

Report on the

Baldwin County Commission

Baldwin County, Alabama

October 1, 2002 through September 30, 2003

Filed: March 18, 2005



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Baldwin County Commission for the period October 1, 2002 through September 30, 2003.

SCOPE AND OBJECTIVES

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

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.

3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) presented by the management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Section** – includes basic financial statements (Exhibits 1 through 11) and notes to the financial statements.
5. **Required Supplementary Information (RSI)** – includes Budget to Actual Comparisons (Exhibits 12 through 14), which contains supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.
6. **Supplemental Information** – includes a Schedule of Expenditures of Federal Awards (Exhibit 15), which details federal awards expended during the audit period, and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 16) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

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

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

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

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

AUDIT COMMENTS

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

AUDIT FINDINGS

- ◆ The Commission had both accounts receivable and non-sufficient check (NSF) checks receivable that had been outstanding for a lengthy period of time. The Commission appeared to have not taken measures to verify or resolve these outstanding items.
- ◆ The allowance for doubtful accounts did not appear to have been reviewed and adjusted for fiscal year 2003.
- ◆ The Commission's inventory account did not reconcile to the physical inventory on hand at year-end. Audit adjustments were made to reflect the actual inventory balance at September 30, 2003.
- ◆ Adequate controls did not exist to account for the Commission's capital assets. A physical inventory of the capital assets was not performed during the audit period. Deletions of capital assets were not reflected in the General Ledger and subsidiary capital asset listing. Also, the balances in the General Ledger did not reconcile to the capital asset subsidiary listing. Additionally, the Commission did not perform a reconciliation of capital outlay expenditures to current year additions to capital assets subsidiary listing and correct accounting entries were not made for capital outlay. Audit adjustments were made to accurately reflect capital assets.
- ◆ Documentation was not available to support the entire amount recorded as accounts payable.
- ◆ The Commission has a policy pertaining to time cards which states that supervisors are responsible for signing the time cards thereby affirming that each time card is true and correct before submitting it to the Personnel Department. In testing payroll, it was noted that some of the employees tested did not have appropriate supervisory approval of their time cards.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

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

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

STATUS OF PRIOR AUDIT

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

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

RECOMMENDATIONS

- ◆ The Commission should periodically review and resolve the accounts receivable and NSF checks receivable.
- ◆ The Commission should ensure that the allowance for doubtful accounts balance is appropriately adjusted at year-end.
- ◆ The Commission should ensure that the general ledger inventory account accurately reflects the physical inventory count.
- ◆ The Commission should ensure that deletions of capital assets are accurately reflected in the subsidiary records and that balances in the subsidiary records agree with the general ledger control account balances. A physical inventory of capital assets should be performed periodically and reconciled to the general ledger.
- ◆ The Commission should retain sufficient documentation to support accounts payable balances.
- ◆ The Commission should ensure that supervisors approve and sign all employees' time cards prior to submission to the Personnel Department.
- ◆ The Commission should follow established guidelines and policies concerning credit card usage.

Sworn to and subscribed before me this
the 15th day of February 2005.

Nancy B. Dangler
Notary Public

Sworn to and subscribed before me this
the 16th day of February, 2005.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this
the 22ND day of FEBRUARY, 2005.

Mary Doreen Goolsby
Notary Public

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Respectfully submitted,

Pamela Zeigler

Pamela Zeigler
Examiner of Public Accounts

Christina M. Smith

Christina M. Smith
Examiner of Public Accounts

Samantha L. Grimes

Samantha L. Grimes
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin County Commission (the "Commission"), as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 11. These financial statements are the responsibility of the Baldwin County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government, the Baldwin County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of Baldwin County, as of September 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Baldwin County Commission, as of September 30, 2003, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Baldwin County Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement Number 38, *Certain Financial Statement Note Disclosures*. This resulted in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004 on our consideration of the Baldwin County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

October 8, 2004

Management's Discussion and Analysis
(Required Supplementary Information)

Baldwin County Commission Management's Discussion and Analysis

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

The Management Discussion and Analysis (MD&A) focuses on the activities of the Baldwin County Commission for the fiscal year ended September 30, 2003. The reader should consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. This being the first presentation under current Governmental Accounting Standards Board's (GASB) Statement Number 34, few comparisons of government-wide data to prior years will be included. In future years MD&A reports will include such comparisons.

Financial Highlights

Baldwin County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2003 by \$35,287,335 in Governmental Activities and \$6,351,704 in Business-Type Activities for a total of \$41,639,039. Of these amounts \$13,643,993 and \$620,799 respectively were available to be used to meet the County's ongoing obligations to its citizens and creditors.

The County's net assets increased by \$13,870,642 or 64.8% for Governmental Activities and decreased by \$543,151 or 7.9% for Business-Type Activities. The total net assets increased by \$13,327,491 or 47.1%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$48,494,263, which reflects an increase of \$5,998,309 or 14.1% over the prior year.

Governmental Fund revenues for the current fiscal year at \$60,364,051 were smaller than expenditures of \$60,827,303 by \$463,252.

Total general long-term debt for the Baldwin County Commission for governmental activities decreased by a net of \$2,297,566 or 3.8% during the current fiscal year. Long-term debt in the Proprietary Funds (excluding the estimated cost landfill closure and post-closure care) decreased by a net of \$127,098 or 29.4%.

Overview of Financial Statements

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

Government-wide financial statements

Fund financial statements

Proprietary Funds statements

Fiduciary Funds statements

Notes to financial statements

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information based on both gross and net costs and shows how the County's net assets changed during the current fiscal year. This Statement is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The Governmental Activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural

and recreation, and education. The funding of these activities comes primarily from property taxes, sales taxes, motor fuel taxes, charges for services, and other miscellaneous revenues.

Fund Financial Statements

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

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

Baldwin County maintains many Funds that are Governmental Funds. Separate information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Gasoline Tax Fund, Public Buildings, Roads, and Bridges Fund, 2002 Warrant Construction Fund, Debt Service Fund, and Oil and Gas Trust Fund. These Funds are deemed to be major Funds. Data from the remaining Funds are combined into a single aggregated presentation.

Proprietary Funds Statements

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

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

Fiduciary Funds Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Additional Information

With the implementation of Governmental Accounting Standards Board (GASB) Statement 34, the County has now begun to report and depreciate General Fund Assets. The County has elected to depreciate these assets over their estimated useful life using

the straight-line method of depreciation. The fixed assets related to general government activities are valued and reported within the Governmental Activities column of the Government-wide statement.

Government-wide Financial Analysis

The County governmental net assets increased by \$13,870,642 and the business-type net assets decreased by \$543,151 for a total net increase of \$13,327,491. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$41,639,039 as of the fiscal year ending September 30, 2003.

The following table shows the condensed Statement of Net Assets. As noted earlier, due to the implementation of GASB Statement 34 in the current fiscal year no comparative information was available for Net Assets or Changes in Net Assets for the current fiscal year versus the prior fiscal year.

Statement of Net Assets As of September 30, 2003

	Governmental Activities	Business Type Activities	Total
Current and Other Assets	\$ 76,290,214	\$3,231,978	\$ 79,522,192
Capital Assets, Net	43,904,132	5,950,328	49,854,460
Total Assets	<u>\$120,194,346</u>	<u>\$9,182,306</u>	<u>\$129,376,652</u>
Current & Other Liabilities	\$ 27,386,416	\$ 315,429	\$ 27,701,845
Long-Term Liabilities	57,520,595	2,515,173	60,035,768
Total Liabilities	<u>\$ 84,907,011</u>	<u>\$2,830,602</u>	<u>\$ 87,737,613</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (1,227,345)	\$5,730,905	\$ 4,503,560
Restricted	22,870,687		22,870,687
Unrestricted	13,643,993	620,799	14,264,792
Total Net Assets	<u>\$ 35,287,335</u>	<u>\$6,351,704</u>	<u>\$ 41,639,039</u>

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

Statement of Activities

The following schedule compares the revenues and expenses for the current year. Government Activities increased the County's net assets by \$13,870,642 and Business-Type Activities decreased net assets by \$543,151 for an overall increase of \$13,327,491. Property Taxes, Sales Taxes, and Gasoline Taxes were key elements in this increase. Cost control, holding expenses within budget also contributed to the increase in net assets.

Changes in Net Assets As of September 30, 2003

	Governmental Activities	Business-Type Activities	Total
REVENUES			
Program Revenues:			
Charges for Services	\$ 8,161,493	\$7,065,357	\$15,226,850
Operating Grants & Contributions	8,029,141		8,029,141
Capital Grants & Contributions	264,808	7,500	272,308
General Revenues			
Property Taxes	19,426,909		19,426,909
General Sales Tax	6,884,214		6,884,214
County Gasoline Sales Tax	7,051,086		7,051,086
Miscellaneous Taxes	6,003,516		6,003,516
Unrestricted Investment Earnings	1,322,033	38,943	1,360,976
Miscellaneous	3,367,288	219,356	3,586,644
Transfers	1,369,632	(1,369,632)	0
Total Revenues and Transfers	<u>\$61,880,120</u>	<u>\$5,961,524</u>	<u>\$67,841,644</u>
EXPENSES			
Program Activities:			
General Government	\$15,210,466		\$15,210,466
Public Safety	13,584,361		13,584,361
Highways & Roads	12,665,005		12,665,005
Sanitation	269		269
Health	1,901,374		1,901,374
Welfare	264,294		264,294
Culture & Recreation	707,472		707,472
Education	196,691		196,691
Interest on Long Term Debt	3,345,733		3,345,733
Intergovernmental	133,813		133,813
Landfill	0	\$6,504,675	6,504,675
Total Expenses	<u>\$48,009,478</u>	<u>\$6,504,675</u>	<u>\$54,514,153</u>
Increase (Decrease) in Net Assets	<u>\$13,870,642</u>	<u>\$ (543,151)</u>	<u>\$13,327,491</u>

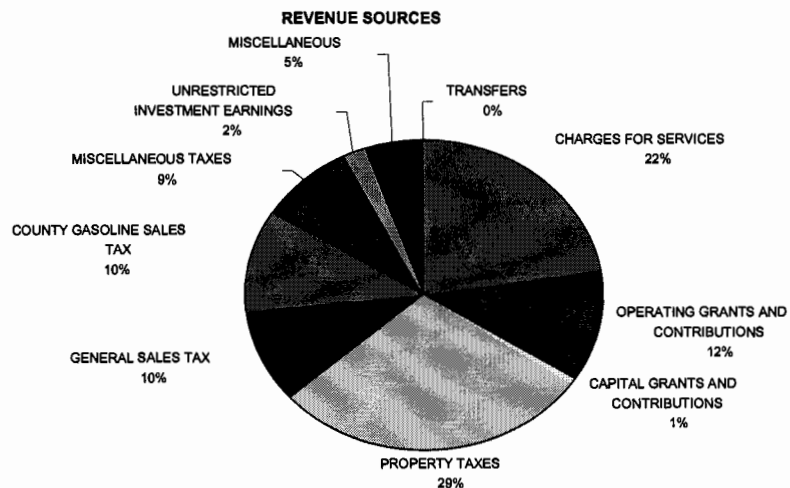
Of total revenues, Property Taxes account for 28.6%, General Sales Tax accounts for 10.1%, County Gasoline Sales Tax accounts for 10.4%, and Total Taxes account for 58.0% of total County revenues for the fiscal year ended September 30, 2003. Total expenses for the County were \$54,514,153. Of this amount 27.9% went towards General Government, 24.9% towards Public Safety, and 23.2% towards Highways and Roads.

For the fiscal year ended September 30, 2003, the following Attachment A is a tabular and graphic display of County sources of revenues, and the following Attachment B is a tabular and graphic display of County expenditures by activity.

ATTACHMENT A

**BALDWIN COUNTY COMMISSION
SOURCES OF REVENUES
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

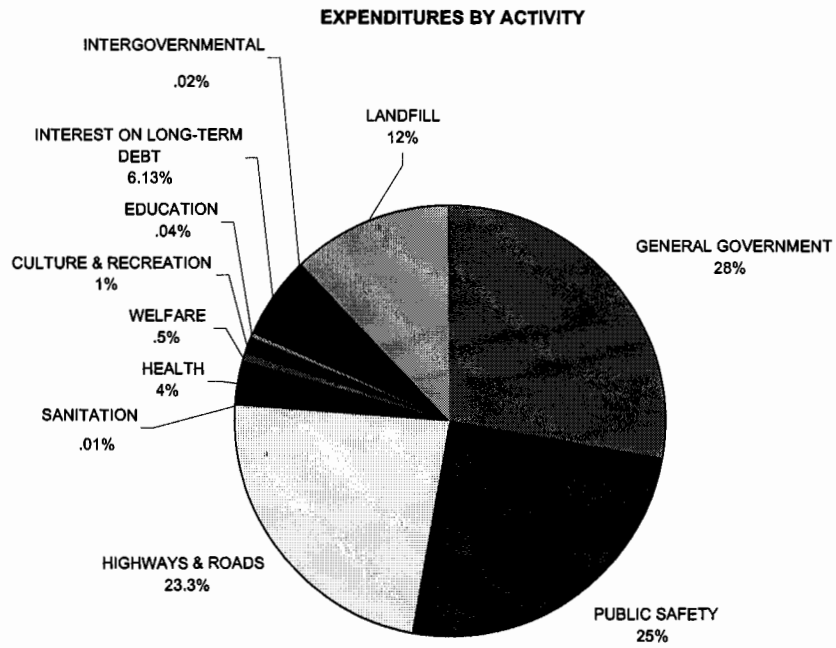
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
REVENUES			
PROGRAM REVENUES:			
CHARGES FOR SERVICES	8,161,493	7,065,357	15,226,850
OPERATING GRANTS AND CONTRIBUTIONS	8,029,141		8,029,141
CAPITAL GRANTS AND CONTRIBUTIONS	264,808	7,500	272,308
GENERAL REVENUES:			
PROPERTY TAXES	19,426,909		19,426,909
GENERAL SALES TAX	6,884,214		6,884,214
COUNTY GASOLINE SALES TAX	7,051,086		7,051,086
MISCELLANEOUS TAXES	6,003,516		6,003,516
UNRESTRICTED INVESTMENT EARNINGS	1,322,033	38,943	1,360,976
MISCELLANEOUS TRANSFERS	3,367,288	219,356	3,586,644
	<u>1,369,632</u>	<u>(1,369,632)</u>	<u>0</u>
TOTAL REVENUES	<u>61,880,120</u>	<u>5,961,524</u>	<u>67,841,644</u>



ATTACHMENT B

**BALDWIN COUNTY COMMISSION
EXPENDITURES BY ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

EXPENSES	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
PROGRAM ACTIVITIES:			
GENERAL GOVERNMENT	15,210,466		15,210,466
PUBLIC SAFETY	13,584,361		13,584,361
HIGHWAYS & ROADS	12,665,005		12,665,005
SANITATION	269		269
HEALTH	1,901,374		1,901,374
WELFARE	264,294		264,294
CULTURE & RECREATION	707,472		707,472
EDUCATION	196,691		196,691
INTEREST ON LONG-TERM DEBT	3,345,733		3,345,733
INTERGOVERNMENTAL	133,813		133,813
LANDFILL	0	6,504,675	6,504,675
TOTAL EXPENSES	<u>48,009,478</u>	<u>6,504,675</u>	<u>54,514,153</u>



Net Cost of Services

The Net Cost of Services is a comparison of the total cost of government functions and programs and the net cost remaining after reducing the total by the revenue generated from the specific function or program. For the current year total cost of services were \$54,514,153 and the combined charges for services plus operating and capital grants received were \$23,528,299 leaving a net cost to the County of \$30,985,854.

Charges for services amounted to \$15,226,850 and combined grants and contributions total \$8,301,449. The charges for services are the payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

<u>Function/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$15,210,466	\$ (6,833,799)
Public Safety	13,584,361	(12,597,148)
Highways and Roads	12,665,005	(6,481,662)
Sanitation	269	(269)
Health	1,901,374	(1,892,585)
Welfare	264,294	(111,284)
Culture and Recreation	707,472	(707,472)
Education	196,691	549,730
Interest on Long-Term Debt	3,345,733	(3,345,733)
Intergovernmental	133,813	(133,813)
Landfill	6,504,675	568,181
Total Government Activities	<u>\$54,514,153</u>	<u>\$(30,985,854)</u>

Financial Analysis of Fund Balances

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund fund balances at the end of the fiscal year increased from \$42,495,954 to \$48,494,263. This increase of \$5,998,309 (14.1%) was primarily due to improved revenues and expense control. Exhibit #5 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of all Governmental Funds.

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

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 5,827,462	\$ 4,367,856	\$ 10,195,318
Gasoline Tax Fund	7,262,288	2,191,087	9,453,375
Public Buildings, Roads, and Bridges Fund	(89,839)	134,346	44,507
2002 Warrant Tax Fund	15,575,818	(5,060,522)	10,515,296
Debt Service Fund	2,821,734	(102,601)	2,719,133
Oil and Gas Trust Fund	8,269,283	2,516,975	10,786,258
Other Governmental Funds	2,829,208	1,951,168	4,780,376
Totals	\$ 42,495,954	\$ 5,998,309	\$ 48,494,263

Budgetary Highlights - Major Funds

General Fund

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2003. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from increases from the Oil Production Privilege Tax and federal grants and contributions. Actual revenues exceeded final budgeted revenues by \$2,996,187 (10.3%), which was the result of larger than expected tax revenues and federal grants. The major change in budgeted expenses was in Capital Outlay, which was the result of a planned fiber optic construction project that as actual expenditures show was not undertaken in this fiscal year. Actual total expenditures were less than the final budgeted amount by \$3,433,185 (12.1%).

The actual Transfers In appear to be substantially smaller than the final budgeted amount, however the actual amount shown for Other Sources of \$1,400,000 is included in the final budget amount for Transfers In. Actual Total Other Financing Sources (Uses) exceeded the final budgeted amount by \$587,802 (26.5%).

With actual revenues exceeding budget and actual expenses smaller than budget, the actual Net Change in Fund Balance resulted in a substantial increase to the fund balance over what was budgeted.

Gasoline Tax Fund

Exhibit #13 shows the changes made in the original budget for the fiscal year ended September 30, 2003. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from an increase State Cost Sharing

Revenue and Intergovernmental Contract Revenue. Actual total revenue exceeded final budgeted revenue by \$61,518 (0.6%). The major change in budgeted expenses was in Highways and Roads, which was the result of additional planned construction projects that as actual expenditures show was not undertaken in this fiscal year. Actual Highways and Roads expenses were less than the final budgeted amount by \$6,279,161 (47.4%). Actual Capital Outlay exceeded the final budgeted amount by \$3,062,596 (82.1%). Actual total expenditures were less than the final budgeted amount by \$3,364,612 (18.1%).

The actual Transfers In appear to be substantially smaller than the final budget amount, however the actual amount shown for Other Sources of \$3,500,000 is included in the final budget amount for Transfer In. Actual Total Other Financing Sources (Uses) exceeded the final budget amount by \$317,632 (5.3%).

With actual revenues exceeding budget and actual expenses smaller than budget, the actual Net Change in Fund Balance resulted in a substantial increase to the fund balance over what was budgeted.

Public Buildings, Roads, and Bridges Fund

Exhibit #14 shows the changes made to the original budget for the fiscal year ended September 30, 2003. Expenditures are budgeted and accounted for in the Gasoline Tax Fund. Total actual revenues exceeded the final budgeted amount by \$134,346 (2.6%).

Capital Asset and Debt Administration

Capital Assets

Depreciation of capital assets other than land and construction in progress projects is now reported on an annual basis using the straight-line method of depreciation. Infrastructure assets (roads and bridges) completed in this fiscal year are reported for the first time on the financial statements. Eventually infrastructure assets going back 20 years will be reported.

At the end of fiscal year 2003, the County had invested over \$49 million in a broad range of capital assets. (See the table below.) This amount represents a net increase (including additions and deductions) of over \$6 million, or 14.8 percent, over last year.

BALDWIN COUNTY COMMISSION
CAPITAL ASSETS
(Net of Depreciation)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2002	2003	2002	2003	2002	2003
Land	1,835,621	2,464,403	1,295,559	1,295,559	3,131,180	3,759,962
Infrastructure in Progress		1,670,636				1,670,636
Construction in Progress	707,882	2,340,619			707,882	2,340,619
Infrastructure		2,741,521				2,741,521
Buildings	25,004,185	24,294,892	799,709	761,468	25,803,894	25,056,360
Improvements Other than Bldg	865,611	827,702	2,403,421	1,497,254	3,269,032	2,324,956
Computer and Communication Equipment	1,895,860	1,560,505	15,244	8,131	1,911,104	1,568,636
Equipment and Furniture	157,138	212,361	24,932	28,336	182,070	240,697
Motor Vehicles and Construction Equipment	3,170,338	4,816,727	1,841,517	1,613,905	5,011,855	6,430,632
Capital Assets Under Capital Lease	3,419,009	2,974,766		745,675	3,419,009	3,720,441
Total	<u>37,055,644</u>	<u>43,904,132</u>	<u>6,380,382</u>	<u>5,950,328</u>	<u>43,436,026</u>	<u>49,854,460</u>

This year's major capital asset additions included:

- * Motor vehicles and construction equipment \$4,058,948
- * Land \$628,781
- * Infrastructure completed and in progress (primarily roads and bridges) \$4,456,077
- * Buildings \$805,701
- * Computer and communication equipment \$139,051
- * Equipment and furniture \$124,446

Debt Outstanding

At October 1, 2002 the County's general obligation long-term debt was \$53,620,900. At September 30, 2003 the County's general obligation long-term debt dropped to \$49,165,000. During the fiscal year the County issued warrants for \$100,000 and repaid warrants in the total amount of \$4,555,000.

At October 1, 2002 the County's total capital lease debt was \$4,489,616. At September 30, 2003 the County's total capital lease debt was \$6,711,619. The County entered into additional capital leases for \$4,900,000 and made capital lease payments of \$2,677,997.

The liability for compensated absences for governmental activities at September 30, 2003 was \$1,488,399.

The total of all long-term debt for the County at September 30, 2003 was \$57,520,595 for governmental activities, which was \$2,297,566 less than the prior year ending balance of \$59,818,161. This was a drop of 3.8%.

Based on the County's legal limits of debt at 5% of net assessed value of property as of October 1, 2003, Baldwin County's maximum debt limit was \$125,130,316. With debt of \$57,520,595 chargeable against the debt limit, as of the end of the 2003 fiscal year, the County was at 46% of the legal debt limit.

Economic Factors

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

The County's population has experienced significant growth. From 1990 to 2000 the population of Baldwin County has increased by 42.9%.

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

In 2003 the Baldwin County unemployment rate was 4.3%. Based on data available from the Alabama Department of Industrial Relations, the unemployment rate for Baldwin County has been below the Alabama state and U. S. national averages since 1996.

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

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

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

Financial Information Contact

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

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Statement of Net Assets
September 30, 2003

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$40,790,754.72	\$2,279,100.50	\$43,069,855.22
Cash with Fiscal Agent	4,900,002.35		4,900,002.35
Investments	56,552.17		56,552.17
Investments with Fiscal Agents	7,281,800.57		7,281,800.57
Ad Valorem Taxes Receivable, Net	21,355,020.34		21,355,020.34
Receivables, Net (Note 4)	1,498,279.84	1,281,680.79	2,779,960.63
Internal Balances	341,721.80	(341,721.80)	
Inventories	28,453.67		28,453.67
Prepaid Items	20,913.63	12,918.38	33,832.01
Deferred Charges - Issuance Costs	16,714.72		16,714.72
Capital Assets, Net (Note 6)	43,904,132.41	5,950,328.07	49,854,460.48
Total Assets	120,194,346.22	9,182,305.94	129,376,652.16
<u>Liabilities</u>			
Payables (Note 10)	5,361,593.08	254,811.67	5,616,404.75
Deferred Revenue	21,023,289.95		21,023,289.95
Accrued Wages Payable	384,173.08	60,616.91	444,789.99
Accrued Interest Payable	617,360.19		617,360.19
Long-Term Liabilities:			
Portion Payable Within One Year:			
Notes Payable	85,000.00	30,000.00	115,000.00
Capital Leases Payable	2,106,745.92	92,857.59	2,199,603.51
Warrants Payable	4,225,000.00		4,225,000.00
Estimated Liability for Compensated Absences	1,010,179.87	174,570.21	1,184,750.08
Portion Payable After One Year:			
Notes Payable	260,000.00		260,000.00
Capital Leases Payable	4,415,449.91	96,565.36	4,512,015.27
Warrants Payable	44,940,000.00		44,940,000.00
Estimated Liability for Compensated Absences	478,219.41		478,219.41
Estimated Liability for Landfill Closure/ Postclosure Care Costs		2,121,179.72	2,121,179.72
Total Liabilities	84,907,011.41	2,830,601.46	87,737,612.87
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	(1,227,345.51)	5,730,905.12	4,503,559.61
Restricted for:			
Debt Service	2,101,772.84		2,101,772.84
Road Projects	9,963,957.47		9,963,957.47
Term Endowments	10,804,957.10		10,804,957.10
Unrestricted	13,643,992.91	620,799.36	14,264,792.27
Total Net Assets	\$35,287,334.81	\$6,351,704.48	\$41,639,039.29

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

Statement of Activities
For the Year Ended September 30, 2003

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
General Government	\$ 15,210,465.92	\$ 6,991,857.78	\$ 1,378,912.66
Public Safety	13,584,361.03	383,317.75	603,894.97
Highways and Roads	12,665,005.78	39,897.17	5,884,534.71
Sanitation	268.74		
Health	1,901,373.62		8,788.56
Welfare	264,294.25		153,010.07
Culture and Recreation	707,471.73		
Education	196,690.64	746,420.20	
Interest on Long-Term Debt	3,345,732.92		
Intergovernmental	133,813.25		
Total Governmental Activities	48,009,477.88	8,161,492.90	8,029,140.97
<u>Business-Type Activities</u>			
Landfill	6,504,675.36	7,065,356.93	
Total Business-Type Activities	6,504,675.36	7,065,356.93	
Total Primary Government	\$ 54,514,153.24	\$ 15,226,849.83	\$ 8,029,140.97

General Revenues

Taxes:

Property Taxes for General Purposes
Property Taxes for Specific Purposes
General Sales Tax
County Gasoline Sales Tax
Miscellaneous Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 18)

Net Assets - End of Year

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

Net (Expenses) Revenues and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 5,896.44	\$ (6,833,799.04)	\$	\$ (6,833,799.04)
	(12,597,148.31)		(12,597,148.31)
258,911.90	(6,481,662.00)		(6,481,662.00)
	(268.74)		(268.74)
	(1,892,585.06)		(1,892,585.06)
	(111,284.18)		(111,284.18)
	(707,471.73)		(707,471.73)
	549,729.56		549,729.56
	(3,345,732.92)		(3,345,732.92)
	(133,813.25)		(133,813.25)
264,808.34	(31,554,035.67)		(31,554,035.67)
7,500.00		568,181.57	568,181.57
7,500.00		568,181.57	568,181.57
\$ 272,308.34	(31,554,035.67)	568,181.57	(30,985,854.10)
	11,827,649.56		11,827,649.56
	7,599,259.28		7,599,259.28
	6,884,214.27		6,884,214.27
	7,051,086.15		7,051,086.15
	6,003,515.88		6,003,515.88
	1,322,032.51	38,943.33	1,360,975.84
	3,367,287.50	219,356.18	3,586,643.68
	1,369,632.06	(1,369,632.06)	
	45,424,677.21	(1,111,332.55)	44,313,344.66
	13,870,641.54	(543,150.98)	13,327,490.56
	21,416,693.27	6,894,855.46	28,311,548.73
\$ 35,287,334.81	\$ 6,351,704.48	\$	\$ 41,639,039.29

Balance Sheet - Governmental Funds
September 30, 2003

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Assets</u>			
Cash and Cash Equivalents	\$ 12,800,706.96	\$ 5,963,073.31	\$ 213,619.46
Cash with Fiscal Agent	1,400,000.00	3,500,000.00	
Investments			
Investments with Fiscal Agent			
Ad Valorem Taxes Receivable, Net	14,113,349.98	539,589.97	5,588,991.59
Receivables, Net (Note 4)	872,085.70	231,048.34	60,000.00
Due from Other Funds	690,010.61	724,274.99	
Inventories	28,453.67		
Prepaid Items	20,913.63		
Advances to Enterprise Funds	270,400.00		
Total Assets	30,195,920.55	10,957,986.61	5,862,611.05
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Payables (Note 10)	4,382,683.45	754,045.26	
Due to Other Funds	944,977.51	248,904.96	
Deferred Revenue	14,046,207.83		5,818,104.10
Accrued Wages Payable	173,630.18	130,736.90	
Estimated Liability for Compensated Absences	453,103.91	370,924.69	
Total Liabilities	20,000,602.88	1,504,611.81	5,818,104.10
<u>Fund Balances</u>			
Reserved for:			
Inventories	28,453.67		
Special Revenue Fund Projects			
Debt Service			
Capital Projects			
Reserved for Encumbrances	935,003.28	1,084,435.01	
Prepaid Items	20,913.63		
Indigent Care	203,309.76		
Other Purposes	2,576,224.54	1,235,189.15	
Unreserved, Reported in:			
General Fund	6,431,412.79		
Special Revenue Funds		7,133,750.64	44,506.95
Total Fund Balances	10,195,317.67	9,453,374.80	44,506.95
Total Liabilities and Fund Balances	\$ 30,195,920.55	\$ 10,957,986.61	\$ 5,862,611.05

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

2002 Warrant Construction Fund	Debt Service Fund	Oil and Gas Trust Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,937,403.00	\$ 158,704.34 2.35	\$ 10,823,414.26	\$ 4,893,833.39	\$ 40,790,754.72
				4,900,002.35
			56,552.17	56,552.17
4,728,242.56	2,553,558.01			7,281,800.57
			1,113,088.80	21,355,020.34
	6,408.03		328,737.77	1,498,279.84
	460.30		138,695.09	1,553,440.99
				28,453.67
				20,913.63
				270,400.00
10,665,645.56	2,719,133.03	10,823,414.26	6,530,907.22	77,755,618.28
36,712.86			188,151.51	5,361,593.08
113,636.46		37,155.98	137,444.28	1,482,119.19
			1,158,978.02	21,023,289.95
			79,806.00	384,173.08
			186,151.27	1,010,179.87
150,349.32		37,155.98	1,750,531.08	29,261,355.17
				28,453.67
			471,849.43	471,849.43
	2,719,133.03			2,719,133.03
10,511,822.40			232,272.35	10,744,094.75
3,473.84			51,759.87	2,074,672.00
				20,913.63
				203,309.76
		10,786,258.28	974,129.33	15,571,801.30
				6,431,412.79
			3,050,365.16	10,228,622.75
10,515,296.24	2,719,133.03	10,786,258.28	4,780,376.14	48,494,263.11
\$ 10,665,645.56	\$ 2,719,133.03	\$ 10,823,414.26	\$ 6,530,907.22	\$ 77,755,618.28

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2003***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 48,494,263.11

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

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

Land	\$ 2,464,402.72	
Infrastructure	2,785,440.42	
Infrastructure in Progress	1,670,636.44	
Construction in Progress	2,340,619.22	
Building and Building Improvements	33,075,403.45	
Improvements Other Than Buildings	1,137,263.24	
Computer and Communication Equipment	7,987,065.44	
Equipment and Furniture	1,003,438.51	
Motor Vehicle and Heavy Equipment	15,234,977.36	
Capital Asset Under Capital Lease	5,182,881.62	
Less: Accumulated Depreciation	<u>(28,977,996.01)</u>	
Total Capital Assets, Net of Depreciation (Note 6)		43,904,132.41

Deferred charges related to issuance costs of long-term liabilities are not reported
in the funds. 16,714.72

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

	Due or Payable Within One Year	Due or Payable After One Year	
Accrued Interest Payable	\$ 617,360.19		
Capital Lease Contracts Payable	2,106,745.92	4,415,449.91	
Notes Payable	85,000.00	260,000.00	
Warrants Payable	4,225,000.00	44,940,000.00	
Estimated Liabilities for Compensated Absences (Long-Term Portion)		478,219.41	
Total Liabilities	<u>\$ 7,034,106.11</u>	<u>\$ 50,093,669.32</u>	<u>(57,127,775.43)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 35,287,334.81

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2003

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Revenues</u>			
Taxes	\$ 21,215,107.29	\$ 7,051,086.15	\$ 5,188,065.12
Licenses and Permits	1,027,561.00		
Intergovernmental	2,497,327.58	3,261,295.22	
Charges for Services	6,246,997.11	39,897.17	
Fines and Forfeits	41,006.66		
Miscellaneous	989,483.33	777,575.99	72,281.08
Total Revenues	32,017,482.97	11,129,854.53	5,260,346.20
<u>Expenditures</u>			
Current:			
General Government	10,786,327.64		
Public Safety	11,076,058.86		
Highways and Roads	13,866.33	6,967,872.80	
Sanitation	268.74		
Health	1,089,684.48		
Welfare	2,346.89		
Culture and Recreation	142,982.52		
Education	171,899.48		
Intergovernmental	133,813.25		
Capital Outlay	693,158.79	6,792,596.28	
Debt Service:			
Principal Retirement	695,355.55	1,390,375.92	
Interest and Fiscal Charges	39,530.00	61,576.01	
Debt Issuance Costs			
Total Expenditures	24,845,292.53	15,212,421.01	
Excess (Deficiency) of Revenues Over Expenditures	7,172,190.44	(4,082,566.48)	5,260,346.20
<u>Other Financing Sources (Uses)</u>			
Transfers In	612,229.59	5,992,691.62	
Sale of Capital Assets	12,500.00	70,315.67	
Warrants Issued			
Inception of Capital Leases	1,400,000.00	3,500,000.00	
Transfers Out	(4,829,064.47)	(3,289,353.77)	(5,126,000.00)
Total Other Financing Sources (Uses)	(2,804,334.88)	6,273,653.52	(5,126,000.00)
Changes in Fund Balances	4,367,855.56	2,191,087.04	134,346.20
Fund Balances - Beginning of Year, as Restated (Note 18)	5,827,462.11	7,262,287.76	(89,839.25)
Fund Balances - End of Year	\$ 10,195,317.67	\$ 9,453,374.80	\$ 44,506.95

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

2002 Warrant Construction Fund	Debt Service Fund	Oil and Gas Trust Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 2,493,908.37	\$ 3,417,558.21	\$ 39,365,725.14
				1,027,561.00
			3,805,840.53	9,564,463.33
			704,982.32	6,991,876.60
				41,006.66
393,394.18	28,428.57	230,668.91	881,586.04	3,373,418.10
393,394.18	28,428.57	2,724,577.28	8,809,967.10	60,364,050.83
			2,799,964.51	13,586,292.15
			1,576,474.97	12,652,533.83
2,440,780.66			1,649,532.58	11,072,052.37
				268.74
			801,609.58	1,891,294.06
			254,726.60	257,073.49
			506,357.07	649,339.59
				171,899.48
				133,813.25
2,651,204.19			351,983.87	10,488,943.13
	4,555,000.00		537,973.92	7,178,705.39
	2,551,020.06		74,389.47	2,726,515.54
18,571.91				18,571.91
5,110,556.76	7,106,020.06		8,553,012.57	60,827,302.93
(4,717,162.58)	(7,077,591.49)	2,724,577.28	256,954.53	(463,252.10)
	6,974,990.28		2,213,100.19	15,793,011.68
			9,113.00	91,928.67
100,000.00				100,000.00
				4,900,000.00
(443,359.35)		(207,602.03)	(528,000.00)	(14,423,379.62)
(343,359.35)	6,974,990.28	(207,602.03)	1,694,213.19	6,461,560.73
(5,060,521.93)	(102,601.21)	2,516,975.25	1,951,167.72	5,998,308.63
15,575,818.17	2,821,734.24	8,269,283.03	2,829,208.42	42,495,954.48
\$10,515,296.24	\$ 2,719,133.03	\$10,786,258.28	\$ 4,780,376.14	\$ 48,494,263.11

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***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 5,998,308.63

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$10,488,943.13) exceeded depreciation (\$4,334,421.10) in the current period. 6,154,522.03

Some of the capital assets acquired this year were financed with capital leases. The total amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases and warrants payable are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (5,000,000.00)

In the statement of activities, only the gain (\$87,326.99) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$91,928.67) from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost (book value) of the assets sold. (4,601.68)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 7,178,705.39

Bond Issuance cost are reported as expenditures in the governmental funds but are amortized over the life of the bonds in the Statement of Activities (\$18,571.91 - \$1,857.19). 16,714.72

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Donated Capital Assets 59,109.54

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

Accrued Interest Payable	\$	(617,360.19)	
Decrease in Compensated Absences (Long-Term Portion)	\$	85,243.10	(532,117.09)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 13,870,641.54

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

Statement of Net Assets - Proprietary Funds
September 30, 2003

	Solid Waste Collection Fund	Solid Waste Fund	Total Enterprise Funds
<u>Assets</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 1,003,195.18	\$ 1,275,905.32	\$ 2,279,100.50
Accounts Receivable, Net	973,073.02	308,607.77	1,281,680.79
Due From Other Funds	4,577.23	1,331,220.89	1,335,798.12
Prepaid Items	10,772.20	2,146.18	12,918.38
Total Current Assets	1,991,617.63	2,917,880.16	4,909,497.79
<u>Noncurrent Assets:</u>			
Capital Assets, Net (Note 6)	844,681.81	5,105,646.26	5,950,328.07
Total Assets	2,836,299.44	8,023,526.42	10,859,825.86
<u>Liabilities</u>			
<u>Current Liabilities:</u>			
Payables (Note 10)	40,869.38	213,942.29	254,811.67
Due To Other Funds	1,064,104.86	343,015.06	1,407,119.92
Accrued Wages Payable		60,616.91	60,616.91
Advance From General Fund		270,400.00	270,400.00
Total Current Liabilities	1,104,974.24	887,974.26	1,992,948.50
<u>Noncurrent Liabilities:</u>			
Portion Payable Within One Year:			
Estimated Liability for Compensated Absences		174,570.21	174,570.21
Notes Payable		30,000.00	30,000.00
Capital Leases Contracts Payable		92,857.59	92,857.59
Portion Payable After One Year:			
Capital Leases Contracts Payable		96,565.36	96,565.36
Estimated Liability for Landfill Closure/ Postclosure Care Costs		2,121,179.72	2,121,179.72
Total Noncurrent Liabilities		2,515,172.88	2,515,172.88
Total Liabilities	1,104,974.24	3,403,147.14	4,508,121.38
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	844,681.81	4,886,223.31	5,730,905.12
Unrestricted	886,643.39	(265,844.03)	620,799.36
Total Net Assets	\$ 1,731,325.20	\$ 4,620,379.28	\$ 6,351,704.48

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

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2003

	Solid Waste Collection Fund	Solid Waste Fund	Total Enterprise Funds
<u>Operating Revenues</u>			
Intergovernmental	\$	\$ 7,500.00	\$ 7,500.00
Charges for Services	3,802,123.02	3,263,233.91	7,065,356.93
Total Revenues	3,802,123.02	3,270,733.91	7,072,856.93
<u>Operating Expenses</u>			
Salaries and Benefits	1,079,120.36	1,620,390.91	2,699,511.27
Contractual and Professional Services	257,827.33	194,196.87	452,024.20
Travel	379.95	5,037.99	5,417.94
Materials and Supplies	360,722.20	666,729.45	1,027,451.65
Utilities and Communications	59,873.53	101,907.66	161,781.19
Other Expenses	60,596.95	73,797.13	134,394.08
Depreciation	311,137.53	1,520,760.54	1,831,898.07
Landfill Expenses		125,817.98	125,817.98
Total Operating Expenses	2,129,657.85	4,308,638.53	6,438,296.38
Operating Income (Loss)	1,672,465.17	(1,037,904.62)	634,560.55
<u>Nonoperating Revenues (Expenses)</u>			
Miscellaneous	5,868.91	213,487.27	219,356.18
Interest Revenue	5,607.00	33,336.33	38,943.33
Interest Expense	(11,128.98)	(5,250.00)	(16,378.98)
Intergovernmental		(50,000.00)	(50,000.00)
Total Nonoperating Revenues (Expenses)	346.93	191,573.60	191,920.53
Income (Loss) Before Transfers	1,672,812.10	(846,331.02)	826,481.08
<u>Operating Transfers</u>			
Transfers In	58,513.10	8,873.00	67,386.10
Transfers Out		(1,437,018.16)	(1,437,018.16)
Total Operating Transfers	58,513.10	(1,428,145.16)	(1,369,632.06)
Changes in Net Assets	1,731,325.20	(2,274,476.18)	(543,150.98)
Total Net Assets - Beginning of Year, as Restated (Note 18)		6,894,855.46	6,894,855.46
Total Net Assets - End of Year	\$ 1,731,325.20	\$ 4,620,379.28	\$ 6,351,704.48

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, 2003

	Solid Waste Collection Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers	\$ 2,828,957.20	\$ 4,237,269.40	\$7,066,226.60
Payments to Suppliers	(709,302.78)	(994,400.98)	(1,703,703.76)
Payments to Employees	(1,079,120.36)	(1,603,310.31)	(2,682,430.67)
Net Cash Provided (Used) by Operating Activities	1,040,534.06	1,639,558.11	2,680,092.17
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating Grants		7,500.00	7,500.00
Miscellaneous	5,868.91	9,988.18	15,857.09
Transfers In	1,000.00	66,386.10	67,386.10
Intergovernmental		(50,000.00)	(50,000.00)
Interest Income	5,607.00	33,336.33	38,943.33
Transfers Out		(1,437,018.16)	(1,437,018.16)
Net Cash Provided (Used) by Noncapital Financing Activities	12,475.91	(1,369,807.55)	(1,357,331.64)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Sale of Assets		133,058.22	133,058.22
Purchase of Capital Assets	(38,685.81)	(808,307.50)	(846,993.31)
Principal Paid on Capital Debt		(149,292.19)	(149,292.19)
Interest Paid on Capital Debt	(11,128.98)	(5,250.00)	(16,378.98)
Net Cash Provided (Used) by Capital and Related Financing Activities	(49,814.79)	(829,791.47)	(1,012,664.48)
Net Increase (Decrease) in Cash and Cash Equivalents	1,003,195.18	(560,040.91)	443,154.27
Cash and Cash Equivalents - Beginning of Year		1,835,946.23	1,835,946.23
Cash and Cash Equivalents - End of Year	\$ 1,003,195.18	\$ 1,275,905.32	\$2,279,100.50

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

	Solid Waste Collection Fund	Solid Waste Fund	Total Enterprise Funds
<hr/>			
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 1,672,465.17	\$ (1,037,904.62)	\$ 634,560.55
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Depreciation Expense	311,137.53	1,520,760.54	1,831,898.07
Landfill Closure and Postclosure Care Cost		125,817.98	125,817.98
Change in Assets and Liabilities:			
(Increase)/Decrease Receivables, Net	(973,165.82)	942,007.92	(31,157.90)
(Increase)/Decrease Prepaids	(10,772.20)	7,447.77	(3,324.43)
Increase-Accounts Payable	40,869.38	64,347.92	105,217.30
Increase-Wages Payable		17,080.60	17,080.60
	<hr/>		
Net Cash Provided by Operating Activities	\$ 1,040,534.06	\$ 1,639,558.11	\$ 2,680,092.17
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Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2003

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,288,936.85	\$ 102,463.77
Receivables, Net	5,900.00	
Due from External Parties		27,624.83
Total Assets	<u>2,294,836.85</u>	<u>130,088.60</u>
<u>Liabilities</u>		
Payables (Note 10)	1,643,107.41	103,298.34
Payable to External Parties	11,344.17	26,790.26
Total Liabilities	<u>1,654,451.58</u>	<u>\$ 130,088.60</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	<u>640,385.27</u>	
Total Net Assets	<u>\$ 640,385.27</u>	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2003

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions:	
Other Governments	\$ 430,358.33
Fees	268,337.43
Miscellaneous	6,512.38
Interest	14,162.08
Total Additions	<u>719,370.22</u>
<u>Deductions</u>	
Administrative Expenses	<u>759,947.66</u>
Total Deductions	<u>759,947.66</u>
Changes in Net Assets	(40,577.44)
Net Assets - Beginning of Year, as Restated (Note 18)	<u>680,962.71</u>
Net Assets - End of Year	<u><u>\$ 640,385.27</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 1 - Summary of Significant Accounting Policies

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

In June 1999, the GASB approved Statement Number 34 ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Baldwin County Commission's overall financial position and results of operations.
- ◆ Government-wide financial statements prepared using full accrual accounting.
- ◆ Reporting infrastructure assets (roads, bridges, etc.).
- ◆ Recording of depreciation expense on all capital assets.
- ◆ A change in the fund financial statements to focus on major funds.
- ◆ Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund.

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Baldwin County Commission has implemented the provisions of the Statement in the current fiscal year. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2002) by or before the fiscal year ending September 30, 2007.

A. Reporting Entity

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

Based on the application of the above criteria, the following entities are component units of the Baldwin County Commission: 1) the Baldwin County Revenue Commissioner 2), the Baldwin County Probate Judge, and 3) the Baldwin County Sheriff. Separate legal compliance examination reports are issued for these component units and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The Commission reported no nonmajor enterprise funds since all such funds qualified as major funds.

Notes to the Financial Statements

For the Year Ended September 30, 2003

The Commission reports the following major governmental funds:

- ◆ **General Fund** - The general fund is the primary operating fund of the County. 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 County.
- ◆ **Gasoline Tax Fund** - This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges and right of ways.
- ◆ **Public Buildings, Roads and Bridges Fund** - This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest.
- ◆ **2002 Warrant Construction Fund** - This fund is used to account for specific capital outlay projects as defined by the Commission, related to buildings, facilities, roads, and bridges.
- ◆ **Oil and Gas Trust Fund** - This fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Commission's programs or its citizenry.

The Commission reports the following major enterprise funds:

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

The Commission reports nonmajor funds as follows:

Other Governmental Funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

- ◆ **Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The Commission reports the following 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.

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, and can be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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

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

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

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with 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 money market investments, which are reported at amortized 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

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 60 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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

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

Accounts receivable from customers are reflected in the Enterprise Funds along with an allowance for Doubtful Accounts that was calculated based upon past experiences with collections.

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. Capital Assets

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

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	\$1,500	30 years
Improvements	\$1,500	10 years
Equipment and Furniture	\$1,500	5 years
Roads	\$1,500	20 years
Bridges	\$1,500	40 years

GASB Statement Number 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2003. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission will retroactively report its infrastructure built or acquired since June 30, 1980 at the beginning of fiscal year 2007.

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.

6. Long-Term Obligations

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

In the fund financial statements, governmental fund types recognize warrant premiums and discounts, as well as warrant 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.

Warrant issuance costs for the 2002 General Obligation Warrants in the amount of \$18,571.91 are being amortized over 10 years. At September 30, 2003, the amount due to be amortized within the next year is \$1,857.19.

7. Compensated Absences

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

Annual Leave

Annual vacation leave accrues to full-time employees with 5 years or less service at the rate of 1 day per calendar month, for employees with 6-10 years service at the rate of 1 and ¼ days per month, for employees with 11-15 years service at the rate of 1 and ¾ days per month, and for employees with more than 15 years of service at the rate of 2 days per month. Unused annual vacation leave in excess of three times the amount earned by employee classification at the end of any fiscal year is forfeited. Upon separation from county service, the employee may be paid for all unused accrued annual leave.

Sick Leave

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month worked to a maximum accrual of 90 days. Upon retirement, an employee shall be paid ½ of their accumulated sick leave not to exceed 360 hours.

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

As of September 30, 2003, the liability for accrued annual and sick leave is approximately \$1,662,969.49. Of this amount \$1,010,179.87 is reported in the General Fund and \$174,570.21 is reported in the Solid Waste Fund as current. Current indicates an amount expected to be paid using expendable available financial resources. The remainder \$478,219.41 is classified as noncurrent in the governmental activities on the Statement of Net Assets.

Notes to the Financial Statements

For the Year Ended September 30, 2003

8. Net Assets/Fund Equity

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 3 - Deposits and Investments

Deposits

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

Investments

Statutes authorize the Commission to invest in obligations of the U. S. Treasury and federal agency securities. The Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department or agent but not in the Commission's name.

	Category			Fair Value	Reported Amount
	1	2	3		
<u>U. S. Government</u>					
Treasury Securities	\$500,000.00	\$3,779,840.12	\$	\$4,279,840.12	\$4,484,815.64
Agency Securities		243,425.10		243,425.10	243,425.10
Money Market and Mutual Funds				2,553,559.83	2,553,559.83
Total Investments	\$500,000.00	\$4,023,265.22	\$	<u>\$7,076,825.05</u>	<u>\$7,281,800.57</u>

A certificate of deposit in the amount of \$56,552.17 is included with "Deposits" for purposes of determining insurance and collateralization; however, it is classified as "Investments" on the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 4 - Receivables

On September 30, 2003, receivables for the Commission's individual major funds, nonmajor, and fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Accounts Receivable	\$ 28,606.34	\$ 51,048.34	\$	\$6,408.03	\$ 1,291.19	\$ 87,353.90
Due From Other Governments	843,479.36	180,000.00	60,000.00		327,446.58	1,410,925.94
Gross Receivables	872,085.70	231,048.34	60,000.00	6,408.03	328,737.77	1,498,279.84
Less: Allowance for Doubtful Accounts	(*)	(*)	(*)	(*)	(*)	(*)
Net Total Receivables	\$872,085.70	\$231,048.34	\$60,000.00	\$6,408.03	\$328,737.77	\$1,498,279.84
(*) Because amounts are due from other governments, collection rates have historically been 100%.						

	Solid Waste Collection Fund	Solid Waste Fund	Total Enterprise Funds	Total Private Purpose Trust Fund
Receivables:				
Accounts Receivable	\$973,073.02	\$385,043.77	\$1,358,116.79	\$
Due From Other Governments				5,900.00
Gross Receivables	973,073.02	385,043.77	1,358,116.79	5,900.00
Less: Allowance for Doubtful Accounts		(76,436.00)	(76,436.00)	
Net Total Receivables	\$973,073.02	\$308,607.77	\$1,281,680.79	\$5,900.00

Notes to the Financial Statements
For the Year Ended September 30, 2003

Note 5 - Deferred Revenue

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2003, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes Receivable	\$20,280,505.07	\$
Motor Vehicle Ad Valorem Taxes		742,784.88
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$20,280,505.07</u>	<u>\$742,784.88</u>

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

	Balance 10/01/2002	Additions/ Adjustments (*)	Retirements/ Adjustments (*)	Balance 9/30/2003
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,835,621.33	\$ 628,781.39	\$	\$ 2,464,402.72
Infrastructure in Progress		1,670,636.44		1,670,636.44
Construction in Progress	707,881.81	2,299,702.08	(666,964.67)	2,340,619.22
Total Capital Assets, Not Being Depreciated	2,543,503.14	4,599,119.91	(666,964.67)	6,475,658.38
Capital Assets Being Depreciated:				
Infrastructure		2,785,440.42		2,785,440.42
Buildings	32,689,792.92	805,700.67	(420,090.14)	33,075,403.45
Improvements Other than Buildings	1,137,263.24			1,137,263.24
Computer and Communication Equipment	7,863,524.57	139,050.76	(15,509.89)	7,987,065.44
Equipment and Furniture	892,272.27	111,166.24		1,003,438.51
Motor Vehicles and Construction Equipment	12,759,475.43	3,257,264.90	(781,762.97)	15,234,977.36
Capital Asset Under Capital Lease	4,590,548.62	592,333.00		5,182,881.62
Total Capital Assets Being Depreciated	59,932,877.05	7,690,955.99	(1,217,363.00)	66,406,470.04
Less Accumulated Depreciation for:				
Buildings	(7,685,607.52)	(1,094,904.24)		(8,780,511.76)
Infrastructure		(43,919.33)		(43,919.33)
Improvements Other than Buildings	(271,652.66)	(37,908.48)		(309,561.14)
Computer and Communication Equipment	(5,967,664.65)	(458,895.36)		(6,426,560.01)
Equipment and Furniture	(735,134.74)	(55,942.78)		(791,077.52)
Assets Under Capital Lease	(1,171,539.25)	(1,036,576.20)		(2,208,115.45)
Motor Vehicles and Construction Equipment	(9,589,137.38)	(1,606,274.71)	777,161.29	(10,418,250.80)
Total Accumulated Depreciation	(25,420,736.20)	(4,334,421.10)	777,161.29	(28,977,996.01)
Total Capital Assets, Being Depreciated, Net	34,512,140.85	3,356,534.89	(440,201.71)	37,428,474.03
Governmental Activities Capital Assets, Net	\$37,055,643.99	\$ 7,955,654.80	\$(1,107,166.38)	\$43,904,132.41
(*) The "Additions" column includes a restatement of prior year balances in the amount of \$639,458.53. The adjustment was made to correct posting errors. Included in the "Additions" and "Retirements" column are reclassifications in the amount of \$1,102,564.70.				

Notes to the Financial Statements
For the Year Ended September 30, 2003

	Balance 10/01/2002	Additions/ Adjustments	Retirements/ Adjustments	Balance 9/30/2003
Business-Type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,295,559.12	\$	\$	\$ 1,295,559.12
Total Capital Assets, Not Being Depreciated	1,295,559.12			1,295,559.12
Capital Assets Being Depreciated:				
Buildings	1,139,714.85			1,139,714.85
Improvements Other than Buildings	6,206,649.50	32,030.37		6,238,679.87
Computer and Communication Equipment	203,207.84			203,207.84
Motor Vehicle and Construction Equipment	5,994,664.98	801,683.44	(1,014,914.66)	5,781,433.76
Equipment and Furniture	96,679.14	13,279.50		109,958.64
Capital Assets Under Capital Lease		919,707.66		919,707.66
Total Capital Assets, Not Being Depreciated	13,640,916.31	1,766,700.97	(1,014,914.66)	14,392,702.62
Less Accumulated Depreciation for:				
Buildings	(340,006.08)	(38,241.14)		(378,247.22)
Improvements Other than Buildings	(3,803,228.13)	(938,197.38)		(4,741,425.51)
Computer and Communication Equipment	(187,963.48)	(7,113.36)		(195,076.84)
Motor Vehicle and Construction Equipment	(4,153,148.37)	(664,437.63)	650,057.22	(4,167,528.78)
Equipment and Furniture	(71,746.76)	(9,875.84)		(81,622.60)
Capital Assets Under Capital Lease		(174,032.72)		(174,032.72)
Total Accumulated Depreciation	(8,556,092.82)	(1,831,898.07)	650,057.22	(9,737,933.67)
Total Capital Assets, Not Being Depreciated	5,084,823.49	(65,197.10)	650,057.22	4,654,768.95
Business-Type Activities Capital Assets, Net	\$ 6,380,382.61	\$ (65,197.10)	\$ (364,857.44)	\$ 5,950,328.07

Notes to the Financial Statements
For the Year Ended September 30, 2003

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$1,709,416.87
Public Safety	931,827.20
Highway and Roads	1,592,953.41
Health	10,079.56
Welfare	7,220.76
Culture and Recreation	58,132.14
Education	24,791.16
Total Depreciation Expense - Governmental Activities	<u>\$4,334,421.10</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Solid Waste	\$1,831,898.07
Total Depreciation Expense – Business-Type Activities	<u>\$1,831,898.07</u>

Note 7 - Defined Benefit Pension Plan

A. Plan Description

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

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

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

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 per cent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2003, was 5.04 percent based on the actuarial valuation performed as of September 30, 2001.

C. Annual Pension Cost

For the year ended September 30, 2003, the Commission's annual pension cost of \$944,906.06 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2003, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2003, was 20 years.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2001	\$980,052	100%	\$0
9/30/2002	\$748,869	100%	\$0
9/30/2003	\$944,906	100%	\$0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)(*)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Percentage of Covered Payroll [(b-a)/c]
9/30/2003**	\$25,660,049	\$28,006,738	\$2,346,689	91.6%	\$14,055,915	16.7%
9/30/2002***	\$23,951,354	\$25,453,997	\$1,502,643	94.0%	\$13,129,356	11.0%
9/30/2001****	\$22,959,743	\$33,902,785	\$2,022,119	94.0%	\$18,506,184	10.9%

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

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

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

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

Note 8 - Construction and Other Significant Commitments

The Commission is in the process of completing the construction and renovation of four projects. They are as follows:

Project Name	Amount Remaining at September 30, 2003
Trail Construction	\$ 980,033.95
Renovation of Packard Hughes Building	1,787,885.65
Jail – 3 rd Floor	43,596.47
Minimum Security Facility	29,129.83
Total	<u>\$2,840,645.90</u>

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 9 - Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Baldwin County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution, which at September 30, 2003 amounted to \$63,938.81.

Note 10 - Payables

On September 30, 2003, payables for the Commission's individual major funds and nonmajor and fiduciary funds are as follows:

	Accounts Payable	Due To Other Governments	Other Payables	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$2,466,297.14	\$1,916,386.31	\$	\$4,382,683.45
Gasoline Tax Fund	754,045.26			754,045.26
2002 Warrant Construction Fund	36,712.86			36,712.86
Other Governmental Funds	164,936.51		23,215.00	188,151.51
Total – Governmental Activities	<u>\$3,421,991.77</u>	<u>\$1,916,386.31</u>	<u>\$23,215.00</u>	<u>\$5,361,593.08</u>

Notes to the Financial Statements
For the Year Ended September 30, 2003

	Accounts Payable	Total Payables
Business-Type Activities:		
Solid Waste Collection Fund	\$ 40,869.38	\$ 40,869.38
Solid Waste Fund	213,942.29	213,942.29
Total Business-Type Activities	<u>\$254,811.67</u>	<u>\$254,811.67</u>

	Accounts Payable	Total Payables
Fiduciary Funds:		
Private-Purpose Trust Funds	\$1,643,107.41	\$1,643,107.41
Agency Funds	103,298.34	103,298.34
Total	<u>\$1,746,405.75</u>	<u>\$1,746,405.75</u>

Note 11 - Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$5,182,881.62 for governmental activities and \$919,707.66 for business-type activities at September 30, 2003. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities	Business-Type Activities
September 30, 2004	\$2,314,694.63	\$100,421.17
2005	2,314,694.63	100,421.17
2006	1,484,618.78	
2007	840,601.83	
Total Minimum Lease Payments	6,954,909.87	200,842.34
Less: Amount Representing Interest	(432,714.04)	(11,419.39)
Present Value of Net Minimum Lease Payments	<u>\$6,522,195.83</u>	<u>\$189,422.95</u>

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 12 - Long-Term Debt

In November 1994, General Obligation Warrants, with a variable interest rate of 5.95 to 6.05 percent, were issued to provide funds for the construction of certain road and bridge improvements, the construction and equipping of a facility to be used by the rural transportation system, the construction and equipping of a facility to be used by the County Health Department, and the retirement of a temporary warrant. Debt payments are made by the General Fund and Gasoline Tax Fund.

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

Notes Payable: Promissory notes were used to finance property acquisition of the Koontz Building, a dirt pit for road materials, and land for use by the McBride Landfill. Debt payments are made by the General Fund.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2003:

	Debt Outstanding 10/1/2002	Issued/ Increased/ Adjusted (*)	Repaid/ Decreased	Debt Outstanding 9/30/2003	Due Within One Year
Governmental Activities					
Warrants and Notes Payable:					
General Obligation, 1994	\$ 4,070,000.00	\$	\$(1,280,000.00)	\$ 2,790,000.00	\$1,355,000.00
General Obligation, 1996	14,395,000.00		(915,000.00)	13,480,000.00	960,000.00
General Obligation, 1998	3,475,000.00		(1,100,000.00)	2,375,000.00	595,000.00
General Obligation, 1999	7,825,000.00		(1,135,000.00)	6,690,000.00	1,185,000.00
General Obligation, 2001	7,380,000.00		(115,000.00)	7,265,000.00	120,000.00
General Obligation, 2002	16,475,000.00			16,475,000.00	
General Obligation, 2002		100,000.00	(10,000.00)	90,000.00	10,000.00
Long-Term Notes Payable	80,000.00	300,000.00	(35,000.00)	345,000.00	85,000.00
Total Bonds and Notes Payable	53,700,900.00	400,000.00	(4,590,000.00)	49,510,000.00	4,310,000.00
Other Liabilities:					
Capital Leases	4,210,901.22	4,900,000.00	(2,588,705.39)	6,522,195.83	2,106,745.92
Compensated Absences	1,907,259.51		(418,860.23)	1,488,399.28	1,010,179.87
Total Other Liabilities	6,118,160.73	4,900,000.00	(3,007,565.62)	8,010,595.11	3,116,925.79
Government Activity					
Long-Term Liabilities	59,818,160.73	5,300,000.00	(7,597,565.62)	57,520,595.11	7,426,925.79
Business-Type Activities:					
Notes Payable	90,000.00		(60,000.00)	30,000.00	30,000.00
Total Notes Payable	90,000.00		(60,000.00)	30,000.00	30,000.00
Other Liabilities:					
Capital Leases	278,715.14		(89,292.19)	189,422.95	92,857.59
Compensated Absences	152,375.77	22,194.44		174,570.21	174,570.21
Estimated Liability for Landfill					
Closure/Postclosure Care Costs	1,995,361.74	125,817.98		2,121,179.72	
Total Other Liabilities	2,426,452.65	148,012.42	(89,292.19)	2,485,172.88	267,427.80
Business-Type Activity					
Long-Term Liabilities	\$ 2,516,452.65	\$ 148,012.42	\$ (149,292.19)	\$ 2,515,172.88	\$ 297,427.80
(*) An adjustment of \$300,000 is included. The adjustment is to correct "Notes Payable".					

Notes to the Financial Statements

For the Year Ended September 30, 2003

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds with funds transferred from the General, Gasoline Tax and Health Tax funds. The long-term note payable is paid by the General Fund. The capital lease liability for the governmental activities will be liquidated by the General (28%), Gasoline Tax (57%), and Reappraisal Fund (15%). The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 63% has been paid by the General Fund, 25% by the Gasoline Tax, and the remainder by the other governmental funds.

The notes payable that pertain to the Commission's business-type activities are paid by the Solid Waste Fund. Compensated Absences and Landfill Closure and Postclosure Care Costs will be liquidated by the Solid Waste Fund.

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

Fiscal Year Ending	Governmental Activities						Total Interest and Principal Requirements to Maturity
	General Obligation Warrants		Capital Leases		Notes Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2004	\$ 4,225,000.00	\$ 2,254,439.00	\$2,106,745.92	\$207,948.71	\$ 85,000.00	\$ (*)	\$ 8,879,133.63
2005	4,120,000.00	2,058,683.50	2,176,495.97	138,198.66	95,000.00		8,588,378.13
2006	4,325,000.00	1,857,810.50	1,418,615.47	66,003.31	60,000.00		7,727,429.28
2007	4,520,000.00	1,664,588.00	820,338.47	20,563.36	60,000.00		7,085,489.83
2008	4,025,000.00	1,483,802.25			45,000.00		5,553,802.25
2009-2013	13,155,000.00	5,118,123.25					18,273,123.25
2014-2018	9,450,000.00	2,376,404.75					11,826,404.75
2019-2022	5,345,000.00	550,035.50					5,895,035.50
Total	\$49,165,000.00	\$17,363,886.75	\$6,522,195.83	\$432,714.04	\$345,000.00	\$	\$73,828,796.62
(*) Interest free note							

Fiscal Year Ending	Business-Type Activities			
	Notes Payable		Capital Lease Contracts Payable	
	Principal	Interest	Principal	Interest
September 30, 2004	\$30,000.00	\$1,050.00	\$ 92,857.59	\$ 7,563.58
2005			96,565.36	3,855.81
Total	\$30,000.00	\$1,050.00	\$189,422.95	\$11,419.39

Notes to the Financial Statements

For the Year Ended September 30, 2003

Bond Issuance Costs, Deferred Charges on Refunding and Discounts

The Commission has bond issuance costs in connection with the issuance of its 2002 General Obligation Warrants. The issuance costs are being amortized using the straight-line method over a period of ten years.

	Issuance Costs
Total Issuance Costs	\$18,571.91
Amount Amortized Prior Years	
Balance Issuance Costs	18,571.91
Current Amount Amortized	1,857.19
Balance Issuance Costs	<u>\$16,714.72</u>

Note 13 - Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,121,179.72, as of September 30, 2003, which is based on 42.89% usage (filled) of the landfill. It is estimated that an additional \$2,824,785.28 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$4,945,965.00) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2003. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Commission is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The Commission is in compliance with these requirements, and at September 30, 2003, funds of \$820,043.68 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 investments held by the trustee. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 14 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim (or up to \$500,000 per claim for premises damage) for a maximum total coverage of \$3,000,000.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 15 - Interfund Receivables and Payables

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2003, were as follows:

	Due From Other Funds						
	General Fund	Gasoline Tax Fund	Debt Service Fund	Other Governmental Funds	Solid Waste Collection Fund	Solid Waste Fund	Totals
<u>Due To Other Funds</u>							
General Fund	\$	\$573,221.31	\$460.30	\$100,266.48	\$4,577.23	\$ 266,452.19	\$ 944,977.51
Gasoline Tax Fund	246,800.62			438.00		1,666.34	248,904.96
Debt Service Fund							
2002 Warrant							
Construction Fund		113,636.46					113,636.46
Oil and Gas Trust Fund	37,155.98						37,155.98
Other Governmental Funds	97,780.62	4,553.55		34,097.35		1,012.76	137,444.28
Solid Waste Collection Fund	1,221.36	793.90				1,062,089.60	1,064,104.86
Solid Waste Fund	307,052.03	32,069.77		3,893.26			343,015.06
Totals	\$690,010.61	\$724,274.99	\$460.30	\$138,695.09	\$4,577.23	\$1,331,220.89	\$2,889,239.11

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2003, were as follows:

	Transfers In						
	General Fund	Gasoline Tax Fund	Debt Service Fund	Other Governmental Funds	Solid Waste Collection Fund	Solid Waste Fund	Totals
<u>Transfers Out:</u>							
General Fund	\$	\$ 35,822.00	\$2,671,759.01	\$2,112,610.46	\$	\$8,873.00	\$ 4,829,064.47
Gasoline Tax Fund			3,289,353.77				3,289,353.77
Public Buildings, Roads and Bridges Fund		5,126,000.00					5,126,000.00
2002 Warrant							
Construction Fund		342,869.62		100,489.73			443,359.35
Oil and Gas Trust Fund	207,602.03						207,602.03
Other Governmental Funds	40,000.00	488,000.00					528,000.00
Solid Waste Fund	364,627.56		1,013,877.50		58,513.10		1,437,018.16
Totals	\$612,229.59	\$5,992,691.62	\$6,974,990.28	\$2,213,100.19	\$58,513.10	\$8,873.00	\$15,860,397.78

Notes to the Financial Statements

For the Year Ended September 30, 2003

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

Note 16 - Related Parties

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

Note 17 - Subsequent Events

On December 1, 2003, the Baldwin County Commission issued General Obligation Warrant Series 2003 for the amount of \$8,250,000.00. The warrants were authorized by the Commission in regular a session assembled December 16, 2003. Warrant closing occurred December 29, 2003.

On April 1, 2004, the Baldwin County Commission issued General Obligation Warrants, Series 2004 for the amount of \$12,075,000.00. The warrants were authorized by the Commission in regular session assembled April 6, 2004. Warrant closing occurred April 15, 2004. The 2004 Series 2004 warrants will refund a portion of the Series 1994 and Series 1996 Baldwin County General Obligation Warrants.

In the April 6, 2004 Commission Agenda Action, the Baldwin County Commission along with the Alabama Department of Transportation initiated the process for acquiring a \$13,400,000.00 county warrant issue for the purpose of 5-laning County Road 27.

Note 18 - Accounting Changes and Restatements

Changes in Accounting Principles

During the fiscal year 2003, the Commission implemented GASB Statement Number 34, ***Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments***, as amended by GASB Statement Number 37, ***Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus***, and GASB Statement Number 38, ***Certain Financial Statement Note Disclosures***. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

Notes to the Financial Statements

For the Year Ended September 30, 2003

The government-wide financial statement split the Commission's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business type activities equals fund equity for the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at October 1, 2002 caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balances

GASB Statement Number 34 eliminated the use of expendable trust funds to account for assets held by the County in a trustee capacity for other governmental units. The Excess from Land Sales Fund, Data Processing Fee Fund, Fiduciary Fund, Law Library Fund, District Attorney Fund, Worthless Check Fund, D.A. \$2 Fee Fund, D.A. Restitution Recovery, and the Donation Trust Fund have been classified as private purpose trust funds that report principal and income that benefit individuals, private organizations, or other governments. Assets of the Election Fund have been moved to the General Fund. The remaining expendable trust funds have been reclassified as special revenue funds.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Funds	Debt Service	2002 Warrant Construction Fund
Fund Balance, September 30, 2002, as Previously Reported	\$6,239,387.24	\$7,173,918.52	\$(89,839.25)	\$2,821,734.24	\$15,575,818.17
Receivable Write off					
Reclassify Prior Year Donations	(2,000.00)				
Adjust for Entry by Commission	(2,710.14)				
Adjust for Prior Year Allocation	(408,036.21)	88,369.24			
<u>Fund Reclassifications:</u>					
Special Revenue					
Agency Reclassify					
Election Fund	821.22				
Excess from Land Sales					
Data Processing Fee					
Fiduciary Fund					
Law Library Fund					
District Attorney Fund					
Worthless Check Fund					
D.A. \$2 Fee Fund					
D.A. Restitution Recovery					
Donation Trust Fund					
Fund Balance, September 30, 2002, as Restated	<u>\$5,827,462.11</u>	<u>\$7,262,287.76</u>	<u>\$(89,839.25)</u>	<u>\$2,821,734.24</u>	<u>\$15,575,818.17</u>
Capital Assets Balance, Beginning					
Effect of Accounting Change on Capital Assets					
Restatement of Capital Assets					
Long-Term Liabilities, Beginning					
Adjustment to Beginning Balance, Long-Term Note Payable					
Governmental Activities, Net Assets, September 30, 2002					
Business-Type Activities, Net Assets, September 30, 2002					
Private-Purpose Trust Funds, Net Assets, September 30, 2002					

Notes to the Financial Statements
For the Year Ended September 30, 2003

Oil and Gas Trust Fund	Other Governmental Funds	Total Governmental Funds	Enterprise Funds Solid Waste Fund	Private-Purpose Trust Funds	Expendable Trust Funds
\$8,269,283.03	\$2,454,793.24	\$42,445,095.19	\$6,486,825.52 (9,071.28)	\$	\$1,173,925.98
		(2,000.00)		2,000.00	
		(2,710.14)			
	(97,434.25)	(417,101.22)	417,101.22		
	471,849.43	471,849.43			(471,849.43)
		821.22			(22,292.62)
					(821.22)
				183,658.45	(183,658.45)
				112,204.26	(112,204.26)
				42,108.95	(42,108.95)
				20,928.60	(20,928.60)
				100,413.56	(100,413.56)
				34,864.75	(34,864.75)
				55,188.71	(55,188.71)
				129,595.43	(129,595.43)
<u>\$8,269,283.03</u>	<u>\$2,829,208.42</u>	42,495,954.48			\$
		62,476,380.19			
		(25,420,736.20)			
		639,458.53			
		(58,474,363.73)			
		<u>(300,000.00)</u>			
		<u>\$21,416,693.27</u>			
			<u>\$6,894,855.46</u>		
				<u>\$680,962.71</u>	

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Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2003***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (*)
<u>Revenues</u>			
Taxes	\$19,540,475.00	\$19,597,939.00	\$ 21,215,107.29
Licenses and Permits	989,536.00	989,536.00	1,027,561.00
Intergovernmental	1,649,074.00	1,955,155.00	2,497,327.58
Charges for Services	5,612,440.00	5,687,440.00	6,246,997.11
Fines and Forfeits			41,006.66
Miscellaneous	773,190.00	791,225.00	989,483.33
Total Revenues	28,564,715.00	29,021,295.00	32,017,482.97
<u>Expenditures</u>			
Current:			
General Government	11,299,635.00	11,188,274.00	10,786,327.64
Public Safety	12,053,753.00	12,263,908.00	11,076,058.86
Highways and Roads	10,766.00	10,766.00	13,866.33
Sanitation			268.74
Health	1,103,452.00	1,103,452.00	1,089,684.48
Welfare	12,800.00	12,800.00	2,346.89
Culture and Recreation	85,000.00	85,000.00	142,982.52
Education	174,961.00	174,961.00	171,899.48
Capital Outlay	764,264.00	2,362,642.00	693,158.79
Debt Service:			
Principal Retirement	948,425.00	948,425.00	695,355.55
Interest and Fiscal Charges			39,530.00
Intergovernmental	128,250.00	128,250.00	133,813.25
Total Expenditures	26,581,306.00	28,278,478.00	24,845,292.53
Excess (Deficiency) of Revenues Over Expenditures	1,983,409.00	742,817.00	7,172,190.44
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,138,969.00	2,485,221.00	612,229.59
Proceeds from Sale of Capital Assets			12,500.00
Other Sources			1,400,000.00
Transfers Out	(4,440,378.00)	(4,701,753.00)	(4,829,064.47)
Total Other Financing Sources (Uses)	(3,301,409.00)	(2,216,532.00)	(2,804,334.88)
Net Change in Fund Balances	(1,318,000.00)	(1,473,715.00)	4,367,855.56
Fund Balances - Beginning of Year			5,827,462.11
Fund Balances - End of Year	\$ (1,318,000.00)	\$ (1,473,715.00)	\$ 10,195,317.67

(*) The Commission Budgets on the Modified Accrual Basis of Accounting.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2003***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (*)
<u>Revenues</u>			
Taxes	\$ 6,231,500.00	\$ 6,239,500.00	\$ 7,051,086.15
Intergovernmental	3,468,250.00	4,414,168.00	3,261,295.22
Charges for Services			39,897.17
Miscellaneous	367,000.00	414,668.00	777,575.99
Total Revenues	10,066,750.00	11,068,336.00	11,129,854.53
<u>Expenditures</u>			
Current:			
Highways and Roads	11,607,949.00	13,247,034.00	6,967,872.80
Capital Outlay	3,730,000.00	3,730,000.00	6,792,596.28
Debt Service:			
Principal Retirement	1,600,000.00	1,600,000.00	1,390,375.92
Interest and Fiscal Charges			61,576.01
Total Expenditures	16,937,949.00	18,577,034.00	15,212,421.01
Excess (Deficiency) of Revenues Over Expenditures	(6,871,199.00)	(7,508,698.00)	(4,082,566.48)
<u>Other Financing Sources (Uses)</u>			
Transfers In	9,258,000.00	9,332,822.00	5,992,691.62
Proceeds from Sale of Capital Assets			70,315.67
Other Sources			3,500,000.00
Transfers Out	(3,376,801.00)	(3,376,801.00)	(3,289,353.77)
Total Other Financing Sources (Uses)	5,881,199.00	5,956,021.00	6,273,653.52
Net Changes in Fund Balances	(990,000.00)	(1,552,677.00)	2,191,087.04
Fund Balances - Beginning of Year			7,262,287.76
Fund Balances - End of Year	\$ (990,000.00)	\$ (1,552,677.00)	\$ 9,453,374.80

(*) The Commission Budgets on the Modified Accrual Basis of Accounting.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2003***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (*)
<u>Revenues</u>			
Taxes	\$ 4,860,000.00	\$ 4,860,000.00	\$ 5,188,065.12
Intergovernmental	210,000.00	210,000.00	
Miscellaneous	45,000.00	56,000.00	72,281.08
Total Revenues	5,115,000.00	5,126,000.00	5,260,346.20
<u>Other Financing Sources (Uses)</u>			
Transfers Out	(5,115,000.00)	(5,126,000.00)	(5,126,000.00)
Total Other Financing Sources (Uses)	(5,115,000.00)	(5,126,000.00)	(5,126,000.00)
Net Change in Fund Balances			134,346.20
Fund Balances - Beginning of Year			(89,839.25)
Fund Balances - End of Year	\$	\$	\$ 44,506.95

(*) The Commission Budgets on the Modified Accrual Basis of Accounting.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Direct Program</u>		
Wetlands Reserve Program	10.072	
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	690-1660
National School Lunch Program	10.555	690-1660
Sub-Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Coastal Zone Management Administration Awards (M)	11.419	NA170Z2037
<u>Passed Through Alabama Department of Environmental Management</u>		
Financial Assistance for National Centers for Coastal Ocean Science	11.426	C30571007
Total U. S. Department of Commerce		
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Community Development Block Grants/State's Program (M)	14.228	B-98-NU-01-0002
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Emergency Shelter Grants Program	14.231	ESG-03-004
Total U. S. Department of Housing and Urban Development		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1262
<u>Passed Through Alabama Emergency Management Agency</u>		
State and Local Anti-Terrorism Training	16.614	2DOJ
State and Local Anti-Terrorism Training	16.614	1DOJ
State and Local Anti-Terrorism Training	16.614	0DOJ
Sub-Total State and Local Anti-Terrorism Training		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Title V-Delinquency Prevention Program	16.548	01-JP-JC-007
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2001-09/30/2003	\$ 24,500.00	\$ 24,500.00	\$ 24,499.00	\$ 24,499.00
10/01/2002-09/30/2003	8,900.58	8,900.58	8,900.58	8,900.58
10/01/2002-09/30/2003	16,068.73	16,068.73	16,068.73	16,068.73
	24,969.31	24,969.31	24,969.31	24,969.31
	49,469.31	49,469.31	49,468.31	49,468.31
12/01/2001-11/30/2004	3,137,416.00	3,137,416.00	517,637.42	517,637.42
10/01/2002-09/30/2003	138,000.00	69,000.00	69,000.00	69,000.00
	3,275,416.00	3,206,416.00	586,637.42	586,637.42
12/07/1998-03/31/2003	981,301.00	981,301.00	509,062.81	509,062.81
05/27/2003-05/26/2005	8,000.00	8,000.00	5,497.00	5,497.00
	989,301.00	989,301.00	514,559.81	514,559.81
10/16/2002-10/15/2004	17,576.00	15,818.00	15,818.00	15,818.00
12/16/2002-05/31/2004	99,679.99	99,679.99	54,706.62	54,706.62
09/13/2002-09/30/2003	31,018.80	31,018.80	31,018.80	31,018.80
09/13/2002-09/30/2003	27,008.35	27,008.35	19,718.35	19,718.35
	157,707.14	157,707.14	105,443.77	105,443.77
10/01/2002-03/31/2004	29,062.52	19,374.63	13,531.58	13,531.58
	204,345.66	192,899.77	134,793.35	134,793.35
	\$ 4,518,531.97	\$ 4,438,086.08	\$ 1,285,458.89	\$ 1,285,458.89

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Recreational Trails Program (Eastern Shore)	20.219	HPP-1602(534)
Formula Grants for Other Than Urbanized Areas (M)	20.509	RPT-02 (17)
<u>Passed Through Alabama Emergency Management Agency</u>		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	02 HMEP 05
Total U. S. Department of Transportation		
<u>U. S. Environmental Protection Agency</u>		
<u>Direct Program</u>		
Wetland Program Development Grants	66.461	CD-984821-99-00
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Emergency Management Performance Grants	97.042	EMPG: 03-05
Public Assistance Grants	97.036	FEMA-1438-DR-AL-PA
Pre-Disaster Mitigation	97.047	PDM-005
Community Emergency Response Teams	97.054	2 CERT
Hazard Mitigation Grant	97.039	EMA-2000-DR-0095-003
Total U. S. Department of Homeland Security		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through South Alabama Regional Planning Commission</u>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2003
<u>Passed Through Alabama Emergency Management Agency</u>		
Centers for Disease Control and Prevention/ Investigations and Technical Assistance	93.283	WNV-BALDWIN
Total U. S. Department of Health and Human Services		
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property	39.003	
<u>Social Security Administration</u>		
Social Security - Disability Insurance	96.001	
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-cash Assistance

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 4,518,531.97	\$ 4,438,086.08	\$ 1,285,458.89	\$ 1,285,458.89
05/03/2000-09/30/2003	80,000.00	64,000.00	59,164.80	59,164.80
10/01/2002-09/30/2003	295,612.00	295,612.00	212,825.00	212,825.00
10/01/2002-09/30/2003	13,750.00	11,000.00	8,000.00	8,000.00
	389,362.00	370,612.00	279,989.80	279,989.80
09/01/1999-12/31/2003	271,200.00	203,400.00	89,442.99	89,442.99
10/01/2002-09/30/2003	61,118.00	49,908.00	49,908.00	49,908.00
10/09/2002-09/30/2003	558,243.77	418,682.83	253,174.04	253,174.04
08/22/2002-02/22/2004	15,000.00	15,000.00	7,500.00	7,500.00
03/26/2003-12/30/2003	60,000.00	60,000.00	8,765.33	8,765.33
02/14/2000-09/30/2003	1,396,308.00	1,047,232.00	64,638.12	64,638.12
	2,090,669.77	1,590,822.83	383,985.49	383,985.49
10/01/2002-09/30/2003	299,627.00	103,288.00	94,331.50	94,331.50
09/18/2002-03/31/2003	21,000.00	21,000.00	6,537.86	6,537.86
	320,627.00	124,288.00	100,869.36	100,869.36
10/01/2002-09/30/2003			12,927.77	12,927.77
10/01/2002-09/30/2003	800.00	800.00	800.00	800.00
	\$ 7,591,190.74	\$ 6,728,008.91	\$ 2,153,474.30	\$ 2,153,474.30

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2003***

Note 1 - Basis of Presentation

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

Note 2 - CDBG Program

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2002 through September 30, 2003

Commission Members			Term Expires
Hon. Allen D. Perdue*	Chairman	Post Office Box 189 Daphne, AL 36526	November 8, 2004
Hon. Jonathan H. Armstrong**	Chairman	101 Colonial Court Daphne, AL 36526	November 8, 2004
Hon. David Ed Bishop	Member	687 Greenwood Ave. Fairhope, AL 36532	November 8, 2004
Hon. Charles A. Browdy	Member	1929 Highway 180 W. Gulf Shores, AL 36542	November 8, 2004
Hon. Thomas F. Burt, Jr.	Member	46780 Rock Hill Rd. Bay Minette, AL 36507	November 8, 2004
Hon. Teddy Joe Faust	Member	20452 Beecher St. Fairhope, AL 36532	November 5, 2002
Hon. George A. Price	Member	11600 George Price Ln. Lillian, AL 36549	November 8, 2004
Hon. Mary Frances Stewart	Member	Deceased	
<u>Administrative Personnel</u>			
Robert W. Koncar	County Administrator	828 Bia Formia Dr. Punta Gorda, FL 33950	Terminated October 22, 2002
Locke W. Williams	Clerk/ Treasurer	696 Greenwood Ave. Fairhope, AL 36532	Indefinite

(*) Chairman through November 11, 2002.

(**) Chairman beginning November 11, 2002.

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

We have audited the financial statements of the Baldwin County Commission as of and for the year ended September 30, 2003, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baldwin County Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Baldwin County Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

October 8, 2004

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

Compliance

We have audited the compliance of the Baldwin County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The Baldwin County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion on the Baldwin County Commission's compliance based on our audit.

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

In our opinion, the Baldwin County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

October 8, 2004

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.419	Coastal Zone Management Administrative Awards
14.228	Community Development Block Grant/ State's Program
20.509	Formula Grants for Other Than Urbanized Areas

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

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2003-1	Internal Control	<p><u>Finding:</u> The Commission had both accounts receivable and non-sufficient check (NSF) checks receivable that had been outstanding for a lengthy period of time. The Commission appeared not to have taken measures to verify or resolve these outstanding items.</p> <p><u>Recommendation:</u> The Commission should periodically review and resolve the accounts receivables and NSF checks receivable.</p>	
2003-2	Internal Control	<p><u>Finding:</u> The allowance for doubtful accounts did not appear to have been reviewed and adjusted for fiscal year 2003.</p> <p><u>Recommendation:</u> The Commission should ensure that the allowance for doubtful accounts balance is appropriately adjusted at year-end.</p>	
2003-3	Internal Control	<p><u>Finding:</u> The Commission's inventory account did not reconcile to the physical inventory on hand at year-end. Audit adjustments were made to reflect the actual inventory balance at September 30, 2003.</p> <p><u>Recommendation:</u> The Commission should ensure that the general ledger inventory account accurately reflects the physical inventory count.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2003-4	Internal Control	<p><u>Finding:</u> Adequate controls did not exist to account for the Commission's capital assets. A physical inventory of the capital assets was not performed during the audit period. Deletions of capital assets were not reflected in the General Fixed Assets Account Group and subsidiary capital asset listing. Also, the balances in the General Fixed Assets Account Group did not reconcile to the capital asset subsidiary listing. Additionally, the Commission did not perform a reconciliation of capital outlay expenditures to current year additions to capital assets subsidiary listing and correct accounting entries were not made for capital outlay. Audit adjustments were made to accurately reflect capital assets.</p> <p><u>Recommendation:</u> The Commission should implement controls over capital assets sufficient to ensure that balances are accurately recorded in the accounting records.</p>	
2003-5	Internal Control	<p><u>Finding:</u> Documentation was not available to support the entire amount recorded as accounts payable.</p> <p><u>Recommendation:</u> The Commission should retain sufficient documentation to support the accounts payable balances.</p>	

Section III – Federal Awards Findings and Questioned Costs

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

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Auditee Response/Corrective Action Plan



COUNTY COMMISSION

BALDWIN COUNTY
312 COURTHOUSE SQUARE, SUITE 11
BAY MINETTE, ALABAMA 36507
(251) 937-0282
FAX (251) 580-2514
lwilliams@co.baldwin.al.us

CLERK/TREASURER
LOCKE W. WILLIAMS

February 23, 2005

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

SUBJECT: AUDITEE RESPONSE FOR THE PERIOD OCTOBER 1, 2002 THROUGH
SEPTEMBER 30, 2003

Dear Mr. Jones:

Corrective Action Plan ***For the Year Ended September 30, 2003***

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non Profit Organizations*, Section .315(c), the Baldwin County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2003.

Finding
Ref.
No.

Corrective Action Plan Details

2003-1 Finding: The Commission had both accounts receivable and non-sufficient check (NSF) checks receivable that had been outstanding for a lengthy period of time. The Commission appeared to have not taken measures to verify or resolve these outstanding items.

Response: Both of these categories of receivables are now being reconciled and detailed on a monthly basis by Accounting staff. For many years the Commission has utilized the District Attorney's Worthless Check Unit for NSF check collection, and recently the Commission has contractually engaged an agency to assist with the collection of aged Solid Waste Department receivables. Procedures will be established to determine when an individual receivable needs to be written off as an expense.

2003-2 Finding: The allowance for doubtful accounts did not appear to have been reviewed and adjusted for fiscal year 2003.

Response: In consultation with the relevant Commission Department, the allowance for doubtful accounts has been reviewed and adjusted by the Accounting Department for fiscal year 2004. Such review and adjustment is now part of the written fiscal year-end closing procedures.

2003-3 Finding: The Commission's inventory account did not reconcile to the physical inventory on hand at year-end. Audit adjustments were made to reflect the actual inventory balance at September 30, 2003.

Response: A physical inventory is being conducted on a regular basis during the year. Entries will be made by Accounting staff to reconcile any differences between the physical and perpetual inventories.

2003-4 Finding: Procedures were not in place to ensure that deletions of capital assets were reflected in the Commission's subsidiary records. Also, the capital asset balances reflected in the general ledger control accounts did not reconcile to the capital asset subsidiary listing. Audit adjustments were made to correct capital assets balances.

Response: Current Accounting Department procedures are as follows. As capital assets are disposed of, entries are being made in the subsidiary records by Accounting staff to remove these assets. Additionally, the fixed asset account group in the general ledger is adjusted for these transactions. Each County Department is supplied a listing of those capital assets assigned to them and instructed to verify the accuracy of the listing. Any discrepancies are accounted for in the subsidiary record and the general ledger control group.

2003-5 Finding: Documentation was not available to support the entire amount recorded as accounts payable.

Response: The generation of certain time-sensitive computer reports that must be run on the last day of the fiscal year to be accurate are now part of written closing procedures. A reconciliation will be conducted to account for any discrepancies. If necessary, entries will be recorded to accurately reflect the correct balances.

Other Matters in Report to the Chief Examiner
For the Year Ended September 30, 2003

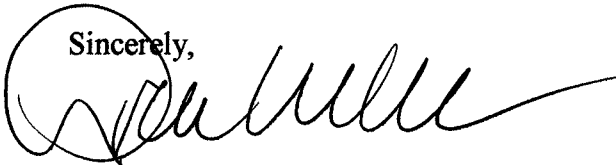
Finding: The Commission did not follow the accounting guidelines prescribed by the Chief Examiner of Public Accounts or its own policy, governing credit card usage.

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

Finding: The Commission has a policy pertaining to time cards which states that supervisors are responsible for signing the time cards thereby affirming that each time card is true and correct before submitting it to the Personnel Department. In testing payroll, it was noted that some of the employees tested did not have appropriate supervisor approval of their time cards.

Response: Supervisors have been directed to properly follow the Commission's policy for review and approval of time cards. When processing each biweekly payroll, the Personnel Department is contacting any supervisor who has a deficiency related to this policy to obtain proper supervisory time card review and approval.

Sincerely,

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

Locke W. Williams
Clerk/Treasurer

LWW/lww