 2020, General Obligation Warrants with an interest rate of 4.00 to 5.00 percent were issued for the purposes of 2020 improvement projects and the advance refunding of the General Obligation Warrants, Series 2010 issued in January 2010. The debt service payments are made by the General Fund, Gasoline Tax Fund, Archives Fund, and Solid Waste Fund.

In March 2020, the Public Building Authority of Baldwin County (the "PBA") issued Building Revenue Warrants, Series 2020 (Jail Project) for the purposes of acquiring, constructing, and equipping a new public jail facility, and paying issuance expenses. The PBA and the Commission entered into a Lease Agreement in order to provide for ultimate payment of the debt by the Commission. The payments to the PBA are made from the General Fund.

In September 2020, the Baldwin County Sheriff's Office entered into a Note from Direct Borrowing for equipment, software, and other services for body worn cameras and in-car audio and video capabilities. The terms of the agreement are for three years with the ability to extend. The debt service payments are made from the General Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2020:

| | Debt Outstanding 10/01/2019 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 9/30/2020 | Due Within One Year |
|---|-----------------------------------|----------------------|----------------------|----------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Warrants Payable: | | | | | |
| Warrants, 2010 | \$ 7,220,000.00 | \$ | \$ (7,220,000.00) | \$ | \$ |
| Warrants, 2012 | 5,880,000.00 | | (4,330,000.00) | 1,550,000.00 | 755,000.00 |
| Warrants, 2013 | 8,765,000.00 | | (1,430,000.00) | 7,335,000.00 | 1,485,000.00 |
| Warrants, 2014 | 10,350,000.00 | | (370,000.00) | 9,980,000.00 | 380,000.00 |
| Warrants, 2015 | 30,730,000.00 | | (1,995,000.00) | 28,735,000.00 | 2,075,000.00 |
| Warrants, 2016 | 246,182.20 | | (122,037.08) | 124,145.12 | 124,145.12 |
| Warrants, 2020 | | 11,570,000.00 | | 11,570,000.00 | 1,965,000.00 |
| Sub-Total Warrants Payable | 63,191,182.20 | 11,570,000.00 | (15,467,037.08) | 59,294,145.12 | 6,784,145.12 |
| Unamortized Amounts: | | | | | |
| Less: Unamortized Discount | (171,050.25) | | 8,552.51 | (162,497.74) | (8,552.51) |
| Plus: Unamortized Premium | 5,082,706.29 | 6,792,125.85 | (6,671,872.92) | 5,202,959.22 | 521,927.68 |
| Total Warrants Payable, Net | 68,102,838.24 | 18,362,125.85 | (22,130,357.49) | 64,334,606.60 | 7,297,520.29 |
| Note from Direct Borrowing | | 662,597.00 | (220,867.00) | 441,730.00 | 220,865.00 |
| Total Warrants and Notes Payable | 68,102,838.24 | 19,024,722.85 | (22,351,224.49) | 64,776,336.60 | 7,518,385.29 |
| Other Liabilities: | | | | | |
| Capital Leases | 146,333.34 | 36,121,966.59 | (650,916.65) | 35,617,383.28 | 1,090,470.68 |
| Compensated Absences | 4,178,599.82 | 328,292.96 | | 4,506,892.78 | 1,389,556.74 |
| OPEB Liability | 5,738,803.00 | 2,023,016.00 | | 7,761,819.00 | |
| Net Pension Liability | 21,093,219.75 | 10,992,831.77 | | 32,086,051.52 | |
| Total Other Liabilities | 31,156,955.91 | 49,466,107.32 | (650,916.65) | 79,972,146.58 | 2,480,027.42 |
| Total Governmental Activities Long-Term Liabilities | \$99,259,794.15 | \$68,490,830.17 | \$(23,002,141.14) | \$144,748,483.18 | \$9,998,412.71 |

| | Debt Outstanding 10/01/2019 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/2020 | Due Within One Year |
|--|-----------------------------------|----------------------|----------------------|-----------------------------------|---------------------------|
| Business-Type Activities: | | | | | |
| Net Pension Liability | \$1,443,925.25 | \$1,631,960.23 | \$ | \$3,075,885.48 | \$ |
| Estimated Liability for Compensated Absences | 448,444.38 | 67,589.55 | | 516,033.93 | 166,254.91 |
| Estimated Liability for Landfill Closure/Postclosure Costs | 4,297,138.72 | 319,788.54 | | 4,616,927.26 | 319,788.54 |
| OPEB Liability | 863,720.00 | | (16,740.00) | 846,980.00 | |
| Total Business-Type Activities Long-Term Liabilities | \$7,053,228.35 | \$2,019,338.32 | \$(16,740.00) | \$9,055,826.67 | \$486,043.45 |

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, the largest portion was paid by the General Fund and the Gasoline Tax Fund with the remainder paid by the other governmental funds.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

| Fiscal Year Ending | Governmental Activities | |
|--------------------|-------------------------|------------------------|
| | Warrants Payable | |
| | Principal | Interest |
| September 30, 2021 | \$ 6,784,145.12 | \$ 2,790,505.02 |
| 2022 | 6,955,000.00 | 2,507,726.26 |
| 2023 | 5,795,000.00 | 1,928,995.01 |
| 2024 | 6,060,000.00 | 1,721,376.26 |
| 2025 | 5,680,000.00 | 1,424,041.26 |
| 2026-2030 | 17,690,000.00 | 4,196,038.80 |
| 2031-2035 | 7,575,000.00 | 1,450,710.00 |
| 2035-2040 | 2,755,000.00 | 298,775.00 |
| 2041-2045 | | |
| Total | <u>\$59,294,145.12</u> | <u>\$16,318,167.61</u> |

(*) The Note bears no interest.

Premiums and Discounts

The Commission has premiums/discounts in connection with the issuance of its 2012, 2013, 2014, 2015, and 2020 General Obligation Warrants. The deferred amounts are being amortized using the straight-line method over a period of 15, 13, 25, 18, and 10 years, respectively.

| | Discount | Premium |
|-------------------------------------|---------------------|------------------------|
| Total Discount/Premium | \$328,151.80 | \$10,851,010.95 |
| Amount Amortized Prior Years | 157,101.55 | 4,213,597.91 |
| Balance Discount/Premium | 171,050.25 | 6,637,413.04 |
| Current Amount Amortized or Reduced | 8,552.51 | 1,434,453.82 |
| Balance Discount/Premium | <u>\$162,497.74</u> | <u>\$ 5,202,959.22</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2020

| Governmental Activities | | | | Total Principal and Interest Requirements |
|-------------------------|------------------------|--------------------------------|-----------|---|
| Capital Lease Payable | | Note from Direct Borrowing (*) | | |
| Principal | Interest | Principal | Interest | |
| \$ 1,090,470.68 | \$ 1,335,162.50 | \$220,865.00 | \$ | \$ 12,221,148.32 |
| 1,094,762.09 | 1,335,316.91 | 220,865.00 | | 12,113,670.26 |
| 1,133,150.00 | 1,296,303.99 | | | 10,153,449.00 |
| 1,172,586.92 | 1,257,654.61 | | | 10,211,617.79 |
| 1,217,246.82 | 1,215,873.87 | | | 9,537,161.95 |
| 5,719,166.73 | 5,402,883.31 | | | 33,008,088.84 |
| 6,922,916.81 | 4,207,133.23 | | | 20,155,760.04 |
| 8,360,416.66 | 2,811,483.42 | | | 14,225,675.08 |
| 8,906,666.57 | 996,733.35 | | | 9,903,399.92 |
| \$35,617,383.28 | \$19,858,545.19 | \$441,730.00 | \$ | \$131,529,971.20 |

Defeasance of Debt

On January 23, 2020, the Commission issued \$11,570,000.00 in General Obligation Warrants, Series 2020 with interest rates of 4.00% to 5.00% for the advance refunding of \$5,330,000.00 of outstanding General Obligation Warrants, Series 2010, and to finance capital improvement projects. As a result of the refunding, the Commission decreased its total debt service requirements by \$53,656.39, which resulted in an economic gain of \$175,304.15.

Early Extinguishment of Debt

The Commission used current resources to pay additional amounts (\$3,600,000.00) on its 2012 General Obligation Warrants.

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain general obligation warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2020, the total of \$8,830,000.00 of general obligation warrants outstanding are considered defeased.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 11 – 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 the landfill is used during the year. The estimated liability for closure and postclosure care costs has a balance of \$4,616,927.26 as of September 30, 2020, which is based on 35.2 percent usage (filled) of the landfill. It is estimated that an additional \$8,611,693.36 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 (\$13,228,620.62) 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, 2020. 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 post-closure care. The Commission is in compliance with these requirements, and at September 30, 2020, funds of \$5,445,743.41 are held for these purposes. These funds are deposits on hand and are presented on the Commission's balance sheet as "Cash." It is anticipated that future inflation costs will be financed in part from earnings on these funds. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

Note 12 – 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 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 Commission and is payable solely from the revenues generated through the sub-lease agreement, as amended. The warrants nor the lease do not constitute a debt or pledge of the faith and credit of the Commission and accordingly have not been reported in the accompanying financial statements. As of September 30, 2020, the outstanding balance of the lease is \$3,215,000.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 13 – Risk Management

General Liability and Workers Compensation

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 in aggregate. Defense costs are included in the limits of the coverage. Employment practices liability coverage provides up to \$1,000,000 per occurrence with a \$5,000 deductible for loss only. Defense costs are included in the limits of the coverage. Equitable Defense coverage per occurrence is limited to \$225,000.00. 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 an .93% 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.

Health Insurance

The Commission was self-insured for 12 months and paid their administrator for claims processing, for October 2019 through September 2020. The Commission pays BCBS administrative fee of \$66.57 for single coverage and \$74.44 for family coverage; the stop loss carrier \$39.55 for single coverage and \$116.86 for family coverage; and has set funding rates at \$575.00 for single coverage and \$1,431.00 for family coverage. The Carrier/Administrator was paid a total of \$8,195,944 for fiscal year 2020, \$6,658,654 in self-insured medical and Rx claims plus \$809,368 in self-insured stop loss premium plus \$727,922 in self-insured BCBS admin fees. The Commission purchases a stop loss insurance policy for claims in excess of \$100,000 per individual with \$100,000 aggregating specific deductible up to unlimited. The estimated liability for claims cost for medical and prescriptions as of September 30, 2020, was \$431,533. However, after considering Pharmacy Rebates (\$180,000), the total estimated liability for claims cost reduces to \$246,533.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 14 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

| | Operating Transfer In | | | Totals |
|---------------------------------|-----------------------|------------------------|--------------------------|------------------------|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | |
| Operating Transfers Out: | | | | |
| General Fund | \$ | \$16,233,924.29 | \$ 7,405,982.72 | \$23,639,907.01 |
| Gasoline Tax Fund | 50,000.00 | | 8,167,909.95 | 8,217,909.95 |
| Capital Projects Fund | 2,260,542.50 | 41,568.00 | | 2,302,110.50 |
| Other Governmental Funds | 529,072.46 | | 2,189,912.57 | 2,718,985.03 |
| Solid Waste Fund | | | 65,668.32 | 65,668.32 |
| Totals | <u>\$2,839,614.96</u> | <u>\$16,275,492.29</u> | <u>\$17,829,473.56</u> | <u>\$36,944,580.81</u> |

Advances To/From Other Funds

The amounts advance to/from other funds at September 30, 2020, were as follows:

| | Advances from Other Funds | | Totals |
|---------------------------------|---------------------------|-----------------------|------------------------|
| | General Fund | Gasoline Tax Fund | |
| Advances to Other Funds: | | | |
| General Fund | \$ | \$1,715,639.00 | \$ 1,715,639.00 |
| Other Governmental Funds | 8,971,222.76 | | 8,971,222.76 |
| Totals | <u>\$8,971,222.76</u> | <u>\$1,715,639.00</u> | <u>\$10,686,861.76</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 15 – 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 Altapointe Health Systems, Inc. Baldwin County Housing Authority Baldwin County Library Board Public Building Authority of Baldwin County, Alabama Cypress Point Improvement District |
|--|

Note 16 – Subsequent Events

On October 22, 2020, the Commission issued Series 2020B Warrants in the amount of \$33,695,000 to be used for the partial refunding of the Series 2013, 2014, and 2015 Warrants.

On November 5, 2020, the Commission approved the issuance of Series 2020C Warrants in the amount of \$35,000,000 to be used as a line of credit for disaster expenses related to Hurricane Sally. The Commission expects the majority of this line of credit to be repaid by FEMA and AEMA.

In addition to the 2020C Warrant, the Commission is also planning on issuing an additional line of credit in the amount of \$30,000,000 to assist in the Hurricane Sally debris removal; the issuance of this debt is scheduled to close on April 29, 2021.

The Commission has also approved an additional lease agreement with the Public Building Authority in the amount of \$30,000,000 related to the construction of the new jail facility.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 17 – Construction and Other Significant Commitments

As of September 30, 2020, the Commission was obligated for the remaining amounts unpaid under the following construction contracts:

| Project Name | Amount Remaining |
|---|------------------|
| Replumb Jail | \$2,440,030.66 |
| Bridge Replacement on Hoyle Bryars Road over Bushy Creek East | 687,009.02 |
| ICW Boat Launch (Design and Construct) | 256,641.91 |
| Drainage Improvements on Fernwood Road W to Construct Retention Pond and Corresponding Ditch Work | 132,451.72 |
| Bridge Replacement on Fred Dugger Road at unnamed tributary | 516,699.87 |
| Bridge Replacement on CR 65 over Turkey Branch | 20,750.00 |
| Construct New Building at Area 100 Maintenance Facility | 82,556.00 |
| Construct New Building at Area 200 Maintenance Facility | 82,556.00 |
| Bridge Replacement on Linholm Road over 8 Mile Creek | 573,947.12 |
| Bridge Replacement on Linholm Road over 8 Mile Creek #2 | 64,400.00 |
| Land Management for Baldwin County Mitigation Area 1 | 13,910.00 |
| CR 64 from SR 181 to CR 54 E | 411,040.23 |
| Intersection Improvements on CR13 at CR44 | 33,757.82 |
| FY 2020 Resurfacing Group 2 | 101,032.95 |
| FY 2020 Resurfacing Group 4 | 201,414.50 |
| FY 2020 Resurfacing Group 5 | 242,814.46 |
| FY 2020 Resurfacing Group 3RA | 184,385.52 |
| Shoulder Widening on CR 99 from Carrier Dr to Spanish Cove Dr | 3,182.40 |
| ADA Compliance Project - Phase III | 85,624.50 |
| Traffic Light Installation at Intersection of CR 34 and US 98 | 417,400.00 |
| Intersection Improvements on CR 13 at CR 32 (Roundabout) | 12,620.55 |
| Traffic Light Installation at Intersection of CR 28 and SR 59 and CR 71 and SR 59 | 119,334.64 |
| Total | \$6,683,559.87 |

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 18 – Tax Abatements

The Baldwin County Commission is subject to tax abatements granted by (1) the City of Fairhope, (2) City of Foley, (3) City of Bay Minette, (4) City of Spanish Fort, (5) Town of Loxley and (6) City of Robertsedale. These governments entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama 1975*, Section 40-9B-(1-13). Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Baldwin County. These programs have the stated purpose of increasing business activity and employment in the County.

For fiscal year ended September 30, 2020, total property taxes abated were \$110,934.92, including the following tax abatement agreements:

| Granting Jurisdiction | Type | Property Tax |
|---------------------------|-----------------------------------|--------------|
| City of Bay Minette | Paper Products Manufacturing | \$ 1,311.00 |
| City of Fairhope | Repair Parts for Aircrafts | 3,746.42 |
| City of Spanish Fort | Manufacturing | 31.54 |
| City of Bay Minette | Air Compressor Manufacturing | 1,227.97 |
| City of Fairhope | Software and Technology | 607.62 |
| City of Fairhope | Brewery-Distillery Bottling Plant | 929.29 |
| City of Foley | Amusement Parks | 41,135.00 |
| City of Foley | Hotel Construction | 42,987.69 |
| City of Foley | Metal Manufacturing | 18,017.51 |
| Town of Loxley | Industrial Gaskets and Hoses | 327.94 |
| City of Robertsedale | Marine Equipment Manufacturing | 612.94 |
| Total County Abated Taxes | | \$110,934.92 |

The following tax abatements exceeded 10 percent of the total amount abated:

- ◆ A 53 percent property tax abatement to an amusement park business for increasing the size of its facilities and increasing employment. The abatement amounted to \$41,135.00.
- ◆ A 53 percent property tax abatement to a hotel construction business for increasing the size of its facilities and increasing employment. The abatement amounted to \$42,987.69.
- ◆ A 53 percent property tax abatement to a metal manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$18,017.51.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Sales tax in the amount of \$9,759.26 was also abated as follows:

- ◆ The City of Foley also granted sales tax abatements in the amount of \$3,410.55. This amount was attributed to an abatement granted to an amusement park.
- ◆ The City of Fairhope also granted sales tax abatements in the amount of \$1,995.69. This amount was attributed to an abatement granted to a business repairing parts for aircrafts.
- ◆ The Town of Loxley also granted sales tax abatements in the amount of \$4,353.02. This amount was attributed to an abatement granted to an industrial gaskets and hoses business.

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
Baldwin County
For the Year Ended September 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>Total Pension Liability</u> | | | | | | |
| Service cost | \$ 2,270,323 | \$ 1,994,386 | \$ 2,269,268 | \$ 2,285,752 | \$ 2,124,165 | \$ 1,999,024 |
| Interest | 6,199,094 | 6,230,474 | 5,881,345 | 5,597,368 | 5,263,314 | 5,004,162 |
| Difference between expected and actual experience | 4,717,240 | (3,871,208) | 89,178 | 697,193 | 771,757 | |
| Changes of assumptions | | 429,592 | | 1,732,191 | | |
| Benefit payments, including refunds of employee contributions | (5,069,515) | (4,559,735) | (4,725,538) | (4,111,516) | (3,855,591) | (3,671,986) |
| Transfers among employers | (96,242) | 145,887 | 417,258 | 27,240 | | |
| Net change in total pension liability | 8,020,900 | 369,396 | 4,421,989 | 6,228,228 | 4,303,645 | 3,331,200 |
| Total pension liability - beginning | 83,042,476 | 82,673,080 | 78,251,091 | 72,022,863 | 67,719,218 | 64,388,018 |
| Total pension liability - ending (a) | \$ 91,063,376 | \$ 83,042,476 | \$ 82,673,080 | \$ 78,251,091 | \$ 72,022,863 | \$ 67,719,218 |
| <u>Plan fiduciary net position</u> | | | | | | |
| Contributions - employer | \$ 1,342,489 | \$ 1,491,391 | \$ 1,329,683 | \$ 1,543,632 | \$ 1,515,594 | \$ 1,463,836 |
| Contributions - employee | 1,867,721 | 1,965,650 | 1,714,050 | 2,011,404 | 1,922,193 | 1,710,015 |
| Net investment income | 1,750,841 | 5,899,089 | 7,361,170 | 5,396,684 | 627,785 | 5,716,446 |
| Benefit payments, including refunds of employee contributions | (5,069,515) | (4,559,735) | (4,725,538) | (4,111,516) | (3,855,591) | (3,671,986) |
| Other (Transfers among employers) | (96,242) | 145,887 | 417,258 | 27,240 | (158,634) | 123,635 |
| Net change in plan fiduciary net position | (204,706) | 4,942,282 | 6,096,623 | 4,867,444 | 51,347 | 5,341,946 |
| Plan fiduciary net position - beginning | 69,162,075 | 64,219,793 | 58,123,170 | 53,255,726 | 53,204,379 | 47,862,433 |
| Plan fiduciary net position - ending (b) | \$ 68,957,369 | \$ 69,162,075 | \$ 64,219,793 | \$ 58,123,170 | \$ 53,255,726 | \$ 53,204,379 |
| County's net pension liability - ending (a) - (b) | \$ 22,106,007 | \$ 13,880,401 | \$ 18,453,287 | \$ 20,127,921 | \$ 18,767,137 | \$ 14,514,839 |
| County's net position liability as a percentage of the total pension liability | 75.72% | 83.29% | 77.68% | 74.28% | 73.94% | 78.57% |
| Covered payroll(*) | \$ 26,178,878 | \$ 26,798,989 | \$ 23,529,058 | \$ 26,919,548 | \$ 26,549,073 | \$ 23,806,739 |
| Net pension liability as a percentage of payroll | 84.44% | 51.79% | 78.43% | 74.77% | 70.69% | 60.97% |

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Changes in the Net Pension Liability
Baldwin County Sheriff's Office Personnel System
For the Year Ended September 30, 2020***

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 1,411,641 | \$ 1,239,267 | \$ 1,228,839 | \$ 1,173,731 | \$ 1,128,915 | \$ 1,087,588 |
| Interest | 3,330,284 | 3,177,134 | 2,910,589 | 2,656,684 | 2,543,684 | 2,386,040 |
| Difference between expected and actual experience | 2,862,263 | (209,564) | 1,136,048 | 663,924 | (552,698) | |
| Changes of assumptions | | 263,378 | | 1,580,665 | | |
| Benefit payments, including refunds of employee contributions | (2,186,688) | (2,075,137) | (1,754,865) | (1,667,433) | (1,747,348) | (1,258,819) |
| Transfers among employers | 172,780 | (84,137) | 78,816 | (16,428) | | |
| Net change in total pension liability | 5,590,280 | 2,310,941 | 3,599,427 | 4,391,143 | 1,372,553 | 2,214,809 |
| Total pension liability - beginning | 44,343,783 | 42,032,842 | 38,433,415 | 34,042,272 | 32,669,719 | 30,454,910 |
| Total pension liability - ending (a) | \$ 49,934,063 | \$ 44,343,783 | \$ 42,032,842 | \$ 38,433,415 | \$ 34,042,272 | \$ 32,669,719 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 1,058,091 | \$ 907,775 | \$ 813,364 | \$ 843,625 | \$ 856,624 | \$ 853,830 |
| Contributions - employee | 1,227,053 | 1,226,260 | 1,059,001 | 1,045,197 | 985,808 | 950,773 |
| Net investment income | 919,858 | 3,024,039 | 3,699,210 | 2,651,790 | 303,056 | 2,695,338 |
| Benefit payments, including refunds of employee contributions | (2,186,688) | (2,075,137) | (1,754,865) | (1,667,433) | (1,747,348) | (1,258,819) |
| Other (Transfers among employers) | 172,780 | (84,137) | 78,816 | (16,428) | 81,432 | 24,554 |
| Net change in plan fiduciary net position | 1,191,094 | 2,998,800 | 3,895,526 | 2,856,751 | 479,572 | 3,265,676 |
| Plan fiduciary net position - beginning | 35,687,039 | 32,688,239 | 28,792,713 | 25,935,962 | 25,456,390 | 22,190,717 |
| Plan fiduciary net position - ending (b) | \$ 36,878,133 | \$ 35,687,039 | \$ 32,688,239 | \$ 28,792,713 | \$ 25,935,962 | \$ 25,456,393 |
| Net pension liability - ending (a) - (b) | \$ 13,055,930 | \$ 8,656,744 | \$ 9,344,603 | \$ 9,640,702 | \$ 8,106,310 | \$ 7,213,329 |
| Net position liability as a percentage of the total pension liability | 73.85% | 80.48% | 77.77% | 74.92% | 76.19% | 77.92% |
| Covered payroll (*) | \$ 16,066,764 | \$ 15,739,067 | \$ 13,766,815 | \$ 13,562,984 | \$ 13,044,867 | \$ 12,446,067 |
| Net pension liability as a percentage of payroll | 81.26% | 55.00% | 67.88% | 71.08% | 62.14% | 57.96% |

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Pension
Baldwin County
For the Year Ended September 30, 2020***

| | 2020 | 2019 | 2019 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution (*) | \$ 1,464,895 | \$ 1,342,489 | \$ 1,491,391 | \$ 1,329,683 | \$ 1,543,632 | \$ 1,515,594 | \$ 1,463,836 |
| Contributions in relation to the actuarially determined contribution (*) | \$ 1,464,895 | \$ 1,342,489 | \$ 1,491,391 | \$ 1,329,683 | \$ 1,543,632 | \$ 1,515,594 | \$ 1,463,836 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Covered payroll (**) | \$ 27,913,016 | \$ 26,178,878 | \$ 26,798,989 | \$ 23,529,058 | \$ 26,919,548 | \$ 26,549,073 | \$ 23,806,739 |
| Contributions as a percentage of covered payroll | 5.25% | 5.13% | 5.57% | 5.65% | 5.73% | 5.71% | 6.15% |

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020::

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 28.6 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Pension
Baldwin County Sheriff's Office Personnel System
For the Year Ended September 30, 2020***

| | 2020 | 2019 | 2019 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution (*) | \$ 1,081,329 | \$ 1,058,091 | \$ 907,775 | \$ 813,364 | \$ 843,625 | \$ 856,626 | \$ 853,830 |
| Contributions in relation to the actuarially determined contribution (*) | \$ 1,081,329 | \$ 1,058,091 | \$ 907,775 | \$ 813,364 | \$ 843,625 | \$ 856,626 | \$ 853,830 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Covered payroll (**) | \$ 17,271,152 | \$ 16,066,764 | \$ 15,739,067 | \$ 13,766,815 | \$ 13,562,984 | \$ 13,044,867 | \$ 12,446,067 |
| Contributions as a percentage of covered payroll | 6.26% | 6.59% | 5.77% | 5.91% | 6.22% | 6.57% | 6.86% |

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020::

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 18.7 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Proportionate Share of the Net Pension Liability
Judicial Retirement Fund
For the Year Ended September 30, 2020***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|------------|------------|------------|------------|------------|
| Employer's portion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Employer's proportionate share of the net pension liability | \$ | \$ | \$ | \$ | \$ | \$ |
| State of Alabama's proportionate share of the net pension liability associated with the Employer | \$ 415,665 | \$ 427,905 | \$ 453,447 | \$ 492,200 | \$ 465,614 | \$ 417,244 |
| Total | \$ 415,665 | \$ 427,905 | \$ 453,447 | \$ 492,200 | \$ 465,614 | \$ 417,244 |
| Employer's covered payroll | \$ 126,088 | \$ 129,357 | \$ 127,869 | \$ 126,383 | \$ 124,896 | \$ 123,409 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 67.44% | 68.68% | 66.22% | 62.54% | 62.20% | 65.46% |

Member and Employer Contributions

Judicial Retirement Fund (JRF) members contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, JRF members were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, JRF members are required by statute to contribute 8.50% of earnable compensation. Group 3 members of the JRF contribute 8.50% of earnable compensation to the JRF as required by statute.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|---------------|
| Price Inflation | 2.75% |
| Projected Salary Increases | 3.25% - 3.50% |
| Investment Rate of Return | 7.65% |

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the JRF based upon participant data as of September 30, 2015 completed by the JRF and its actuaries. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the JRF. This investigation resulted in changes to the actuarial assumptions. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

***Schedule of Changes in the Employer's
Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2020***

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Total OPEB Liability | | | |
| Service cost | \$ 135,335 | \$ 110,283 | \$ 76,106 |
| Interest | 167,731 | 216,896 | 194,224 |
| Differences between expected and actual experience | 1,362,149 | 484,789 | 198,920 |
| Changes of assumptions | 934,719 | 800,164 | (244,221) |
| Benefit payments | (593,658) | (396,999) | (376,302) |
| Net change in total OPEB liability | 2,006,276 | 1,215,133 | (151,273) |
| Total OPEB Liability - Beginning | 6,602,523 | 5,387,390 | 5,538,663 |
| Total OPEB Liability - Ending | \$ 8,608,799 | \$ 6,602,523 | \$ 5,387,390 |
| Covered-employee payroll | \$ 46,330,218 | \$ 44,100,388 | \$ 40,618,410 |
| County's OPEB liability as a percentage of covered-employee payroll | 18.58% | 14.97% | 13.26% |

Notes to Schedule

Benefit Changes There were no changes of benefit terms for the year ended September 30, 2019.

Changes in assumptions The discount rate as of September 30, 2019, was 2.66% and it changed to 2.21% as of September 30, 2020.

This schedule is presented using the optional format of combining the required schedules in paragraphs 57a and 57b of GASB Statement Number 75.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

This Page Intentionally Blank

***Schedule of the Employer's Contributions -
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020***

| | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 457,556 | \$ 428,681 | \$ 382,175 |
| Contributions in relation to the actuarially determined contribution | \$ 593,658 | \$ 396,999 | \$ 376,302 |
| Contribution deficiency (excess) | \$ (136,102) | \$ 31,682 | \$ 5,873 |
| Covered-employee payroll | \$ 46,330,218 | \$ 44,100,388 | \$ 40,618,410 |
| Contributions as a percentage of covered-employee payroll | 0.99% | 0.97% | 0.93% |

Notes to Schedule

Valuation date: October 1, 2019

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|--|
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level dollar, open |
| Amortization Period | 30 years |
| Asset Valuation Method | Market Value |
| Inflation | 2.5% annually |
| Healthcare Cost Trend Rates | Flat 5.5% annually |
| Salary Increases | 4.0% annually |
| Discount Rate | 2.66% annually (Beginning of year to determine ADC) 2.21% annually (As of End of year measurement date) |
| Retirement Age | The earlier of 30 years of service at any age or attainment of age 60 and 25 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62. |
| Mortality | RP-2000 without projection |
| Turnover | Age specific table with an average of 15% when applied to the active census |

This schedule is intended to show information for 10 years. Additional years should be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|------------------|-----------------------------------|-----|-------------------------------|------------------------------|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Taxes | \$ 52,500,432.00 | \$ 52,500,432.00 | \$ 55,751,882.31 | (1) | \$ 12,056,066.25 | \$ 67,807,948.56 |
| Licenses and Permits | 1,269,000.00 | 1,299,000.00 | 1,224,815.64 | | | 1,224,815.64 |
| Intergovernmental | 2,101,000.00 | 2,101,000.00 | 6,135,928.41 | (1) | 451,615.23 | 6,587,543.64 |
| Charges for Services | 12,355,835.00 | 12,358,335.00 | 13,386,903.80 | (1) | 87,262.31 | 13,474,166.11 |
| Fines and Forfeits | 30,000.00 | 30,000.00 | 14,351.39 | | | 14,351.39 |
| Miscellaneous | 3,296,822.00 | 4,616,141.00 | 3,944,051.69 | (1) | 10,963,185.30 | 14,907,236.99 |
| Total Revenues | 71,553,089.00 | 72,904,908.00 | 80,457,933.24 | | 23,558,129.09 | 104,016,062.33 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 23,395,593.00 | 24,986,041.00 | 26,930,858.42 | (2) | 9,839,892.83 | 36,770,751.25 |
| Public Safety | 31,077,068.00 | 31,195,390.00 | 30,717,269.39 | | | 30,717,269.39 |
| Health | 871,500.00 | 871,500.00 | 819,931.87 | | | 819,931.87 |
| Welfare | 11,000.00 | 11,000.00 | 2,055.00 | (2) | 605,914.91 | 607,969.91 |
| Culture and Recreation | 101,020.00 | 101,020.00 | 98,048.00 | (2) | 1,477,664.09 | 1,575,712.09 |
| Education | 76,862.00 | 76,862.00 | 71,056.16 | | | 71,056.16 |
| Capital Outlay | 46,663,567.00 | 9,929,012.00 | 6,066,829.98 | (2) | 1,694,998.89 | 7,761,828.87 |
| Interest and Fiscal Charges | 342,998.00 | 342,998.00 | 335,958.14 | | | 335,958.14 |
| Total Expenditures | 102,539,608.00 | 67,513,823.00 | 65,042,006.96 | | 13,618,470.72 | 78,660,477.68 |
| Excess (Deficiency) of Revenues Over Expenditures | (30,986,519.00) | 5,391,085.00 | 15,415,926.28 | | 9,939,658.37 | 25,355,584.65 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 664,442.00 | 664,442.00 | 2,997,158.96 | (3) | (157,544.00) | 2,839,614.96 |
| Proceeds from Sale of Capital Assets | | | 45,921.79 | | | 45,921.79 |
| Proceeds from Long-Term Debt Issued | 38,539,625.00 | | 1,649,563.59 | | | 1,649,563.59 |
| Transfers Out | (8,777,178.00) | (9,177,178.00) | (15,159,829.32) | (3) | (8,480,077.69) | (23,639,907.01) |
| Total Other Financing Sources (Uses) | 30,426,889.00 | (8,512,736.00) | (10,467,184.98) | | (8,637,621.69) | (19,104,806.67) |
| Net Change in Fund Balances | (559,630.00) | (3,121,651.00) | 4,948,741.30 | | 1,302,036.68 | 6,250,777.98 |
| Fund Balances - Beginning of Year | 559,630.00 | 3,121,651.00 | 31,054,357.66 | (4) | 631,337.50 | 31,685,695.16 |
| Fund Balances - End of Year | \$ | \$ | \$ 36,003,098.96 | | \$ 1,933,374.18 | \$ 37,936,473.14 |

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

| | | | |
|---|----|---------------------|------------------------|
| (1) Revenues | | | |
| General Fund | \$ | (191,445.21) | |
| Self Insurance Fund | | 10,885,702.48 | |
| Road and Bridge Fund | | 12,321,667.91 | |
| Legislative Delegation Fund | | 164,555.56 | |
| Supernumerary Fund | | 141.22 | |
| Council on Aging Fund | | 141,477.27 | |
| Utilities Permit Fund | | 2,848.64 | |
| Parks Fund | | 233,181.22 | |
| | | <u>233,181.22</u> | \$ 23,558,129.09 |
| (2) Expenditures | | | |
| General Fund | \$ | 1,512,564.59 | |
| Self Insurance Fund | | 9,303,470.88 | |
| Legislative Delegation Fund | | 212,678.78 | |
| Council on Aging Fund | | 605,914.91 | |
| Utilities Permit Fund | | | |
| Parks Fund | | 1,983,841.56 | |
| | | <u>1,983,841.56</u> | (13,618,470.72) |
| (3) Other Financing Sources/(Uses), Net | | | |
| General Fund | \$ | 3,723,592.21 | |
| Road and Bridge Fund | | (12,235,465.00) | |
| Parks Fund | | (125,748.90) | |
| | | <u>(125,748.90)</u> | <u>(8,637,621.69)</u> |
| Net Change in Fund Balance - Budget to GAAP | | | <u>\$ 1,302,036.68</u> |

(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because of the cumulative effect of transactions such as those described above.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020***

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | \$ 8,350,000.00 | \$ 8,400,000.00 | \$ 8,381,456.38 | \$ | \$ 8,381,456.38 |
| Intergovernmental | 3,515,920.00 | 3,956,542.00 | 3,950,668.49 | (1) 1,000,125.48 | 4,950,793.97 |
| Charges for Services | 100,000.00 | 127,280.00 | 78,152.45 | | 78,152.45 |
| Miscellaneous | 610,000.00 | 625,000.00 | 364,550.57 | (1) 3,945.13 | 368,495.70 |
| Total Revenues | 12,575,920.00 | 13,108,822.00 | 12,774,827.89 | 1,004,070.61 | 13,778,898.50 |
| Expenditures | | | | | |
| Current: | | | | | |
| Highways and Roads | 22,009,355.00 | 27,344,786.00 | 19,605,952.17 | (3,744,867.45) | 15,861,084.72 |
| Culture and Recreation | | | | | |
| Capital Outlay | 9,283,180.00 | 9,289,710.00 | 6,651,349.40 | 3,744,867.45 | 10,396,216.85 |
| Total Expenditures | 31,292,535.00 | 36,634,496.00 | 26,257,301.57 | | 26,257,301.57 |
| Excess (Deficiency) of Revenues Over Expenditures | (18,716,615.00) | (23,525,674.00) | (13,482,473.68) | 1,004,070.61 | (12,478,403.07) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 17,370,715.00 | 17,370,715.00 | 17,200,392.29 | (2) (924,900.00) | 16,275,492.29 |
| Other Financing Sources | 3,000,000.00 | 3,000,000.00 | | | |
| Sale of Capital Assets | 3,510,500.00 | 3,510,500.00 | 3,161,371.02 | | 3,161,371.02 |
| Transfers Out | (4,264,700.00) | (4,264,700.00) | (8,167,909.95) | (2) (50,000.00) | (8,217,909.95) |
| Total Other Financing Sources (Uses) | 19,616,515.00 | 19,616,515.00 | 12,193,853.36 | (974,900.00) | 11,218,953.36 |
| Net Change in Fund Balances | 899,900.00 | (3,909,159.00) | (1,288,620.32) | 29,170.61 | (1,259,449.71) |
| Fund Balances - Beginning of Year | (899,900.00) | 3,909,159.00 | 17,583,410.50 | (3) 614,892.57 | 18,198,303.07 |
| Fund Balances - End of Year | \$ | \$ | \$ 16,294,790.18 | \$ 644,063.18 | \$ 16,938,853.36 |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020***

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.

| | | |
|---|---------------------|---------------------|
| (1) Revenues | | |
| Public Highway and Traffic Fund | \$ 822,153.49 | |
| Severed Material Severance Tax Fund | <u>181,917.12</u> | \$ 1,004,070.61 |
| (2) Other Financing Sources/(Uses) | | |
| Public Highway and Traffic Fund | \$ (770,000.00) | |
| Severed Material Severance Tax Fund | <u>(204,900.00)</u> | <u>(974,900.00)</u> |
| Net Change in Fund Balance - Budget to GAAP | | <u>\$ 29,170.61</u> |

(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because of the cumulative effect of transactions such as those described above.

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Identifying Number | Total Federal Expenditures |
|---|------------------------------------|--|---|
| <u>U. S. Department of Agriculture</u> | | | |
| <u>Passed Through Alabama Department of Education</u> | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program-Cash Assistance | 10.553 | N/A | \$ 15,834.56 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | N/A | 24,825.10 |
| Non-Cash Assistance (Commodities) | 10.555 | N/A | 4,764.16 |
| Sub-Total National School Lunch Program | | | <u>29,589.26</u> |
| Total Child Nutrition Cluster | | | <u>45,423.82</u> |
| Total U. S. Department of Agriculture | | | <u>45,423.82</u> |
| <u>U. S. Department of Commerce</u> | | | |
| <u>Passed Through Alabama Department of Environmental Management</u> | | | |
| Coastal Zone Management Administration Awards | 11.419 | C90593016 | <u>35,000.00</u> |
| Total U. S. Department of Commerce | | | <u>35,000.00</u> |
| <u>U. S. Department of Housing and Urban Development</u> | | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs</u> | | | |
| Community Development Block Grant/State's Program And Non-Entitlement Grants in Hawaii | 14.228 | CY CM PF 18 009 | <u>283,868.45</u> |
| Total U. S. Department of Housing and Urban Development | | | <u>283,868.45</u> |
| <u>U. S. Department of Interior</u> | | | |
| <u>Direct Program</u> | | | |
| Payments in Lieu of Taxes | 15.226 | N/A | 41,177.98 |
| GoMESA | 15.435 | N/A | 684,875.38 |
| National Wildlife Refuge Fund | 15.659 | N/A | <u>295,098.00</u> |
| Total U. S. Department of Interior | | | <u>1,021,151.36</u> |
| <u>U. S. Department of Justice</u> | | | |
| <u>Direct Program</u> | | | |
| Equitable Sharing Program | 16.922 | N/A | <u>165,538.53</u> |
| Total U. S. Department of Justice | | | <u>165,538.53</u> |
| Sub-Total Forward | | | \$ 1,550,982.16 |

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Identifying Number | Total Federal Expenditures |
|---|---------------------------|--|----------------------------------|
| Sub-Total Brought Forward | | | \$ 1,550,982.16 |
| <u>U. S. Department of the Treasury</u> | | | |
| <u>Direct Program</u> | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | N/A | 1,264,542.12 |
| Total U. S. Department of the Treasury | | | <u>1,264,542.12</u> |
| <u>U. S. Department of Transportation</u> | | | |
| <u>Passed Through Alabama Department of Transportation</u> | | | |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | RPTO 100070943 | 1,063,200.00 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | FTA9C 100069246 | 22,940.00 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | RPTO 100055258 | 3,932.00 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | RPTO 100070944 | 711,820.00 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | FTA9-100070904 | 81,673.00 |
| Sub-Total Formula Grants for Rural Areas and Tribal Transit Program | | | <u>1,883,565.00</u> |
| Total U. S. Department of Transportation | | | <u>1,883,565.00</u> |
| <u>U. S. Department of Health and Human Services</u> | | | |
| <u>Passed Through the Alabama Department of Public Health</u> | | | |
| Special Programs for the Aging Title III, Part C Nutrition Services | 93.045 | 302-AAA-19 | 122,523.00 |
| Public Health Emergency Preparedness | 93.069 | N/A | 9,452.55 |
| Total U. S. Department of Health and Human Services | | | <u>131,975.55</u> |
| <u>Executive Office of the President</u> | | | |
| <u>Passed Through the Alabama Department of Public Safety</u> | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | N/A | 60,223.62 |
| Total Executive Office of the President | | | <u>60,223.62</u> |
| <u>U. S. Department of Homeland Security</u> | | | |
| <u>Passed Through Alabama Emergency Management Agency</u> | | | |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-DR | 3,616,436.14 |
| Emergency Management Performance Grants | 97.042 | 20-EMPG | 66,419.00 |
| Total U. S. Department of Homeland Security | | | <u>3,682,855.14</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 8,574,143.59</u> |

N/A = Not Available or Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2020***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Baldwin County Commission under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Baldwin County Commission, it is not intended to and does not present the financial position or changes in net position of the Baldwin County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Baldwin County Commission has not elected to use the 10-percent de minimus indirect cost rate as allowed by the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members

Term Expires

| | | |
|--------------------------|-------------|------|
| Hon. Billie Jo Underwood | Chairperson | 2022 |
| Hon. Charles F. Gruber | Member | 2022 |
| Hon. James E. Ball, Jr. | Member | 2022 |
| Hon. Joe Davis, III | Member | 2022 |

Administrative Personnel

| | | |
|---------------|----------------------|------------|
| Cian Harrison | Clerk/Treasurer | 2022 |
| Wayne Dyess | County Administrator | Indefinite |

***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***

Independent Auditor's Report

Members of the Baldwin County Commission,
County Administrator and Clerk/Treasurer
Bay Minette, Alabama

We have audited, 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, 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, 2020, and the related notes to the financial statements, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated July 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Baldwin County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Baldwin County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Baldwin County Commission's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

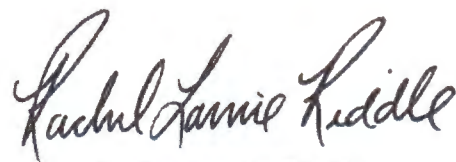
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baldwin County Commission's financial statements are free from 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 financial statements. 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***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 21, 2021

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Independent Auditor's Report

Members of the Baldwin County Commission,
County Administrator and Clerk/Treasurer
Bay Minette, Alabama

Report on Compliance for the Major Federal Program

We have audited the Baldwin County Commission's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Baldwin County Commission's major federal programs for the year ended September 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Baldwin County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* 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 on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the Baldwin County Commission's compliance.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Opinion on the Major Federal Program

In our opinion, the Baldwin County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

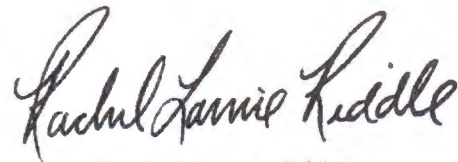
Management of the Baldwin County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Baldwin County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 21, 2021

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Identification of major federal programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|------------------|--|
| 21.019 97.036 | COVID-19 Coronavirus Relief Fund Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

 X Yes _____ No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.