

Report on the

# Baldwin County Commission

Baldwin County, Alabama

October 1, 2011 through September 30, 2012

Filed: June 28, 2013



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





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 41-5-21, we submit this report on the results of the audit of the Baldwin County Commission, Baldwin County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this  
the 12<sup>th</sup> day of June, 2013.

Jam E Hall  
Notary Public  
My Commission Expires

Sworn to and subscribed before me this  
the 12<sup>th</sup> day of June, 2013.

Jam E Hall  
Notary Public  
My Commission Expires

rb

July 23, 2014

Respectfully submitted,

Whitney B. Atchison

Whitney B. Atchison  
Examiner of Public Accounts

M. Lynn Benson

M. Lynn Benson  
Examiner of Public Accounts



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Baldwin County Commission  
October 1, 2011 through September 30, 2012**

The Baldwin County Commission (the "Commission") is governed by a four-member body elected by the citizens of Baldwin County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Baldwin County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unqualified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2012.

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

The following officials/administrative personnel were invited to an exit conference to discuss this report: Administrator of the County Commission: David A. Z. Brewer; County Commissioners: Frank Burt, Jr., Charles F. Gruber, Robert James and Tucker Dorsey; Clerk/Treasurer: Kimberly W. Creech.

The following individuals attended the exit conference, held at the offices of the County Commission: Administrator of the County Commission: David A. Z. Brewer; Commissioners: Charles F. Gruber, Robert James and Frank Burt, Jr.; and Clerk/Treasurer: Kimberly W. Creech. Also in attendance were representatives from the Department of Examiners of Public Accounts: Christina Smith, Audit Manager and Lynn Benson, Examiner.

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*Independent Auditor's Report*

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Baldwin County Commission as listed in the table of contents as Exhibits 1 through 11. These financial statements are the responsibility of the Baldwin County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

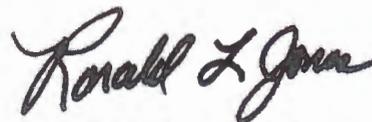
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013 on our consideration of the Baldwin County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual and Schedules of Funding Progress (Exhibits 12 through 15) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 16) 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

May 30, 2013

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

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

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

The Management Discussion and Analysis (MD&A) focuses on the activities of the Baldwin County Commission for the fiscal year ended September 30, 2012. The reader should consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

### **Financial Highlights**

Baldwin County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$315,463,382.49 in Governmental Activities and \$24,732,664.23 in Business-Type Activities for a total of \$340,196,046.72. Of these amounts \$46,389,155.07 and \$11,863,891.15 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 \$25,881,868.02 or 8.9% for Governmental Activities and decreased by \$39,705.91 or 0.2% for Business-Type Activities. The total net assets increased by \$25,842,162.11 or 8.2%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$78,279,801.06 which reflects a decrease of \$1,471,012.07 or 1.8% below the prior year.

Total long-term liabilities for the Baldwin County Commission for governmental activities increased by a net of \$16,155,030.31 or 14.0%, during the current fiscal year and total long-term liabilities for business-type activities decreased by a net of \$430,591.12 or 7.9%, as described in Note 9 in the Notes to the Financial Statements.

## **Overview of Financial Statements**

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

Government-wide financial statements

Fund financial statements

Proprietary Funds statements

Fiduciary Funds statements

Notes to financial statements

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

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

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

## **Proprietary Funds Statements**

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

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

## **Fiduciary Funds Statements**

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

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

Required supplementary information is expressed in Exhibits #12 (Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – General Fund) and Exhibit #13 (Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – Gasoline Tax 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. Also Exhibits #14, #15, and #16 provide information on the County's Defined Benefit Pension Plan, Other Postemployment Benefits, and Expenditures of Federal Awards.

## **Additional Information**

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

Governmental Accounting Standards Board (GASB) Statement 54 was implemented for the fiscal year ended September 30, 2011. Two major differences in presentation need to be noted. First, the categorization and grouping of the general ledger funds is different in fiscal year ended September 30, 2011 and fiscal years thereafter compared to previous fiscal years i.e. the items that make up "General Fund" will be different. Second the classifications within Fund Balance are different for fiscal years ended September 30, 2011 and fiscal years thereafter compared to previous years.

## **Government-wide Financial Analysis**

The County governmental net assets increased by \$25,881,868.02 and the business-type net assets decreased by \$39,705.91 for a total net increase of \$25,842,162.11. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$340,196,046.72 as of the fiscal year ending September 30, 2012.

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

**Statement of Net Assets  
Comparative Analysis**

	<b>Governmental Activities</b>			
	<b>As Of 9/30/2012</b>	<b>As Of 9/30/2011</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$101,732,151.81	\$99,118,780.81	\$2,613,371.00	2.6%
Noncurrent Assets	394,523,929.81	354,143,768.14	40,380,161.67	11.4%
<b>Total Assets</b>	<b>\$496,256,081.62</b>	<b>\$453,262,548.95</b>	<b>\$42,993,532.67</b>	<b>9.5%</b>
Current Liabilities	\$56,904,639.44	\$57,594,000.41	(\$689,360.97)	-1.2%
Noncurrent Liabilities	123,888,059.69	106,087,034.07	17,801,025.62	16.8%
<b>Total Liabilities</b>	<b>180,792,699.13</b>	<b>163,681,034.48</b>	<b>17,111,664.65</b>	<b>10.5%</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	247,398,758.26	219,349,432.50	28,049,325.76	12.8%
Restricted	21,675,469.16	21,992,134.21	(316,665.05)	-1.4%
Unrestricted	46,389,155.07	48,239,947.76	(1,850,792.69)	-3.8%
<b>Total Net Assets</b>	<b>315,463,382.49</b>	<b>289,581,514.47</b>	<b>25,881,868.02</b>	<b>8.9%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$496,256,081.62</b>	<b>\$453,262,548.95</b>	<b>\$42,993,532.67</b>	<b>9.5%</b>
	<b>Business Type Activities</b>			
	<b>As Of 09/30/12</b>	<b>As Of 09/30/11</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$17,414,528.46	\$16,898,475.09	\$516,053.37	3.1%
Noncurrent Assets	12,867,673.08	13,755,033.38	(887,360.30)	-6.5%
<b>Total Assets</b>	<b>\$30,282,201.54</b>	<b>\$30,653,508.47</b>	<b>(\$371,306.93)</b>	<b>-1.2%</b>
Current Liabilities	\$953,500.34	\$1,456,690.45	(\$503,190.11)	-34.5%
Noncurrent Liabilities	4,596,036.97	4,424,447.88	171,589.09	3.9%
<b>Total Liabilities</b>	<b>5,549,537.31</b>	<b>5,881,138.33</b>	<b>(331,601.02)</b>	<b>-5.6%</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,551,905.53	11,593,479.89	(1,041,574.36)	-9.0%
Restricted	2,316,867.55	2,161,553.49	155,314.06	7.2%
Unrestricted	11,863,891.15	11,017,336.76	846,554.39	7.7%
<b>Total Net Assets</b>	<b>24,732,664.23</b>	<b>24,772,370.14</b>	<b>(39,705.91)</b>	<b>-0.2%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$30,282,201.54</b>	<b>\$30,653,508.47</b>	<b>(\$371,306.93)</b>	<b>-1.2%</b>

	<b>Total Activities</b>			
	<b>As Of 09/30/12</b>	<b>As Of 09/30/11</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$119,146,680.27	\$116,017,255.90	\$3,129,424.37	2.7%
Noncurrent Assets	407,391,602.89	367,898,801.52	39,492,801.37	10.7%
<b>Total Assets</b>	<b>\$526,538,283.16</b>	<b>\$483,916,057.42</b>	<b>\$42,622,225.74</b>	<b>8.8%</b>
Current Liabilities	\$57,858,139.78	\$59,050,690.86	(\$1,192,551.08)	-2.0%
Noncurrent Liabilities	128,484,096.66	110,511,481.95	17,972,614.71	16.3%
<b>Total Liabilities</b>	<b>186,342,236.44</b>	<b>169,562,172.81</b>	<b>16,780,063.63</b>	<b>9.9%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	257,950,663.79	230,942,912.39	27,007,751.40	11.7%
Restricted	23,992,336.71	24,153,687.70	(161,350.99)	-0.7%
Unrestricted	58,253,046.22	59,257,284.52	(1,004,238.30)	-1.7%
<b>Total Net Assets</b>	<b>340,196,046.72</b>	<b>314,353,884.61</b>	<b>25,842,162.11</b>	<b>8.2%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$526,538,283.16</b>	<b>\$483,916,057.42</b>	<b>\$42,622,225.74</b>	<b>8.8%</b>

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

### **Statement of Activities**

The following schedules compare the revenues and expenses for the current and previous years. Governmental Activities increased the County's net assets by \$25,881,868.02 and Business-Type Activities decreased net assets by \$39,705.91 for an overall increase of \$25,842,162.11. Property Taxes, Charges for Services, and Sales Tax account for the major portion of revenues. Operating and Capital Grants and Contributions, and Gasoline Taxes were also key revenue sources. Cost control also contributed to the increase in net assets.

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

**Changes in Net Assets  
Comparative Analysis**

	Governmental		Activities	
	As Of 9/30/2012	As Of 9/30/2011	Amount Of Change	Percent Of Change
<b>REVENUES</b>				
Program Revenues				
Charges for Services	12,960,956.21	11,874,692.65	1,086,263.56	9.1%
Operating Grants & Contributions	7,184,382.56	16,885,928.35	(9,701,545.79)	-57.5%
Capital Grants & Contributions	4,778,185.55	21,805,688.10	(17,027,502.55)	-78.1%
General Revenues				
Property Taxes	32,900,217.07	35,508,615.53	(2,608,398.46)	-7.3%
General Sales Tax	10,018,491.43	10,105,124.86	(86,633.43)	-0.9%
Special Sales Tax	698,929.33	485,128.74	213,800.59	44.1%
County Gasoline Sales Tax	6,949,388.86	7,018,882.19	(69,493.33)	-1.0%
Miscellaneous Taxes	11,546,484.79	4,938,941.68	6,607,543.11	133.8%
Grants and Contributions not Restricted for Specific Purposes	1,847,593.16	1,217,307.91	630,285.25	51.8%
Unrestricted Investment Earnings	1,055,854.76	1,190,472.19	(134,617.43)	-11.3%
Miscellaneous	12,414,949.60	2,846,290.22	9,568,659.38	336.2%
Gain on Disposition of Capital Assets	72,826.49	413,257.24	(340,430.75)	-82.4%
Transfers & Contributions	990,504.91	1,152,653.88	(162,148.97)	-14.1%
Total Revenues	<u>103,418,764.72</u>	<u>115,442,983.54</u>	<u>(12,024,218.82)</u>	-10.4%
<b>EXPENSES</b>				
Program Activities				
General Government	25,761,391.53	34,118,365.12	(8,356,973.59)	-24.5%
Public Safety	26,412,472.14	26,548,377.90	(135,905.76)	-0.5%
Highways & Roads	15,597,761.77	17,360,248.41	(1,762,486.64)	-10.2%
Sanitation	387,584.64	17,587.23	369,997.41	2103.8%
Health	2,598,460.69	2,736,241.65	(137,780.96)	-5.0%
Welfare	465,827.99	669,012.61	(203,184.62)	-30.4%
Culture & Recreation	1,137,526.23	1,249,647.40	(112,121.17)	-9.0%
Education	324,322.09	105,374.70	218,947.39	207.8%
Interest on Long Term Debt	4,851,549.62	5,005,279.58	(153,729.96)	-3.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	0.00	0.00	0.00	0.0%
Total Expenses	<u>77,536,896.70</u>	<u>87,810,134.60</u>	<u>(10,273,237.90)</u>	-11.7%
Increase (Decrease) in Net Assets	25,881,868.02	27,632,848.94	(1,750,980.92)	-6.3%
Net Assets Beg. of Year	<u>289,581,514.47</u>	<u>261,948,665.53</u>	<u>27,632,848.94</u>	10.5%
Net Assets End of Year	<u>315,463,382.49</u>	<u>289,581,514.47</u>	<u>25,881,868.02</u>	8.9%

	<b>Business Type Activities</b>			
	<b>As Of 9/30/2012</b>	<b>As Of 9/30/2011</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	11,021,495.79	11,450,688.25	(429,192.46)	-3.7%
Operating Grants & Contributions	0.00	293.08	(293.08)	-100.0%
General Revenues				
Unrestricted Investment Earnings	0.00	187,707.64	(187,707.64)	-100.0%
Miscellaneous	360,618.69	335,202.84	25,415.85	7.6%
Gain on Disposition of Capital Assets	1,050.00	15,451.70	(14,401.70)	-93.2%
Transfers & Contributions	(990,504.91)	(1,152,653.88)	162,148.97	-14.1%
Total Revenues	<u>10,392,659.57</u>	<u>10,836,689.63</u>	<u>(444,030.06)</u>	-4.1%
<b>EXPENSES</b>				
Landfill	<u>10,432,365.48</u>	<u>10,879,541.28</u>	<u>(447,175.80)</u>	-4.1%
Total Expenses	<u>10,432,365.48</u>	<u>10,879,541.28</u>	<u>(447,175.80)</u>	-4.1%
Increase (Decrease) in Net Assets	(39,705.91)	(42,851.65)	3,145.74	-7.3%
Net Assets Beg. of Year	<u>24,772,370.14</u>	<u>24,815,221.79</u>	<u>(42,851.65)</u>	-0.2%
Net Assets End of Year	<u>24,732,664.23</u>	<u>24,772,370.14</u>	<u>(39,705.91)</u>	-0.2%

	<b>Total Activities</b>			
	<b>As Of 9/30/2012</b>	<b>As Of 9/30/2011</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	23,982,452.00	23,325,380.90	657,071.10	2.8%
Operating Grants & Contributions	7,184,382.56	16,886,221.43	(9,701,838.87)	-57.5%
Capital Grants & Contributions	4,778,185.55	21,805,688.10	(17,027,502.55)	-78.1%
General Revenues				
Property Taxes	32,900,217.07	35,508,615.53	(2,608,398.46)	-7.3%
General Sales Tax	10,018,491.43	10,105,124.86	(86,633.43)	-0.9%
Special Sales Tax	698,929.33	485,128.74	213,800.59	44.1%
County Gasoline Sales Tax	6,949,388.86	7,018,882.19	(69,493.33)	-1.0%
Miscellaneous Taxes	11,546,484.79	4,938,941.68	6,607,543.11	133.8%
Grants and Contributions not Restricted for				
Specific Purposes	1,847,593.16	1,217,307.91	630,285.25	51.8%
Unrestricted Investment Earnings	1,055,854.76	1,378,179.83	(322,325.07)	-23.4%
Miscellaneous	12,775,568.29	3,181,493.06	9,594,075.23	301.6%
Gain on Disposition of Capital Assets	73,876.49	428,708.94	(354,832.45)	-82.8%
Transfers & Contributions	0.00	0.00	0.00	0.0%
Total Revenues	<u>113,811,424.29</u>	<u>126,279,673.17</u>	<u>(12,468,248.88)</u>	-9.9%
<b>EXPENSES</b>				
Program Activities				
General Government	25,761,391.53	34,118,365.12	(8,356,973.59)	-24.5%
Public Safety	26,412,472.14	26,548,377.90	(135,905.76)	-0.5%
Highways & Roads	15,597,761.77	17,360,248.41	(1,762,486.64)	-10.2%
Sanitation	387,584.64	17,587.23	369,997.41	2103.8%
Health	2,598,460.69	2,736,241.65	(137,780.96)	-5.0%
Welfare	465,827.99	669,012.61	(203,184.62)	-30.4%
Culture & Recreation	1,137,526.23	1,249,647.40	(112,121.17)	-9.0%
Education	324,322.09	105,374.70	218,947.39	207.8%
Interest on Long Term Debt	4,851,549.62	5,005,279.58	(153,729.96)	-3.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	10,432,365.48	10,879,541.28	(447,175.80)	-4.1%
Total Expenses	<u>87,969,262.18</u>	<u>98,689,675.88</u>	<u>(10,720,413.70)</u>	-10.9%
Increase (Decrease) in Net Assets	25,842,162.11	27,589,997.29	(1,747,835.18)	-6.3%
Net Assets Beg. of Year	<u>314,353,884.61</u>	<u>286,763,887.32</u>	<u>27,589,997.29</u>	9.6%
Net Assets End of Year	<u>340,196,046.72</u>	<u>314,353,884.61</u>	<u>25,842,162.11</u>	8.2%

Charges for Services account for 21.1% and Property Taxes account for 28.9% of total County revenues of \$113,811,424.29 for the fiscal year ended September 30, 2012. Property Taxes were less than the previous year by 7.3% for the fiscal year ended September 30, 2012. Total expenses for the County were \$87,969,262.18. Of this amount 29.3% went towards General Government, 30.0% towards Public Safety, and 17.7% towards Highways and Roads.

The following comments are meant to serve as clarification of the comparison of the current year's revenue to the previous year's revenue. Variances of 20% and greater are considered significant and are explained below. Variances below 20% may be explained below if they provide necessary clarity in comprehending the financial picture. Items not included below are considered normal and routine.

**1. Operating Grants & Contributions and Capital Grants & Contributions:**

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

**2. Special Sales Tax:**

The year ended September 30, 2012 saw an increase in collections from the State of Alabama. Although the percent increase appears large, the actual dollars are not significant in the overall analysis of revenue.

**3. Miscellaneous Taxes:**

Due to increased economic activity and rebounding tourism, miscellaneous taxes such as excise tax, mortgage/deed tax, severed materials tax, etc increased significantly from the prior period.

**4. Grants and Contributions not Restricted for Specific Purposes:**

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

**5. Miscellaneous Revenue:**

This category is the culmination of numerous and diverse revenue sources. Many of these items are one time occurrences and thus make it difficult to compare one period to another. Two primary items are responsible for this substantial increase. First the County received a settlement from BP related to the 2010 Oil Spill in the net amount of \$6.4 million dollars. Second, the County received a donated land parcel valued at \$1.5 million dollars.

**6. Gain on Disposition of Capital Assets:**

The amount of gain is influenced by factors such as the number of assets disposed, the types of assets, the book value of the assets, and the condition of the assets. There were more items of heavy equipment disposed in the previous year than this year and this accounts for the decrease.

**7. Transfers:**

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

The following comments are meant to serve as clarification of the comparison of the current year's expenses to the previous year's expenses. Variances of 20% and greater are considered significant and are explained below. Variances below 20% may be explained below if they provide necessary clarity in comprehending the financial picture. Items not included below are considered normal and routine.

**1. General Government:**

The decrease was primarily the result of reduced grant activity. Operational grants are applicable to general government and fluctuate due to Federal and State funding. Note the decrease in operational grant revenue in the revenue section.

**2. Sanitation:**

The County obtained a CDBG Grant and a grant from ADECA related to sanitation and this accounts for the increased expenditures in this category.

**3. Welfare:**

The County obtained a Youth Advocate Program Grant related to welfare in the prior year and not in the current year. This is the primary reason for the decrease.

**4. Education:**

The County obtained a Youth Advocate Program Grant related to education and this accounted for the increase.

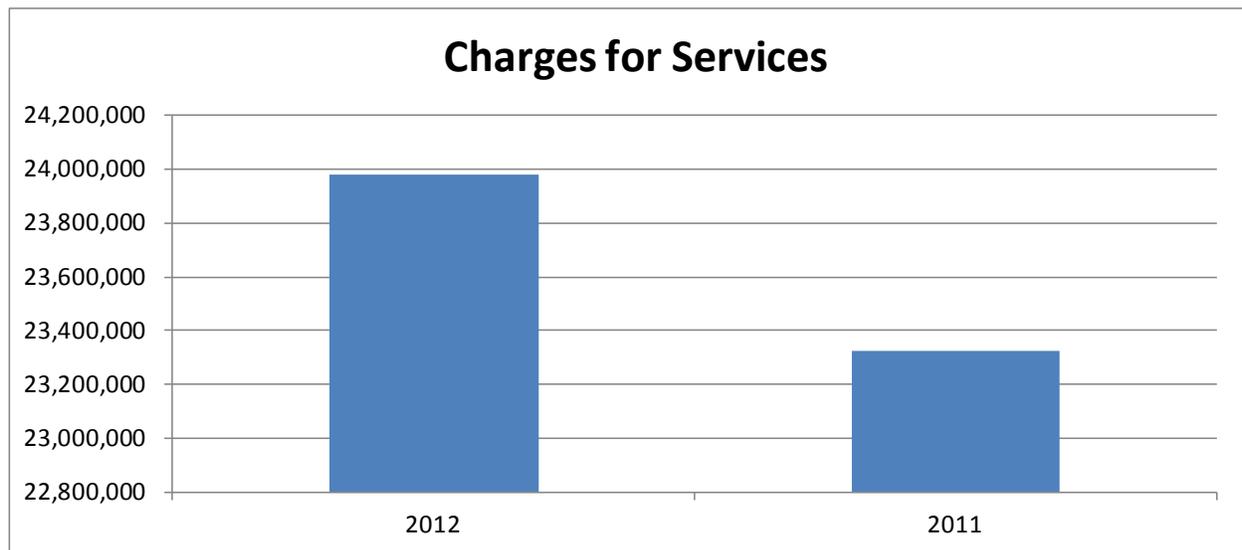
For the fiscal years ended September 30, 2012 and September 30, 2011, the following Attachment A is a graphic comparison of County sources of revenues, and the following Attachment B is a graphic comparison of County expenditures by activity.

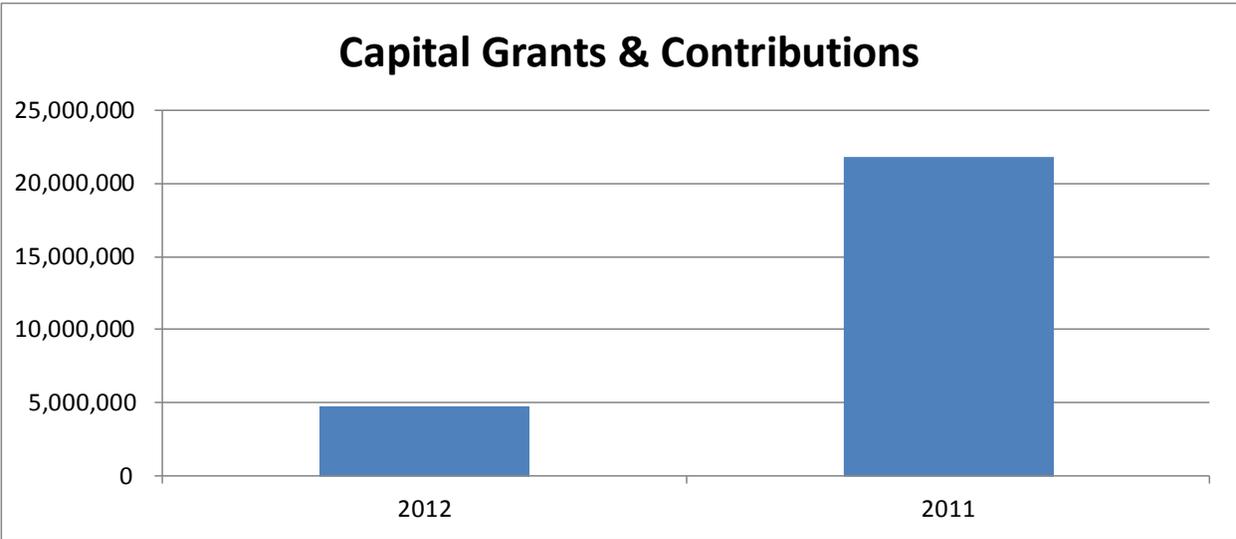
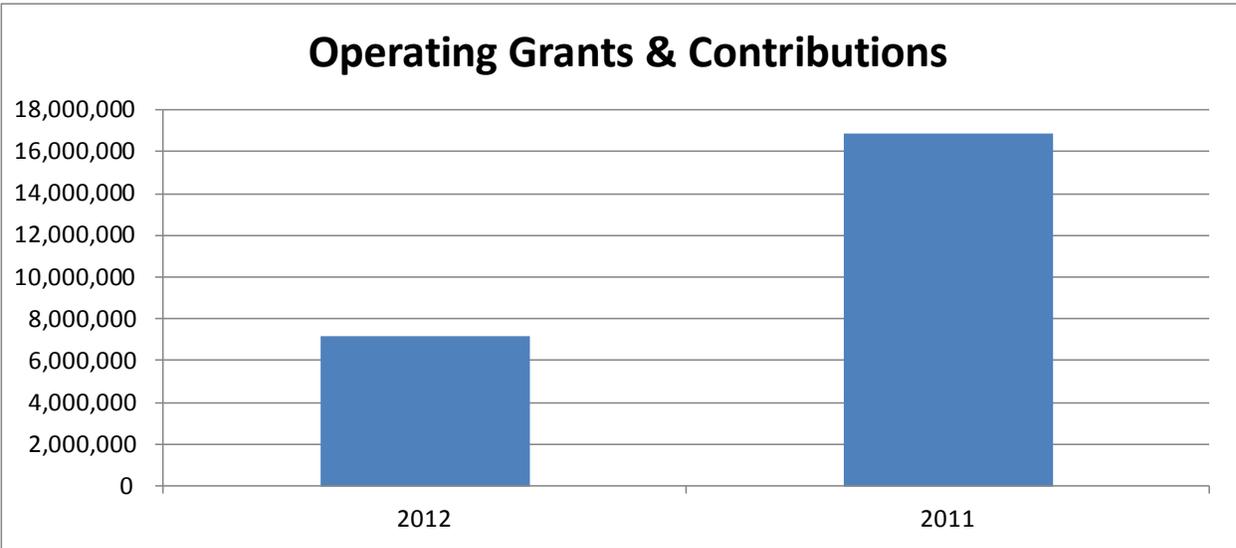
**“ATTACHMENT A”  
AND  
“ATTACHMENT B”  
CAN BE FOUND  
ON THE FOLLOWING SEVEN PAGES**

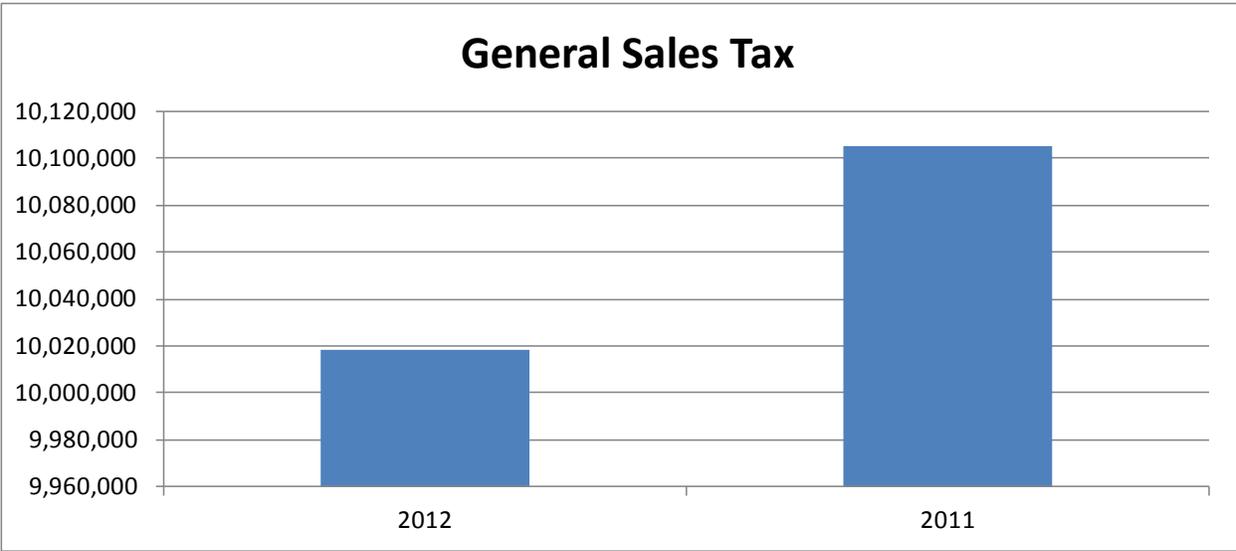
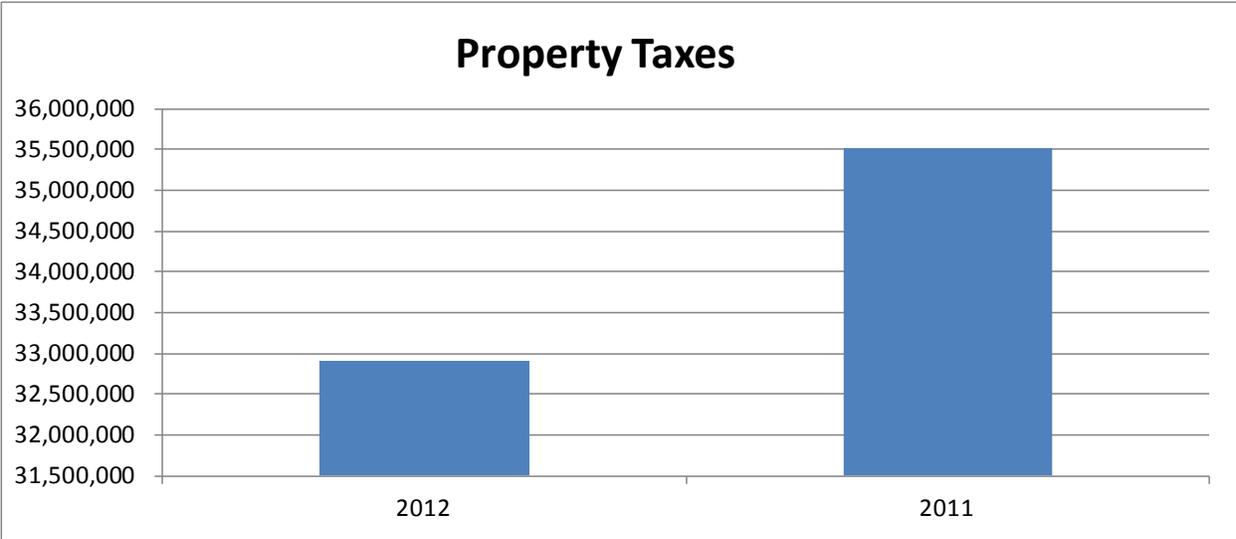
## ATTACHMENT A

### BALDWIN COUNTY COMMISSION SOURCES OF REVENUE YEAR COMPARISON

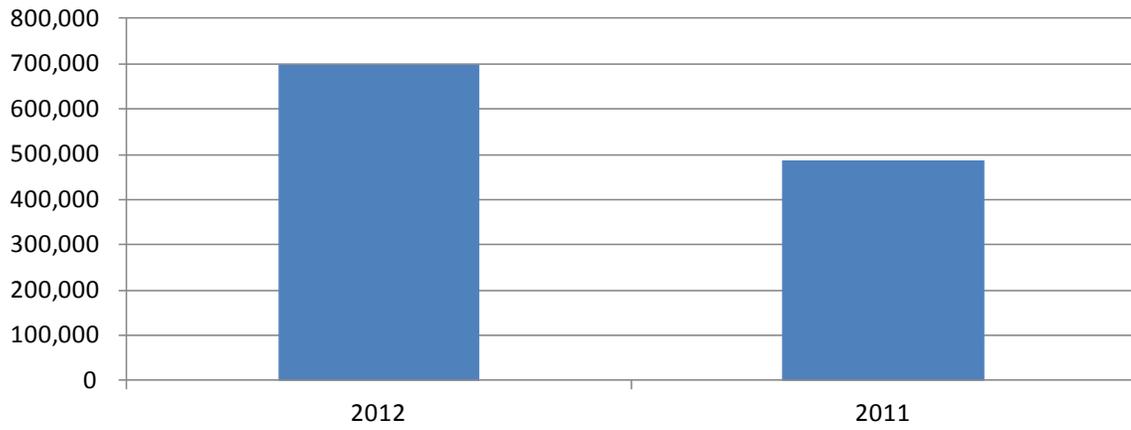
	As Of 9/30/2012	As Of 9/30/2011
Charges for Services	23,982,452	23,325,381
Operating Grants & Contributions	7,184,383	16,886,221
Capital Grants & Contributions	4,778,186	21,805,688
Property Taxes	32,900,217	35,508,616
General Sales Tax	10,018,491	10,105,125
Special Sales Tax	698,929	485,129
County Gasoline Sales Tax	6,949,389	7,018,882
Miscellaneous Taxes	11,546,485	4,938,942
Grants and Contributions not Restricted	1,847,593	1,217,308
Unrestricted Investment Earnings	1,055,855	1,378,180
Miscellaneous	12,775,568	3,181,493
Gain on Disposition of Capital Assets	73,876	428,709
<b>Total Revenues</b>	<b>\$ 113,811,424</b>	<b>\$ 126,279,673</b>



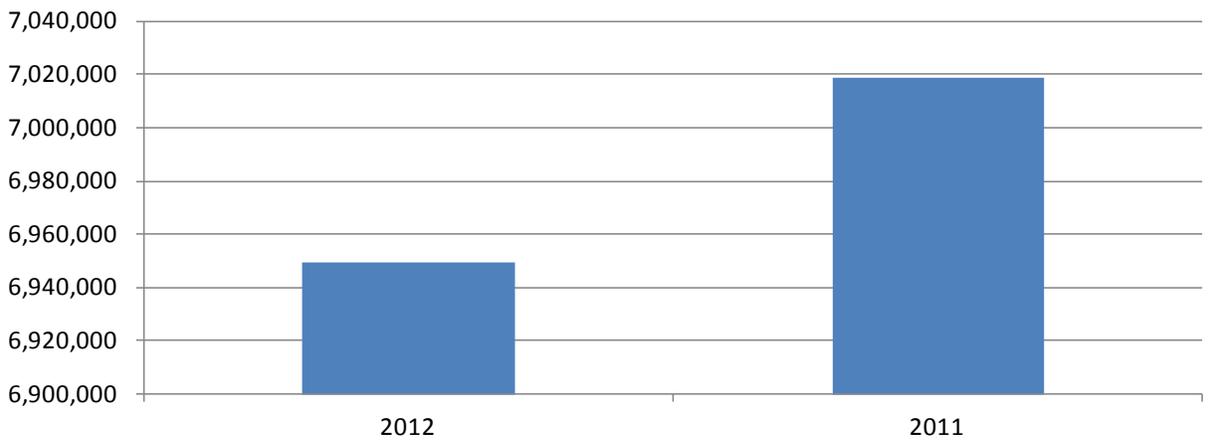


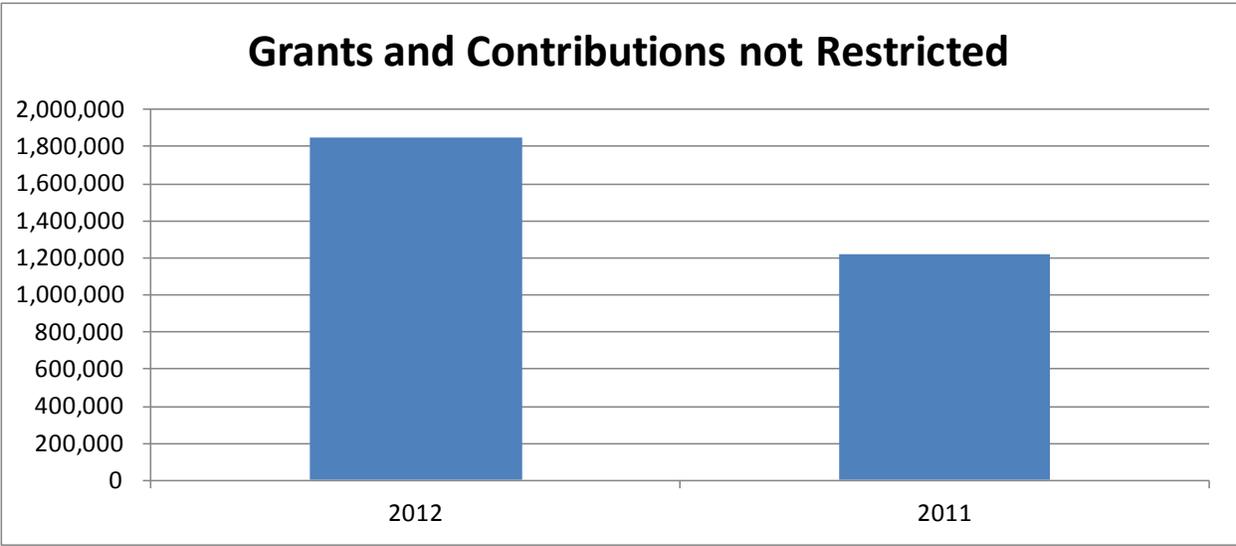
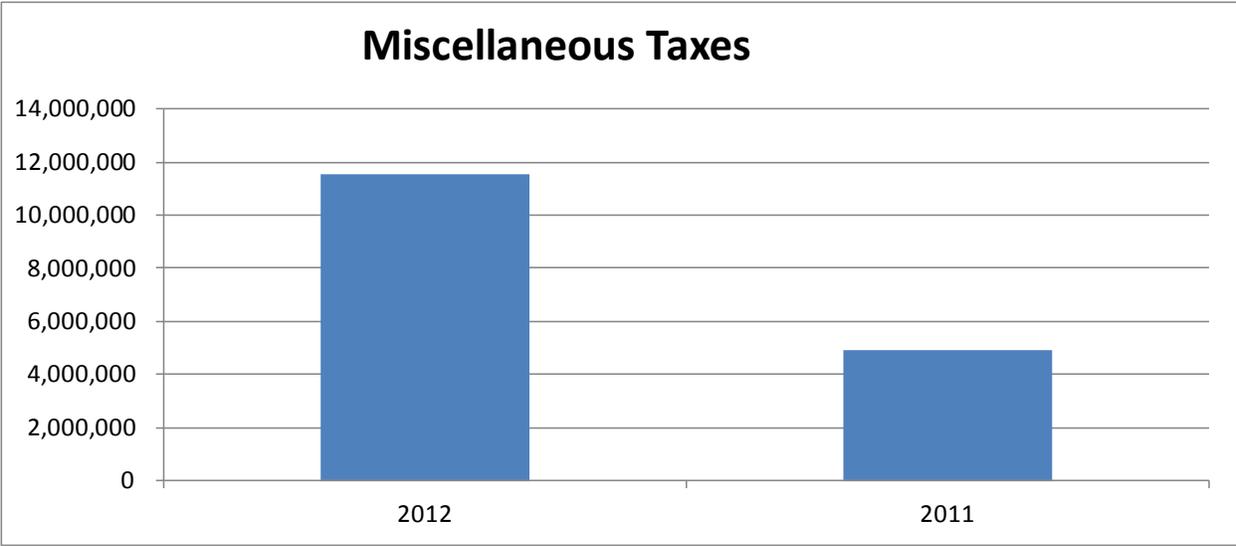


### Special Sales Tax

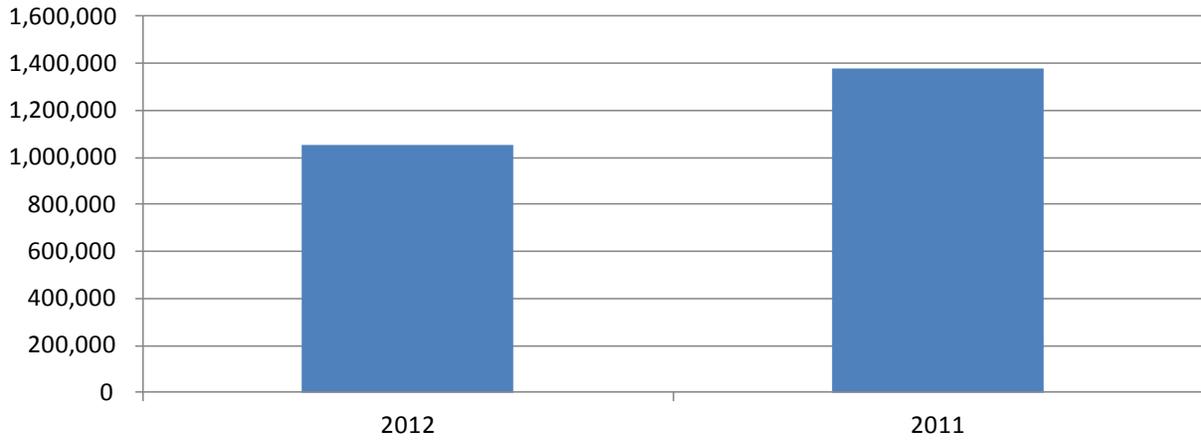


### County Gasoline Sales Tax

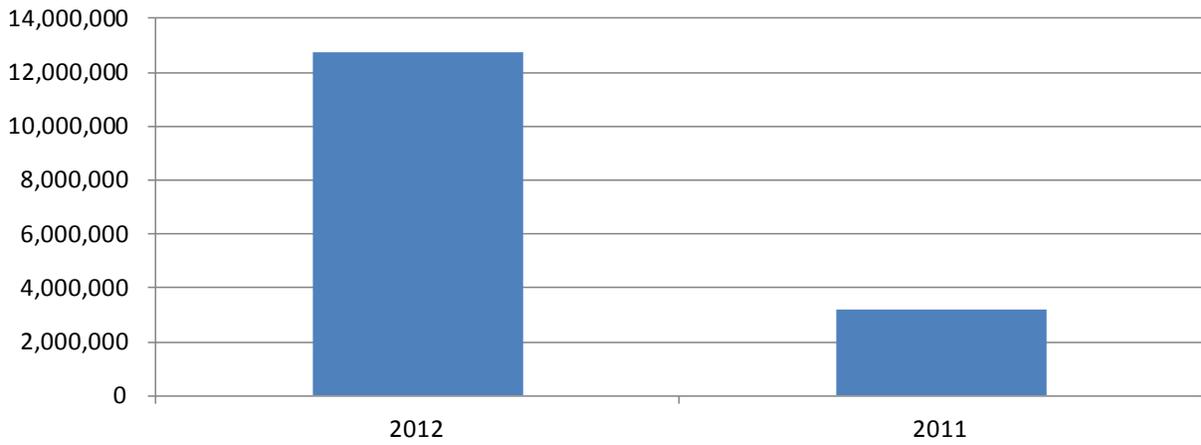




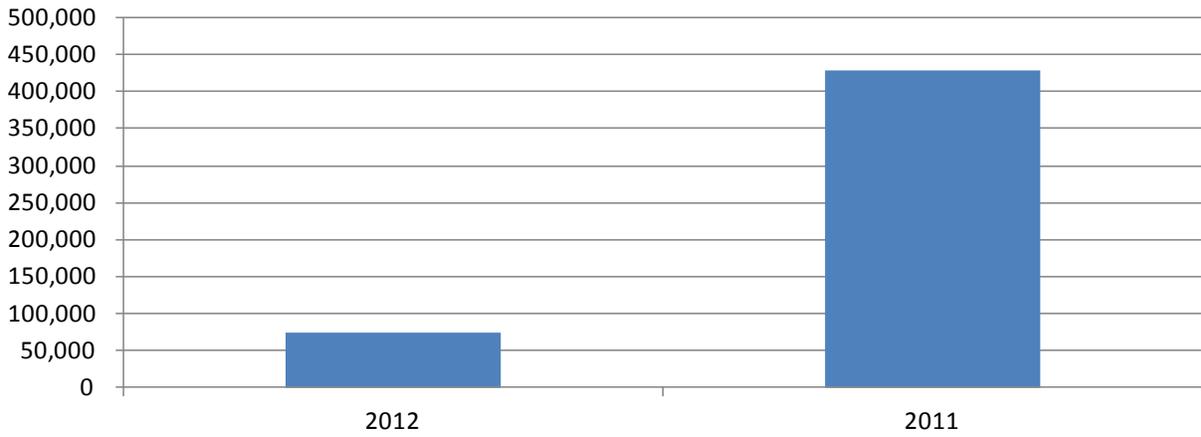
### Unrestricted Investment Earnings



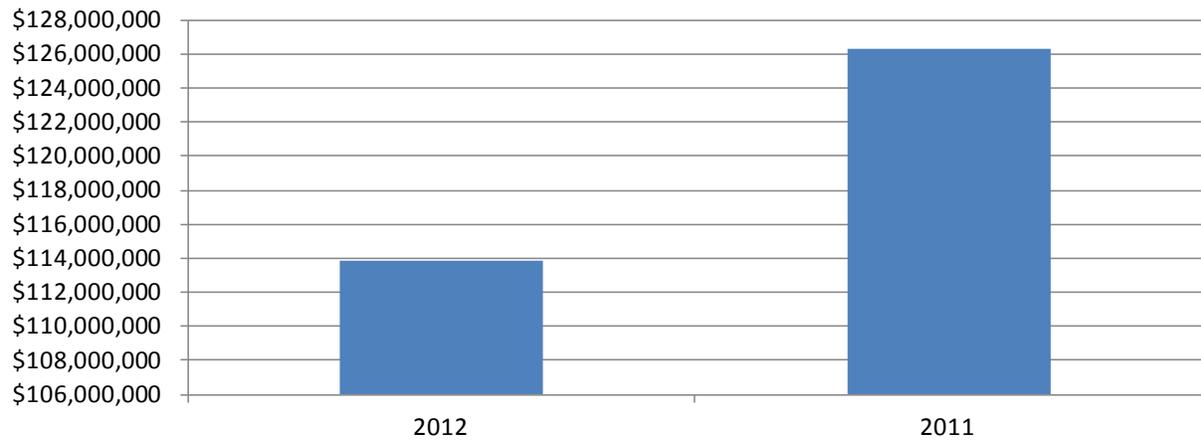
### Miscellaneous



### Gain on Disposition of Capital Assets



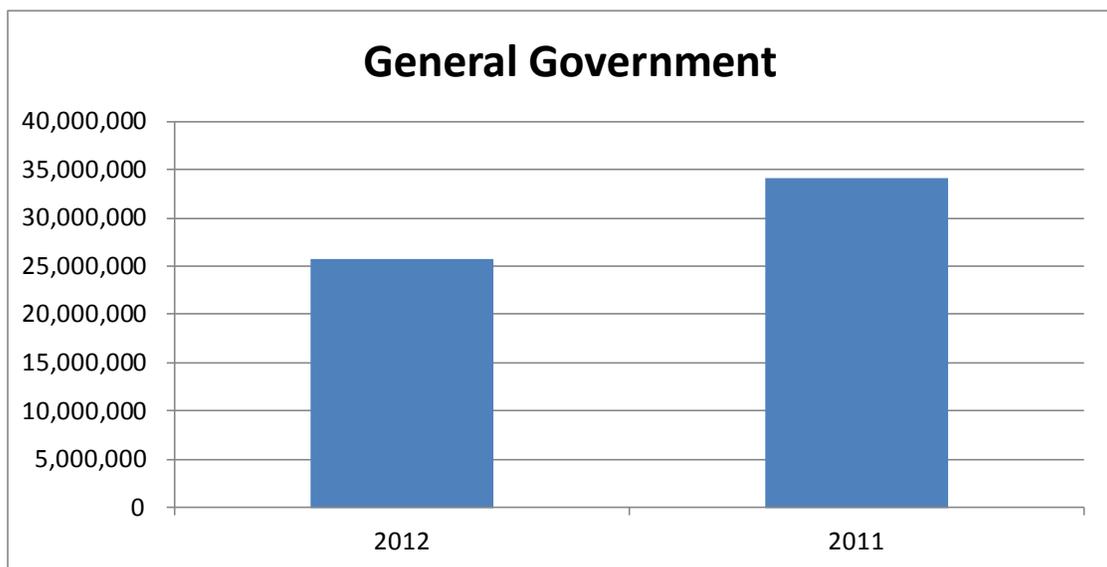
### Total Revenues



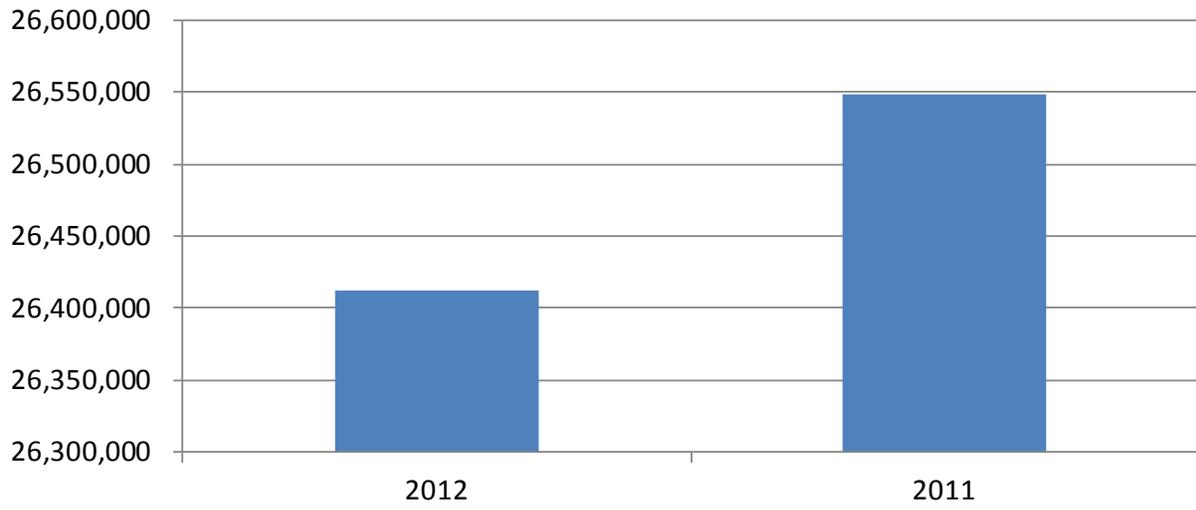
## ATTACHMENT B

### BALDWIN COUNTY COMMISSION EXPENDITURES BY ACTIVITY YEAR COMPARISON

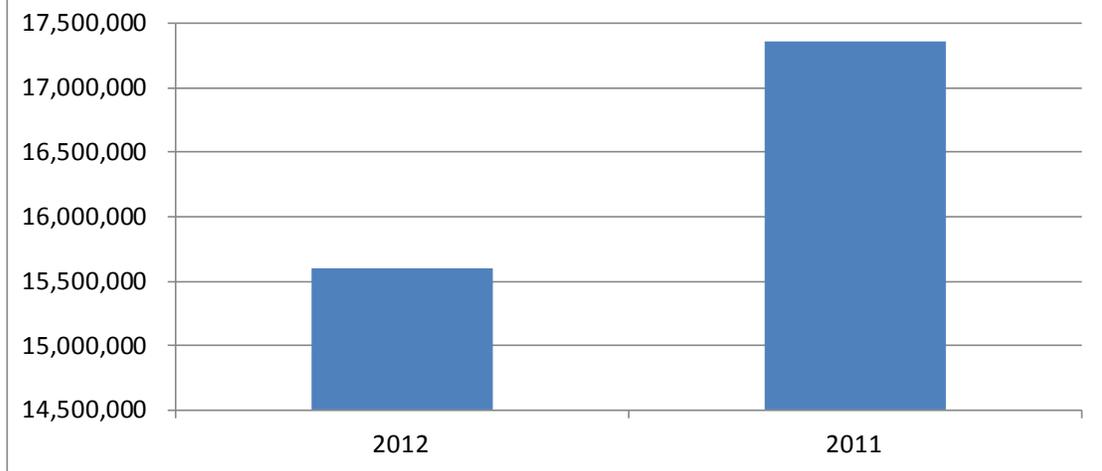
	AS OF 9/30/2012	AS OF 9/30/2011
General Government	25,761,392	34,118,365
Public Safety	26,412,472	26,548,378
Highways & Roads	15,597,762	17,360,248
Sanitation	387,585	17,587
Health	2,598,461	2,736,242
Welfare	465,828	669,013
Culture & Recreation	1,137,526	1,249,647
Education	324,322	105,375
Interest on Long-Term Debt	4,851,550	5,005,280
Intergovernmental	0	0
Landfill	10,432,365	10,879,541
<b>Total Expenditures</b>	<b>\$ 87,969,262</b>	<b>\$ 98,689,676</b>

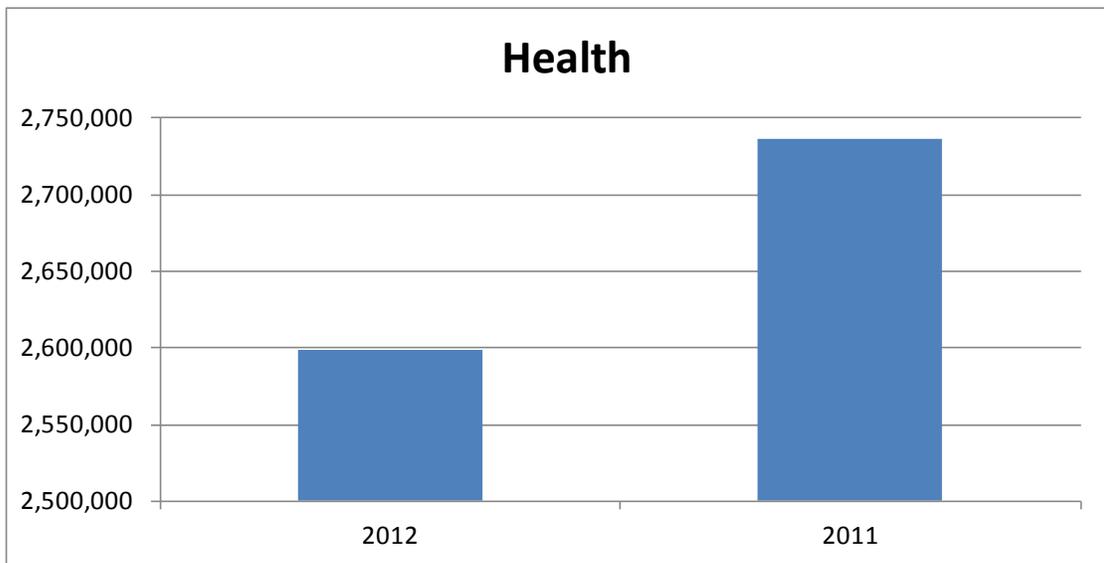
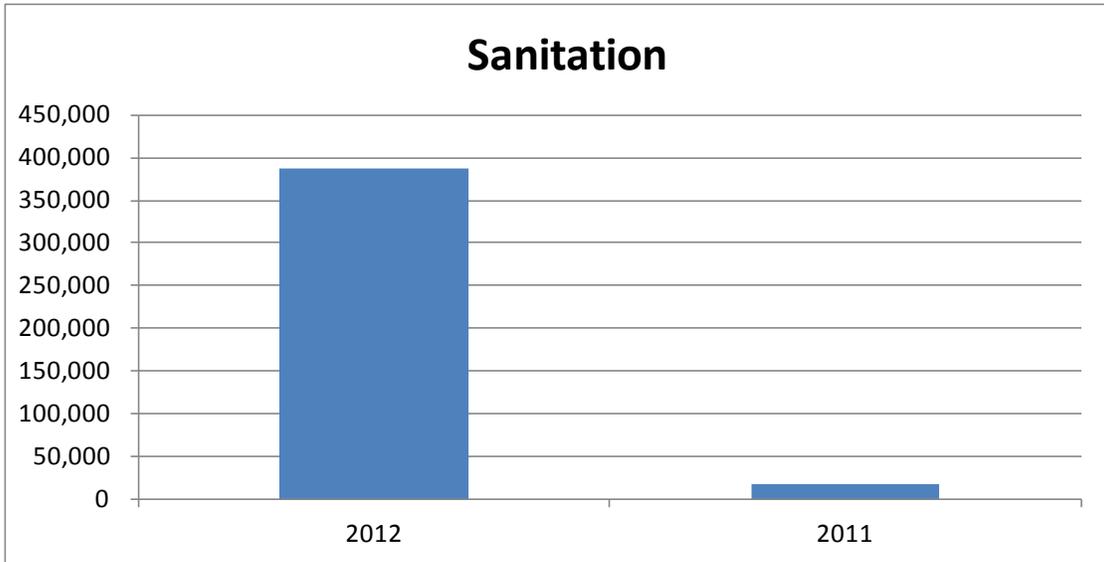


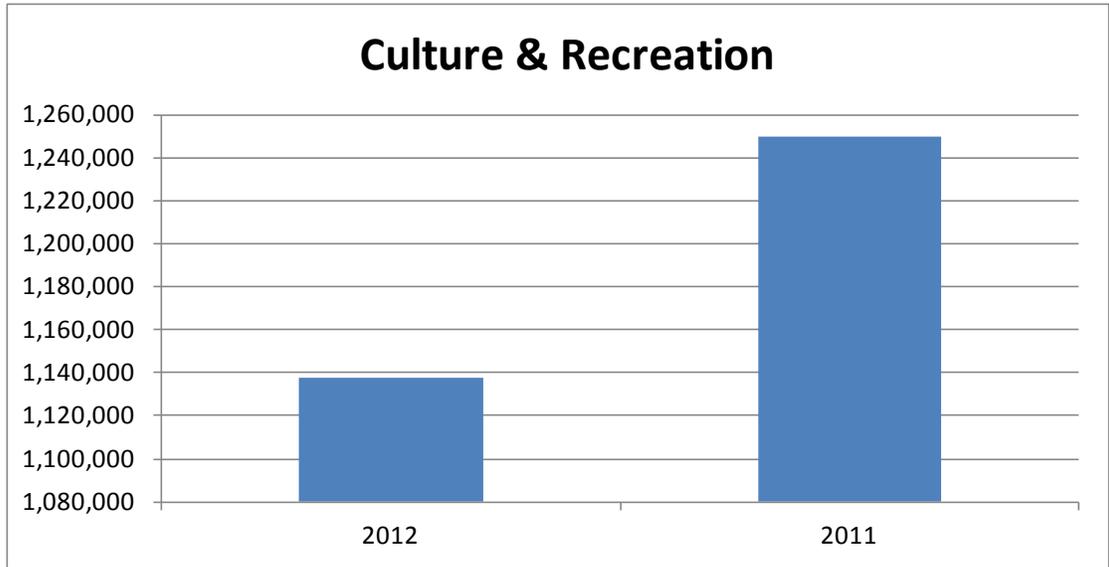
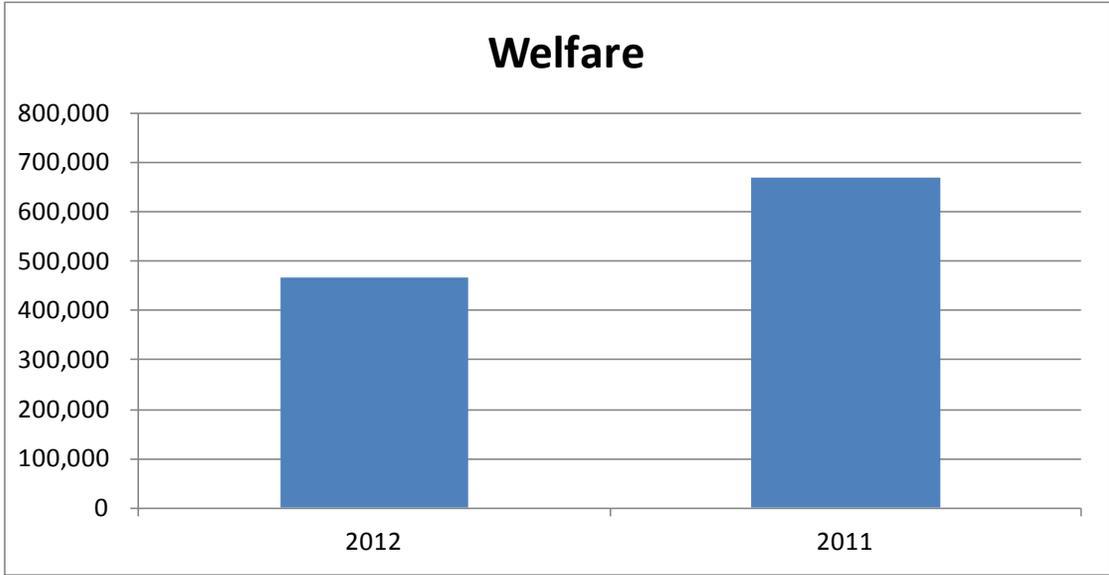
## Public Safety

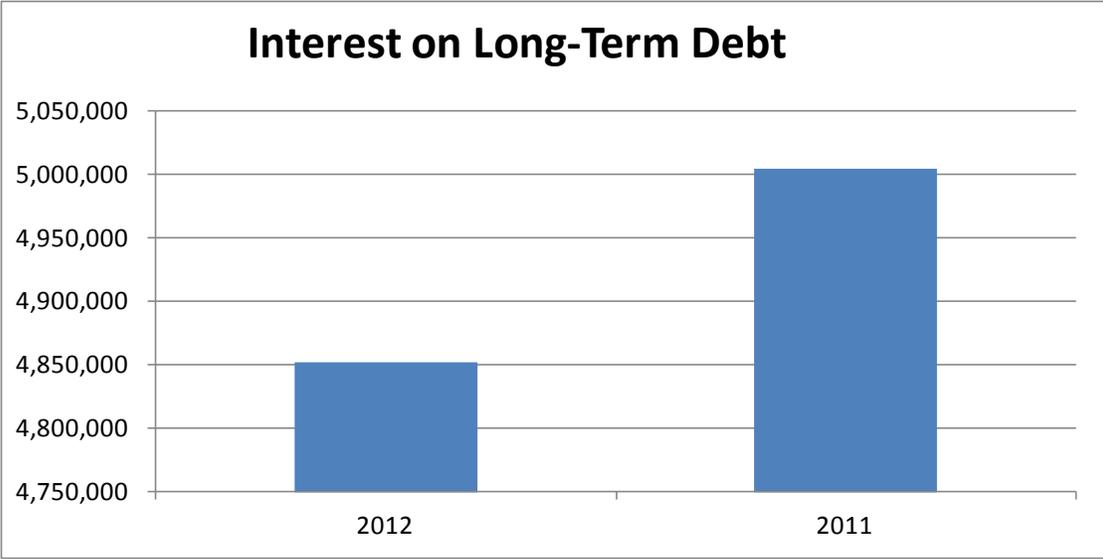
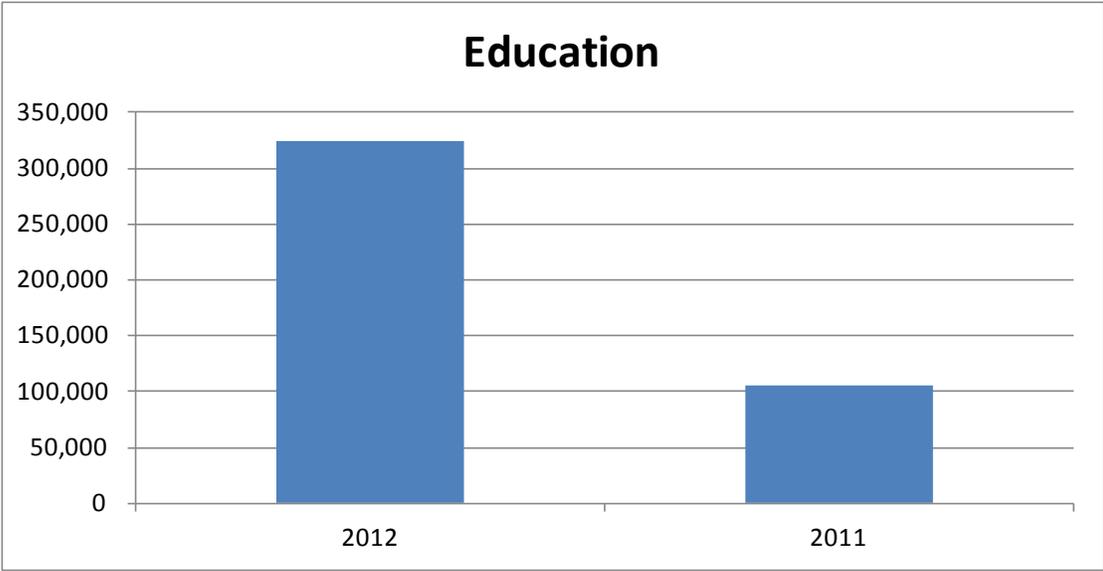


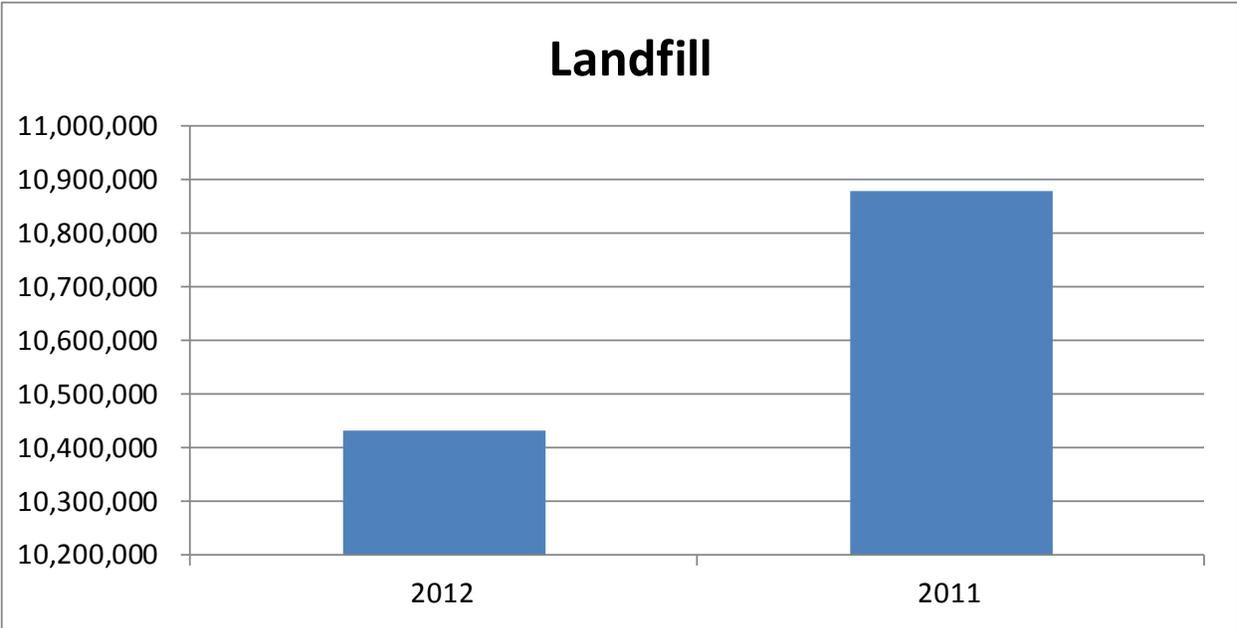
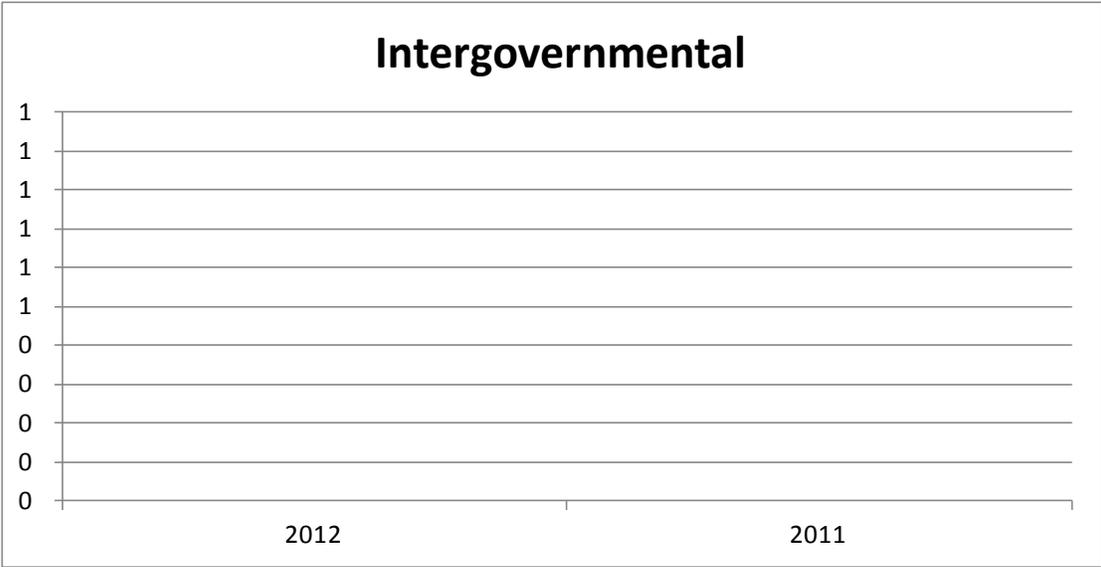
## Highways & Roads











## Net Cost of Services

The Net Cost of Services is a comparison of the total cost of primary government functions and programs and the net cost remaining after reducing the total by the revenue generated from the specific function or program. For the current year total cost of services were \$87,969,262.18 and the combined charges for services plus operating and capital grants received were \$35,945,020.11 leaving a net cost to the County of \$52,024,242.07.

Charges for services amounted to \$23,982,452.00 and combined grants and contributions totaled \$11,962,568.11. The charges for services are the payments made by those that received the services while grants and contributions are monies and assets that were received from other governments and organizations that subsidized the functions or programs.

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

<b>Function/Program</b>	<b>As Of 9/30/2012</b>	<b>As Of 9/30/2011</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
General Government	\$9,037,734.83	\$13,621,223.79	(\$4,583,488.96)	-33.6%
Public Safety	18,988,476.12	22,879,050.50	(3,890,574.38)	-17.0%
Highways and Roads	14,822,274.41	(8,872,096.43)	23,694,370.84	-267.1%
Sanitation	387,584.64	17,587.23	369,997.41	2103.8%
Health	2,598,460.69	2,686,580.12	(88,119.43)	-3.3%
Welfare	465,827.99	551,178.61	(85,350.62)	-15.5%
Culture and Recreation	1,137,141.99	1,249,647.40	(112,505.41)	-9.0%
Education	324,322.09	105,374.70	218,947.39	207.8%
Interest on Long-Term Debt	4,851,549.62	5,005,279.58	(153,729.96)	-3.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	(589,130.31)	(571,440.05)	(17,690.26)	3.1%
<b>Total</b>	<b>\$52,024,242.07</b>	<b>\$36,672,385.45</b>	<b>\$15,351,856.62</b>	<b>41.9%</b>

## Financial Analysis of Fund Balances

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund balances at the end of the fiscal year decreased from \$79,750,813.13 to \$78,279,801.06. This decrease of \$1,471,012.07, or 1.8%, was primarily due to decreases in the Capital Projects Fund. Exhibit #5 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of all Governmental Funds.

The Proprietary Funds of the County are for Solid Waste activities. The Fund Balance for the Proprietary funds decreased by \$39,705.91, or .2%. Exhibit #8 gives a full breakdown of Revenues, Expenditures, and Changes in Fund Balances of the Proprietary Funds.

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

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 29,689,822.62	\$ 3,822,927.89	\$ 33,512,750.51
Gasoline Tax Fund	17,031,920.63	\$ (1,241,581.33)	15,790,339.30
Capital Projects Fund	7,159,746.89	\$ (2,085,088.77)	5,074,658.12
Oil & Gas Severance Tax Fund	15,608,556.02	\$ 17,493.65	15,626,049.67
Other Governmental Funds	10,260,766.97	\$ (1,984,763.51)	8,276,003.46
Totals	<u>\$ 79,750,813.13</u>	<u>\$ (1,471,012.07)</u>	<u>\$ 78,279,801.06</u>
Proprietary (Business) Funds	<u>\$ 24,772,370.14</u>	<u>\$ (39,705.91)</u>	<u>\$ 24,732,664.23</u>

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

**1. General Fund:**

During FY12 the Commission received a net of \$6.4 million dollars as a settlement from BP related to the Deep Water Horizon Oil Spill. This was the major factor for the increase in fund balance.

**2. Gasoline Tax Fund:**

During FY12 there was a substantial increase in expenditures for Engineering and Contract Services that was the major contributor to the decrease in fund balance.

**3. Capital Projects Fund:**

The only new warrant proceeds received were immediately used to refinance existing warrants thus having a neutral effect on fund balance . Therefore the decrease in fund balance is from the expenditure of warrant funds on capital projects.

**4. Oil & Gas Severance Tax Fund:**

The only source of revenue in this fund is from interest earned on the bank balance. Ninety percent of this interest is transferred quarterly to the General Fund. Thus the increase is attributable to the 10% of interest that accumulated in this fund.

**5. Other Governmental Funds**

This is a grouping of numerous funds of which increases and decreases in fund balance occur. The major contributors to the decrease in fund balance were from the Wilderness Fund, Juvenile Detention Facility Fund, and Section 18 Fund. The primary source of revenue for each of these funds is from grant reimbursement and that revenue source was down in all of these funds contributing to the decrease in fund balance.

## **Budgetary Highlights – General Fund**

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2012. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from increases from Federal and State Grants in particular the Coastal Impact Assistance Plan. Actual revenues were more than final budgeted revenues by \$9,332,635.40 (19.7%), which was from intergovernmental revenue, and the BP Settlement being more than expected. The major change in budgeted expenses was in General Government and Capital Outlay. Actual total expenditures were more than the final budgeted amount by \$182,477.19 (0.4%).

Actual Total Other Financing Sources (Uses) were less than the final budgeted amount by \$249,397.41 (3.0%).

The net result of budgeted revenues and expenses to actual revenues and expenses was that the actual Net Change in Fund Balance increased more than what was budgeted primarily due to the BP settlement.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Depreciation of capital assets other than land, construction in progress, and infrastructure in progress is reported on an annual basis using the straight-line method of depreciation. All infrastructure assets (roads and bridges) are reported on the financial statements. All capital assets going back at least 20 years are completely reported.

At the end of fiscal year 2012, the County had invested over \$379 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$42 million, or 12.6 percent, over last year.

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

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>AMOUNT OF CHANGE</b>	<b>PERCENT OF CHANGE</b>
	<b>2012</b>	<b>2011</b>		
Land	\$50,905,246.44	\$21,195,620.91	\$29,709,625.53	140.2%
Infrastructure in Progress	32,606,191.47	27,316,005.43	5,290,186.04	19.4%
Construction in Progress	521,001.88	5,250,607.17	(4,729,605.29)	-90.1%
Infrastructure	204,556,363.95	202,484,474.40	2,071,889.55	1.0%
Buildings	60,790,553.72	58,297,226.41	2,493,327.31	4.3%
Improvements Other than Bldg	7,795,452.08	4,545,457.40	3,249,994.68	71.5%
Computer and Communication Equipment	6,458,130.49	1,869,496.05	4,588,634.44	245.4%
Equipment and Furniture	564,277.99	654,269.89	(89,991.90)	-13.8%
Motor Vehicles and Heavy Equipment	4,960,211.48	4,096,667.71	863,543.77	21.1%
Capital Assets Under Capital Lease	0.00	0.00	0.00	0.0%
	<u>\$369,157,429.50</u>	<u>\$325,709,825.37</u>	<u>\$43,447,604.13</u>	13.3%

	<b>BUSINESS-TYPE</b>		<b>AMOUNT OF</b>	<b>PERCENT OF</b>		
	<b>ACTIVITIES</b>				<b>CHANGE</b>	<b>CHANGE</b>
	<b>2012</b>	<b>2011</b>				
Land	\$3,784,097.97	\$3,784,097.97	\$0.00	0.0%		
Infrastructure in Progress	0.00	0.00	0.00	0.0%		
Construction in Progress	0.00	137,866.48	(137,866.48)	-100.0%		
Infrastructure	0.00	0.00	0.00	0.0%		
Buildings	1,194,550.20	1,252,744.82	(58,194.62)	-4.6%		
Improvements Other than Bldg	3,930,425.29	4,164,179.09	(233,753.80)	-5.6%		
Computer and Communication						
Equipment	110,293.18	0.00	110,293.18	100.0%		
Motor Vehicles and						
Heavy Equipment	1,362,632.06	2,169,855.63	(807,223.57)	-37.2%		
Equipment and Furniture	169,906.83	84,735.90	85,170.93	100.5%		
Capital Assets Under						
Capital Lease	0.00	0.00	0.00	0.0%		
	<u>\$10,551,905.53</u>	<u>\$11,593,479.89</u>	<u>(\$1,041,574.36)</u>	<u>-9.0%</u>		

	<b>TOTAL</b>		<b>AMOUNT OF</b>	<b>PERCENT OF</b>		
	<b>ACTIVITIES</b>				<b>CHANGE</b>	<b>CHANGE</b>
	<b>2012</b>	<b>2011</b>				
Land	\$54,689,344.41	\$24,979,718.88	\$29,709,625.53	118.9%		
Infrastructure in Progress	32,606,191.47	27,316,005.43	5,290,186.04	19.4%		
Construction in Progress	521,001.88	5,388,473.65	(4,867,471.77)	-90.3%		
Infrastructure	204,556,363.95	202,484,474.40	2,071,889.55	1.0%		
Buildings	61,985,103.92	59,549,971.23	2,435,132.69	4.1%		
Improvements Other than Bldg	11,725,877.37	8,709,636.49	3,016,240.88	34.6%		
Computer and Communication						
Equipment	6,568,423.67	1,869,496.05	4,698,927.62	251.3%		
Equipment and Furniture	734,184.82	739,005.79	(4,820.97)	-0.7%		
Motor Vehicles and						
Construction Equipment	6,322,843.54	6,266,523.34	56,320.20	0.9%		
Capital Assets Under						
Capital Lease	0.00	0.00	0.00	0.0%		
	<u>\$379,709,335.03</u>	<u>\$337,303,305.26</u>	<u>\$42,406,029.77</u>	<u>12.6%</u>		

## **Debt Outstanding**

At October 1, 2011, the County's long-term bonded indebtedness and notes payable totaled \$110,485,294.05. At September 30, 2012, the County's long-term bonded indebtedness and notes payable increased to \$127,863,517.87. During the fiscal year the County issued/increased warrants by \$35,436,255.43 and repaid/decreased warrants and notes in the total amount of \$18,058,031.61.

At October 1, 2011, the County's capital lease debt was zero. At September 30, 2012, the County's capital lease debt was zero. The County entered into no additional capital leases during the year and made no capital lease payments.

The liability for compensated absences at September 30, 2012, was \$2,567,542.93.

The total of all long-term debt for the County at September 30, 2012, was \$136,603,139.44 which was \$15,724,439.19 more than the prior year ending balance of \$120,878,700.25. This was an increase of 13.0%.

The assessed valuation of taxable property in the County on October 1, 2012, was not less than \$3,733,695,420.00. Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2012, Baldwin County's maximum debt limit was \$186,684,771.00. With total long-term liabilities of the County being \$136,603,139.44 as of the end of the current fiscal year, the County was at 73.2% of the legal debt limit.

## **Economic Factors**

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

The County's population has experienced significant growth. From 1990 to 2000 the population of Baldwin County increased by 42.9%. The Bureau of the Census estimates that from 2000 to 2010 the population of Baldwin County increased by 30.8% from 140,415 to an estimated 183,597.

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, and 2009 data the median family income of Baldwin County has exceeded the Alabama state level since 1970.

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

For the period 2007-2011, the U. S. Census Bureau estimates that approximately 87.9% of Baldwin County residents were high school graduates and approximately 27.2% of Baldwin County residents were college graduates. State averages were 81.9% and 22.0%, respectively.

Tourism in the County has been steady during each of the past 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 2011" released in 2012, an estimated 23.6 million tourists visited the state in 2011. Of these 23.6 million tourists, 4.9 million (20.8%) visited Baldwin County. The same report for 2012 has not been released. Data compiled from an analysis of lodging tax reflects for Baldwin County from 2010 to 2011 an increase of 7.1% in direct employment, a 7.1% increase in total employment, an 8.1% increase in total county earnings, and an increase of 46.2% in county expenditures.

On April 20, 2010 the Deepwater Horizon drilling rig exploded in the Gulf of Mexico. The tourist industry in south Baldwin County was negatively affected by this disaster in the fiscal year ended September 30, 2010. The oil leak has been stopped and the business community has significantly rebounded in 2012. Statistics gathered by the Gulf Shores Convention and Visitors Bureau in 2012 and year to date in 2013 indicate a resurgence for tourism in Baldwin County. These statistics show an increase in taxable retail sales for the beach communities up thus far in 2013 at 8.8%. Retail sales county-wide as of February 28, 2013 are up 6.01% over the same time last year.

### **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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# *Basic Financial Statements*

***Statement of Net Assets***  
***September 30, 2012***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 65,428,970.29	\$ 16,195,228.49	\$ 81,624,198.78
Taxes Receivable	31,850,553.23		31,850,553.23
Receivables, Net	4,288,562.31	1,137,300.63	5,425,862.94
Internal Balances	(81,782.26)	81,782.26	
Inventories	6,158.86		6,158.86
Receivable from External Parties	31,135.40		31,135.40
Prepaid Items	21,479.13	217.08	21,696.21
Deferred Charges	187,074.85		187,074.85
Total Current Assets	101,732,151.81	17,414,528.46	119,146,680.27
<b><u>Noncurrent Assets</u></b>			
Restricted Cash and Cash Equivalents	20,926,678.17	2,315,767.55	23,242,445.72
Restricted Cash with Fiscal Agent	3,708,473.61		3,708,473.61
Deferred Charges	731,348.53		731,348.53
Capital Assets (Note 5):			
Nondepreciable	84,032,439.79	3,784,097.97	87,816,537.76
Depreciable, Net	285,124,989.71	6,767,807.56	291,892,797.27
Total Noncurrent Assets	394,523,929.81	12,867,673.08	407,391,602.89
Total Assets	496,256,081.62	30,282,201.54	526,538,283.16
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payables (Note 8)	15,142,954.85	506,947.25	15,649,902.10
Accrued Interest Payable	1,278,230.47		1,278,230.47
Deferred Revenue	32,394,157.29		32,394,157.29
Accrued Wages Payable	363,315.54	53,491.60	416,807.14
Long-Term Liabilities:			
Portion Payable Within One Year:			
Warrants Payable	6,163,185.05		6,163,185.05
Add: Unamortized Premium	136,367.79		136,367.79
Less: Unamortized Discount	(49,059.14)		(49,059.14)
Less: Deferred Loss on Refunding	(121,896.95)		(121,896.95)
Compensated Absences	1,597,384.54	177,819.34	1,775,203.88
Estimated Liability for Landfill Closure/ Postclosure Care Costs		215,242.15	215,242.15
Total Current Liabilities	\$ 56,904,639.44	\$ 953,500.34	\$ 57,858,139.78

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

	Governmental Activities	Business-Type Activities	Total
<b><u>Noncurrent Liabilities</u></b>			
Portion Payable After One Year:			
Warrants Payable	\$ 120,981,128.45	\$	\$ 120,981,128.45
Add: Unamortized Premium	2,984,775.67		2,984,775.67
Less: Unamortized Discount	(37,538.50)		(37,538.50)
Less: Deferred Loss on Refunding	(2,193,444.50)		(2,193,444.50)
Compensated Absences	775,422.80	16,916.25	792,339.05
Estimated Liability for OPEB	1,377,715.77	122,233.88	1,499,949.65
Estimated Liability for Landfill Closure/ Postclosure Care Costs		4,456,886.84	4,456,886.84
Total Noncurrent Liabilities	<u>123,888,059.69</u>	<u>4,596,036.97</u>	<u>128,484,096.66</u>
 Total Liabilities	 <u>180,792,699.13</u>	 <u>5,549,537.31</u>	 <u>186,342,236.44</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	247,398,758.26	10,551,905.53	257,950,663.79
Restricted for:			
Landfill Closure and Postclosure Costs		2,316,867.55	2,316,867.55
Debt Service	2,430,243.14		2,430,243.14
Road Projects	1,201,269.76		1,201,269.76
Term Endowments	15,626,049.67		15,626,049.67
Other Purposes	2,417,906.59		2,417,906.59
Unrestricted	<u>46,389,155.07</u>	<u>11,863,891.15</u>	<u>58,253,046.22</u>
 Total Net Assets	 <u>\$ 315,463,382.49</u>	 <u>\$ 24,732,664.23</u>	 <u>\$ 340,196,046.72</u>

**Statement of Activities**  
**For the Year Ended September 30, 2012**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 25,761,391.53	\$ 10,725,096.73	\$ 2,278,901.82
Public Safety	26,412,472.14	2,116,811.13	4,771,346.35
Highways and Roads	15,597,761.77	118,664.11	134,134.39
Sanitation	387,584.64		
Health	2,598,460.69		
Welfare	465,827.99		
Culture and Recreation	1,137,526.23	384.24	
Education	324,322.09		
Interest on Long-Term Debt	4,851,549.62		
Total Governmental Activities	77,536,896.70	12,960,956.21	7,184,382.56
<b>Business-Type Activities:</b>			
Solid Waste	10,432,365.48	11,021,495.79	
Total Business-Type Activities	10,432,365.48	11,021,495.79	
Total Primary Government	\$ 87,969,262.18	\$ 23,982,452.00	\$ 7,184,382.56

**General Revenues:**

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

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

<b>Net (Expenses) Revenues and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 3,719,658.15	\$ (9,037,734.83)	\$	\$ (9,037,734.83)
535,838.54	(18,988,476.12)		(18,988,476.12)
522,688.86	(14,822,274.41)		(14,822,274.41)
	(387,584.64)		(387,584.64)
	(2,598,460.69)		(2,598,460.69)
	(465,827.99)		(465,827.99)
	(1,137,141.99)		(1,137,141.99)
	(324,322.09)		(324,322.09)
	(4,851,549.62)		(4,851,549.62)
<u>4,778,185.55</u>	<u>(52,613,372.38)</u>		<u>(52,613,372.38)</u>
		589,130.31	589,130.31
		<u>589,130.31</u>	<u>589,130.31</u>
<u>\$ 4,778,185.55</u>	<u>(52,613,372.38)</u>	589,130.31	<u>(52,024,242.07)</u>
	22,006,702.59		22,006,702.59
	10,893,514.48		10,893,514.48
	10,018,491.43		10,018,491.43
	698,929.33		698,929.33
	6,949,388.86		6,949,388.86
	11,546,484.79		11,546,484.79
	1,847,593.16		1,847,593.16
	1,055,854.76		1,055,854.76
	12,414,949.60	360,618.69	12,775,568.29
	72,826.49	1,050.00	73,876.49
	990,504.91	(990,504.91)	
	<u>78,495,240.40</u>	<u>(628,836.22)</u>	<u>77,866,404.18</u>
	25,881,868.02	(39,705.91)	25,842,162.11
	<u>289,581,514.47</u>	<u>24,772,370.14</u>	<u>314,353,884.61</u>
<u>\$ 315,463,382.49</u>	<u>\$ 24,732,664.23</u>	<u>\$ 340,196,046.72</u>	

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2012***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>	<b>Capital Projects Fund</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 44,772,396.96	\$ 14,996,592.57	\$ 5,186,423.25
Cash with Fiscal Agent			
Taxes Receivable	26,140,080.63	522,843.78	
Receivables, Net	1,400,759.34	1,360,970.72	
Due From Other Funds	1,075,774.27	392,814.84	
Inventories	6,158.86		
Prepaid Items	21,479.13		
Total Assets	<u>73,416,649.19</u>	<u>17,273,221.91</u>	<u>5,186,423.25</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Payables (Note 9)	13,252,951.19	1,281,878.69	5,011.73
Due To Other Funds	193,828.34	97,444.51	106,753.40
Deferred Revenue	26,289,550.82		
Accrued Wages Payable	167,568.33	103,559.41	
Total Liabilities	<u>39,903,898.68</u>	<u>1,482,882.61</u>	<u>111,765.13</u>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Inventories	6,158.86		
Prepaid Items	21,479.13		
Term Endowments			
Restricted for:			
Debt Service			
Highways and Roads			
Capital Projects			548,740.10
Other Purposes	729,161.74		
Committed:			
Other Purposes	1,046,550.02		
Assigned to:			
Encumbrances	525,252.95		
Highways and Roads		15,790,339.30	
Debt Service			
Capital Projects			4,525,918.02
Other Purposes			
Unassigned	31,184,147.81		
Total Fund Balances	<u>33,512,750.51</u>	<u>15,790,339.30</u>	<u>5,074,658.12</u>
Total Liabilities and Fund Balances	<u>\$ 73,416,649.19</u>	<u>\$ 17,273,221.91</u>	<u>\$ 5,186,423.25</u>

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

Oil and Gas Severance Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 15,626,049.67	\$ 5,774,186.01	\$ 86,355,648.46
	3,708,473.61	3,708,473.61
	5,187,628.82	31,850,553.23
	1,557,967.65	4,319,697.71
	22,069.15	1,490,658.26
		6,158.86
		21,479.13
<u>15,626,049.67</u>	<u>16,250,325.24</u>	<u>127,752,669.26</u>
	603,113.24	15,142,954.85
	1,174,414.27	1,572,440.52
	6,104,606.47	32,394,157.29
	92,187.80	363,315.54
	<u>7,974,321.78</u>	<u>49,472,868.20</u>
		6,158.86
		21,479.13
15,626,049.67		15,626,049.67
	3,708,473.61	3,708,473.61
	1,201,269.76	1,201,269.76
	348,428.61	897,168.71
	1,688,744.85	2,417,906.59
		1,046,550.02
		525,252.95
	313,772.82	16,104,112.12
	114,205.25	114,205.25
	59,725.98	4,585,644.00
	841,382.58	841,382.58
		31,184,147.81
<u>15,626,049.67</u>	<u>8,276,003.46</u>	<u>78,279,801.06</u>
<u>\$ 15,626,049.67</u>	<u>\$ 16,250,325.24</u>	<u>\$ 127,752,669.26</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2012***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 78,279,801.06

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	\$ 50,905,246.44	
Infrastructure	242,100,430.36	
Infrastructure in Progress	32,606,191.47	
Construction in Progress	521,001.88	
Building and Building Improvements	91,415,929.26	
Improvements Other Than Buildings	9,268,589.90	
Computer and Communication Equipment	17,725,019.15	
Equipment and Furniture	2,144,995.07	
Motor Vehicles and Heavy Equipment	26,721,887.26	
Less: Accumulated Depreciation	<u>(104,251,861.29)</u>	
Total Capital Assets, Net of Depreciation		369,157,429.50

Deferred charges related to issuance costs of long-term liabilities are  
not reported in the funds. 918,423.38

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

	<u>Due or Payable Within One Year</u>	<u>Due or Payable After One Year</u>	
Accrued Interest Payable	\$ 1,278,230.47	\$	
Warrants Payable	6,163,185.05	120,981,128.45	
Unamortized Discount	(49,059.14)	(37,538.50)	
Unamortized Premium	136,367.79	2,984,775.67	
Deferred Loss on Refunding	(121,896.95)	(2,193,444.50)	
Estimated Liability for Compensated Absences	1,597,384.54	775,422.80	
Estimated Liability for OPEB		1,377,715.77	
Total Liabilities	<u>\$ 9,004,211.76</u>	<u>\$ 123,888,059.69</u>	<u>(132,892,271.45)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 315,463,382.49

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, 2012***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 41,991,235.28	\$ 6,949,388.86
Licenses and Permits	736,917.59	
Intergovernmental	3,840,666.05	3,926,691.74
Charges for Services	9,622,007.45	118,664.11
Fines and Forfeits	40,198.39	
Miscellaneous	10,095,001.70	454,658.66
Total Revenues	<u>66,326,026.46</u>	<u>11,449,403.37</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	16,207,117.35	
Public Safety	20,453,151.59	
Highways and Roads		9,673,041.91
Sanitation		
Health	888,153.95	
Welfare	491,868.69	
Culture and Recreation	1,073,701.98	
Education	72,695.04	
Capital Outlay	5,938,262.43	11,388,291.55
Debt Service:		
Principal Retirement		84,431.37
Interest and Fiscal Charges		3,588.33
Total Expenditures	<u>45,124,951.03</u>	<u>21,149,353.16</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,201,075.43</u>	<u>(9,699,949.79)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	899,527.30	14,169,935.00
Sale of Capital Assets	36,780.99	669,773.54
Warrant Proceeds		
Premium on Warrants		
Transfers Out	(18,314,455.83)	(6,381,340.08)
Other Financing Uses		
Total Other Financing Sources (Uses)	<u>(17,378,147.54)</u>	<u>8,458,368.46</u>
Changes in Fund Balances	3,822,927.89	(1,241,581.33)
Fund Balances - Beginning of Year	<u>29,689,822.62</u>	<u>17,031,920.63</u>
Fund Balances - End of Year	<u>\$ 33,512,750.51</u>	<u>\$ 15,790,339.30</u>

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

Capital Projects Fund	Oil and Gas Severance Tax Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		6,097,937.84	55,038,561.98
			736,917.59
		13,503,298.23	21,270,656.02
		2,809,784.18	12,550,455.74
			40,198.39
49,363.01	175,610.05	635,292.63	11,409,926.05
49,363.01	175,610.05	23,046,312.88	101,046,715.77
		6,255,757.32	22,462,874.67
		4,873,714.81	25,326,866.40
		2,398,655.08	12,071,696.99
		385,000.00	385,000.00
		1,681,891.03	2,570,044.98
			491,868.69
			1,073,701.98
		226,835.90	299,530.94
27,134,451.78		7,766,687.49	52,227,693.25
		7,260,079.54	7,344,510.91
		4,958,023.66	4,961,611.99
27,134,451.78		35,806,644.83	129,215,400.80
(27,085,088.77)	175,610.05	(12,760,331.95)	(28,168,685.03)
		12,443,819.26	27,513,281.56
		7,090.20	713,644.73
25,000,000.00		11,070,000.00	36,070,000.00
		1,398,945.80	1,398,945.80
	(158,116.40)	(1,545,603.52)	(26,399,515.83)
		(12,598,683.30)	(12,598,683.30)
25,000,000.00	(158,116.40)	10,775,568.44	26,697,672.96
(2,085,088.77)	17,493.65	(1,984,763.51)	(1,471,012.07)
7,159,746.89	15,608,556.02	10,260,766.97	79,750,813.13
\$ 5,074,658.12	\$ 15,626,049.67	\$ 8,276,003.46	\$ 78,279,801.06

***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, 2012***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,471,012.07)

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 (\$52,227,693.25) exceeded depreciation (\$9,339,807.05) in the current period. 42,887,886.20

In the Statement of Activities, donation of capital assets is recorded as revenue, whereas in the governmental funds it is not recorded. 1,308,717.55

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the net cost of the assets sold. (748,999.62)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 7,354,510.92

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reductions to long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 11,723,683.30

This issuance of debt is reported as other financing sources in governmental funds and thus contributes to the change in fund balance. However, in the Statement of Net Assets, issuing debt increases long term liabilities and does not affect the Statement of Activities. (35,195,000.00)

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

Debt Issuance Costs	\$	140,025.02	
Premiums on Debt Issued		(1,398,945.80)	
			(1,258,920.78)

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

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

Net Decrease in Accrued Interest Payable	\$	107,356.10	
Amortization of Deferred Discount		(4,873.56)	
Amortization of Premium		136,367.79	
Amortization of Deferred Issuance Costs		(52,253.36)	
Amortization of Deferred Loss on Refunding		(128,787.96)	
Net Increase in OPEB		(206,292.60)	
Net Decrease in Compensated Absences		1,429,486.11	
Total Additional Expenditures			<u>1,281,002.52</u>
Change in Net Assets of Governmental Activities (Exhibit 2)			<u>\$ 25,881,868.02</u>

***Statement of Net Assets***  
***Proprietary Funds***  
***September 30, 2012***

	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 14,511,433.64	\$ 1,683,794.85	\$ 16,195,228.49
Accounts Receivable, Net	561,900.13	575,400.50	1,137,300.63
Due From Other Funds	117,563.12	17,395.39	134,958.51
Prepaid Items	90.21	126.87	217.08
Total Current Assets	15,190,987.10	2,276,717.61	17,467,704.71
<b><u>Noncurrent Assets</u></b>			
Restricted Cash and Cash Equivalents	2,315,767.55		2,315,767.55
Capital Assets (Note 5):			
Nondepreciable	3,784,097.97		3,784,097.97
Depreciable, Net	6,012,669.01	755,138.55	6,767,807.56
Total Noncurrent Assets	12,112,534.53	755,138.55	12,867,673.08
Total Assets	27,303,521.63	3,031,856.16	30,335,377.79
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payables (Note 8)	247,121.22	259,826.03	506,947.25
Due To Other Funds	5,066.70	48,109.55	53,176.25
Accrued Wages Payable	23,095.17	30,396.43	53,491.60
Long-Term Liabilities:			
Portion Due Within One Year:			
Compensated Absences	85,197.93	92,621.41	177,819.34
Estimated Liability for Landfill Closure/ Postclosure Care Costs	215,242.15		215,242.15
Total Current Liabilities	575,723.17	430,953.42	1,006,676.59
<b><u>Noncurrent Liabilities</u></b>			
Long-Term Liabilities:			
Portion Due After One Year:			
Compensated Absences	16,916.25		16,916.25
Estimated Liability for OPEB	45,302.00	76,931.88	122,233.88
Estimated Liability for Landfill Closure/ Postclosure Care Costs	4,456,886.84		4,456,886.84
Total Noncurrent Liabilities	4,519,105.09	76,931.88	4,596,036.97
Total Liabilities	\$ 5,094,828.26	\$ 507,885.30	\$ 5,602,713.56

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

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	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b><u>Net Assets</u></b>			
Restricted for:			
Invested in Capital Assets,			
Net of Related Debt	\$ 9,796,766.98	\$ 755,138.55	\$ 10,551,905.53
Landfill Closure and Postclosure Costs	2,316,867.55		2,316,867.55
Unrestricted	10,095,058.84	1,768,832.31	11,863,891.15
Total Net Assets	<u>\$ 22,208,693.37</u>	<u>\$ 2,523,970.86</u>	<u>\$ 24,732,664.23</u>

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***Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2012***

	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b><u>Revenues</u></b>			
Charges for Services	\$ 5,443,673.97	\$ 5,577,821.82	\$ 11,021,495.79
Total Revenues	<u>5,443,673.97</u>	<u>5,577,821.82</u>	<u>11,021,495.79</u>
<b><u>Operating Expenses</u></b>			
Salaries and Benefits	1,743,681.56	2,462,393.77	4,206,075.33
Contractual and Professional Services	130,708.05	1,404,433.13	1,535,141.18
Travel	2,641.53	1,698.23	4,339.76
Materials and Supplies	1,291,673.47	1,431,731.21	2,723,404.68
Utilities and Communications	144,639.44	33,575.76	178,215.20
Other Expenses	397,957.38	217,327.70	615,285.08
Depreciation	908,246.24	586,884.92	1,495,131.16
Landfill Expenses	(325,226.91)		(325,226.91)
Total Operating Expenses	<u>4,294,320.76</u>	<u>6,138,044.72</u>	<u>10,432,365.48</u>
Operating Income (Loss)	<u>1,149,353.21</u>	<u>(560,222.90)</u>	<u>589,130.31</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Other Miscellaneous	156,206.84	2,746.60	158,953.44
Interest Earned	182,367.76	19,297.49	201,665.25
Capital Contribution (Capital Assets)	123,260.82		123,260.82
Gain on Sale of Capital Assets	1,050.00		1,050.00
Total Nonoperating Revenues (Expenses)	<u>462,885.42</u>	<u>22,044.09</u>	<u>484,929.51</u>
Income (Loss) Before Transfers	<u>1,612,238.63</u>	<u>(538,178.81)</u>	<u>1,074,059.82</u>
<b><u>Operating Transfers</u></b>			
Transfers In	68,844.12	825,000.00	893,844.12
Transfers Out	(1,694,235.95)	(313,373.90)	(2,007,609.85)
Total Operating Transfers	<u>(1,625,391.83)</u>	<u>511,626.10</u>	<u>(1,113,765.73)</u>
Changes in Net Assets	(13,153.20)	(26,552.71)	(39,705.91)
Total Net Assets - Beginning of Year	<u>22,221,846.57</u>	<u>2,550,523.57</u>	<u>24,772,370.14</u>
Total Net Assets - End of Year	<u>\$ 22,208,693.37</u>	<u>\$ 2,523,970.86</u>	<u>\$ 24,732,664.23</u>

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

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Year Ended September 30, 2012***

	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from Customers	\$ 5,346,416.91	\$ 5,521,794.09	\$ 10,868,211.00
Payments to Employees	(1,812,606.73)	(2,508,720.92)	(4,321,327.65)
Payments to Suppliers	(1,953,320.65)	(2,994,251.70)	(4,947,572.35)
Net Cash Provided (Used) by Operating Activities	<u>1,580,489.53</u>	<u>18,821.47</u>	<u>1,599,311.00</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Interfund Loans Made/Repaid	117,286.63	(151,439.38)	(34,152.75)
Miscellaneous	156,206.84	2,746.60	158,953.44
Transfers In	68,844.12	825,000.00	893,844.12
Transfers Out	(1,694,235.95)	(313,373.90)	(2,007,609.85)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,351,898.36)</u>	<u>362,933.32</u>	<u>(988,965.04)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Sale of Assets	1,050.00		1,050.00
Purchase of Capital Assets	(275,834.98)	(54,461.00)	(330,295.98)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(274,784.98)</u>	<u>(54,461.00)</u>	<u>(329,245.98)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest Revenue	182,367.76	19,297.49	201,665.25
Net Cash Provided (Used) by Investing Activities	<u>182,367.76</u>	<u>19,297.49</u>	<u>201,665.25</u>
Net Increase (Decrease) in Cash and Cash Equivalents	136,173.95	346,591.28	482,765.23
Cash and Cash Equivalents - Beginning of Year	<u>16,691,027.24</u>	<u>1,337,203.57</u>	<u>18,028,230.81</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 16,827,201.19</u></u>	<u><u>\$ 1,683,794.85</u></u>	<u><u>\$ 18,510,996.04</u></u>

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

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>			
Operating Income (Loss)	\$ 1,149,353.21	\$ (560,222.90)	\$ 589,130.31
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>			
Depreciation Expense	908,246.24	586,884.92	1,495,131.16
Landfill Expense	(325,226.91)		(325,226.91)
Change in Assets and Liabilities:			
(Increase)/Decrease Receivables, Net	(97,257.06)	(56,027.73)	(153,284.79)
(Increase)/Decrease Prepays	(12.66)	(52.00)	(64.66)
Increase/(Decrease) Accounts Payable	14,311.88	94,566.33	108,878.21
Increase/(Decrease) Wages Payable	(3,589.92)	(6,298.19)	(9,888.11)
Increase/(Decrease) Compensated Absences	(76,104.25)	(57,684.68)	(133,788.93)
Increase/(Decrease) Estimated Liability for OPEB	10,769.00	17,655.72	28,424.72
Net Cash Provided by Operating Activities	<u>\$ 1,580,489.53</u>	<u>\$ 18,821.47</u>	<u>\$ 1,599,311.00</u>

**Noncash Investing, Capital and Financing Activities**

The Governmental Funds transferred equity pertaining to Capital Assets of \$123,260.82 to the Solid Waste Fund.

**Statement of Fiduciary Net Assets**  
**September 30, 2012**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 17,145,187.72	\$ 181,820.07
Investments	3,901,338.77	
Receivables	11,094.15	
Total Current Assets	<u>21,057,620.64</u>	<u>181,820.07</u>
<b>Noncurrent Assets</b>		
Capital Assets, Net	243,421.98	
Total Noncurrent Assets	<u>243,421.98</u>	
Total Assets	<u>21,301,042.62</u>	<u>181,820.07</u>
<b>Liabilities</b>		
Payables (Note 8)	9,216,430.32	160,266.80
Accrued Wages	15,696.20	
Payable to External Parties	9,582.13	21,553.27
Total Liabilities	<u>9,241,708.65</u>	<u>\$ 181,820.07</u>
<b>Net Assets</b>		
Held in Trust for Other Purposes	12,059,333.97	
Total Net Assets	<u>\$ 12,059,333.97</u>	

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

***Statement of Changes in Fiduciary Net Assets  
For the Year Ended September 30, 2012***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
State and Local Governments	\$ 238,870.95
Probate Court	548,315.13
Fees	1,161,397.71
Interest	52,745.04
Total Additions	<u>2,001,328.83</u>
<b><u>Deductions</u></b>	
Administrative Expenses	2,733,128.25
Payments to Beneficiaries	2,834,779.40
Total Deductions	<u>5,567,907.65</u>
Changes in Net Assets	(3,566,578.82)
Net Assets - Beginning of Year	<u>15,625,912.79</u>
Net Assets - End of Year	<u>\$ 12,059,333.97</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

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

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

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

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

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and right-of-ways.
- ◆ **Capital Projects Fund** – This fund is used to account for and report resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).
- ◆ **Oil and Gas Severance Tax Fund** – This fund is used to account for resources, specifically oil and gas severance tax proceeds, that are legally restricted by local laws to the extent that only earnings, not principal, may be used for purposes that support the Commission's programs and its citizenry.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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The Commission reports the following major enterprise fund:

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

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

#### **Governmental Funds Types**

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

The Commission reports the following proprietary fund in the other Enterprise Fund column:

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

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

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

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

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

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

**1. Deposits**

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

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

**2. Receivables**

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

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

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**3. Inventories**

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

**4. Prepaid Items**

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

**5. Restricted Assets**

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

**6. Capital Assets**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$5,000	10 – 30 years
Improvements	\$5,000	30 years
Equipment and Furniture	\$5,000	5 – 7 years
Roads	\$5,000	20 years
Bridges	\$5,000	40 years

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

**7. Long-Term Obligations**

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**8. Compensated Absences**

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

**Annual Leave**

Annual vacation leave accrues to full-time employees with five years or less service at the rate of 1 day per calendar month, for employees with 6-10 years of service at the rate of 1 and ¼ days per month, for employees with 11-15 years of 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.

On August 21, 2012, the Commission amended its annual leave policy to state “no more than one times the employee’s earned annual leave may be accrued and carried forward into the next fiscal year”. Any balance of annual leave in excess of the one year carryover at September 30, 2012 was paid to the employees. Any balance of annual leave in excess of one year in fiscal year 2013 must be used by September 30, 2013 or will be forfeited.

**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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

**Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items, term endowments, etc.

**Restricted** – consists of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

**Committed** – consists of amounts that are subject to a purpose constraint imposed by formal resolution of the Baldwin County Commission. Amendments or modifications of the committed fund balance must also be approved by formal resolution of the Baldwin County Commission.

**Assigned** – consists of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated authority to the Commission Chairman or Clerk/Treasurer to make determination of the assigned amounts of fund balance.

**Unassigned** – includes all spendable amounts not contained in one of the other classifications.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

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

**A. Budgets**

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

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

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

**B. Stabilization Arrangements**

The Commission has established policy number 8.7 for emergency reserves. During the annual budget process, the Commission will compute the amount needed to meet the targeted reserves. Funds from the Trust Reserve Accounts can only be expended for a bona fide emergency and must be approved the Commission during a regular or special meeting. As of September 30, 2012, the balance set aside for emergency reserves for the General Fund is \$10,138,029.54, Gasoline Tax Fund is \$3,491,375.88 and Solid Waste Fund is \$1,583,341.05 which is not classified as committed on the financial statements because this agreement does not meet the criteria to be reported as such.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### Note 3 – Deposits and Investments

##### Deposits

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

As of September 30, 2012, the Commission's cash with fiscal agent was invested as follows:

Investment Type	Maturities	Fair Value	Rating
Federated U. S. Treasury Cash Reserves Institutional Services	Weighted Average Maturity of 55 days or less	\$2,946,140.33	S & P AAAM Moody Aaa-mf
Federated Auto Government Money TR Number 44	Weighted Average Maturity of 46 days or less	762,333.28	S & P AAAM Moody Aaa-mf
Total Cash with Fiscal Agent		<u>\$3,708,473.61</u>	

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

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

**Note 4 – Deferred Revenues**

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, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Real Property Ad Valorem Taxes	\$30,002,632.04	\$
Unexpended Reappraisal Funds		916,977.65
Deepwater Horizon Incident Grant		1,474,547.60
Total Deferred/Unearned Revenue for Governmental Funds	\$30,002,632.04	\$2,391,525.25

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance October 1, 2011	Reclassifications
<b>Governmental Activities:</b>		
<b>Capital Assets, Not Being Depreciated:</b>		
Land	\$ 21,195,620.91	\$
Infrastructure in Progress	27,316,005.43	(7,411,980.76)
Construction in Progress	5,250,607.17	(5,910,897.96)
Total Capital Assets, Not Being Depreciated	<u>53,762,233.51</u>	<u>(13,322,878.72)</u>
<b>Capital Assets Being Depreciated:</b>		
Infrastructure	238,183,606.17	1,634,337.93
Buildings	85,333,298.62	5,687,102.21
Improvements Other Than Buildings	5,795,915.13	1,184,250.83
Computer and Communication Equipment	12,292,160.04	4,817,187.75
Equipment and Furniture	2,014,823.95	
Motor Vehicle and Heavy Equipment	25,674,175.13	
Total Capital Assets Being Depreciated	<u>369,293,979.04</u>	<u>13,322,878.72</u>
<b>Less Accumulated Depreciation for:</b>		
Infrastructure	(35,699,131.77)	
Buildings	(27,036,072.21)	
Improvements Other Than Buildings	(1,250,457.73)	
Computer and Communication Equipment	(10,422,663.99)	
Equipment and Furniture	(1,360,554.06)	
Motor Vehicle and Heavy Equipment	(21,577,507.42)	
Total Accumulated Depreciation	<u>(97,346,387.18)</u>	
Total Capital Assets Being Depreciated, Net	<u>271,947,591.86</u>	<u>13,322,878.72</u>
Total Governmental Activities Capital Assets, Net	<u>\$325,709,825.37</u>	<u>\$</u>
Amounts included in the "Reclassifications" column were necessary due to projects that were completed during the year.		

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

Additions	Retirements	Balance September 30, 2012
\$30,344,394.85	\$ (634,769.32)	\$ 50,905,246.44
12,732,510.22	(30,343.42)	32,606,191.47
1,189,139.21	(7,846.54)	521,001.88
44,266,044.28	(672,959.28)	84,032,439.79
2,352,477.68	(69,991.42)	242,100,430.36
395,528.43		91,415,929.26
2,288,423.94		9,268,589.90
626,196.36	(10,525.00)	17,725,019.15
130,171.12		2,144,995.07
3,477,568.99	(2,429,856.86)	26,721,887.26
9,270,366.52	(2,510,373.28)	389,376,851.00
(1,844,934.64)		(37,544,066.41)
(3,589,303.33)		(30,625,375.54)
(222,680.09)		(1,473,137.82)
(854,749.67)	10,525.00	(11,266,888.66)
(220,163.02)		(1,580,717.08)
(2,607,976.30)	2,423,807.94	(21,761,675.78)
(9,339,807.05)	2,434,332.94	(104,251,861.29)
(69,440.53)	(76,040.34)	285,124,989.71
\$44,196,603.75	\$ (748,999.62)	\$ 369,157,429.50

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

	Balance October 1, 2011	Reclassifications
<u>Business-Type Activities:</u>		
Capital Assets, Not Being Depreciated:		
Land	\$ 3,784,097.97	\$
Construction in Progress	137,866.48	(137,866.48)
Total Capital Assets, Not Being Depreciated	3,921,964.45	(137,866.48)
Capital Assets Being Depreciated:		
Buildings	1,978,804.83	
Improvements Other Than Buildings	11,115,581.60	
Computer and Communication Equipment	26,131.64	137,866.48
Equipment and Furniture	267,877.86	
Motor Vehicle and Heavy Equipment	11,537,299.66	
Total Capital Assets Being Depreciated	24,925,695.59	137,866.48
Less Accumulated Depreciation for:		
Buildings	(726,060.01)	
Improvements Other Than Buildings	(6,951,402.51)	
Computer and Communication Equipment	(26,131.64)	
Equipment and Furniture	(183,141.96)	
Motor Vehicle and Heavy Equipment	(9,367,444.03)	
Total Accumulated Depreciation	(17,254,180.15)	
Total Capital Assets Being Depreciated, Net	7,671,515.44	137,866.48
Total Business-Type Activities Capital Assets, Net	\$ 11,593,479.89	\$
Amounts included in the "Reclassifications" column were necessary due to projects that were completed during the year.		

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$3,925,118.52
Public Safety	1,524,720.19
Highways and Roads	3,722,292.36
Sanitation	2,584.64
Health	28,415.71
Welfare	5,831.37
Culture and Recreation	106,053.11
Education	24,791.15
Total Depreciation Expense – Governmental Activities	\$9,339,807.05

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

Additions	Retirements	Balance September 30, 2012
\$	\$	\$ 3,784,097.97
		3,784,097.97
		1,978,804.83
		11,115,581.60
		163,998.12
123,260.82		391,138.68
330,295.98		11,867,595.64
453,556.80		25,517,118.87
		(784,254.63)
(58,194.62)		(7,185,156.31)
(233,753.80)		(53,704.94)
(27,573.30)		(221,231.85)
(38,089.89)		(10,504,963.58)
(1,137,519.55)		(18,749,311.31)
(1,495,131.16)		6,767,807.56
(1,041,574.36)		\$ 10,551,905.53
\$(1,041,574.36)	\$	

	Current Year Depreciation Expense
<b>Business-Type Activities:</b>	
Solid Waste	\$1,495,131.16
Total Depreciation Expense – Business-Type Activities	<u>\$1,495,131.16</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### Note 6 – Defined Benefit Pension Plan

##### A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. Pursuant to Act Number 2002-463, Acts of Alabama, the Baldwin County Sheriff's Department contributes separately to the Employees' Retirement System of Alabama and therefore the rates differ and will be presented separately.

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. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. 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.

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, 201 South Union Street, Montgomery, Alabama 36130-2150.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 7¼ percent of their salary to the Employees' Retirement System. Full-time law enforcement officers are required by statute to contribute 8¼ percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2012 was 7.32% for percent based on the actuarial valuation performed as of September 30, 2009 for employees of the Baldwin County Sheriff's Department and 5.24% for all other employees.

**C. Annual Pension Cost**

For the year ended September 30, 2012, the Commission's annual pension cost for employees of the Baldwin County Sheriff's Department of \$864,540.79 and \$1,168,484.92 for all other employees 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, 2011, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3 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, 2011 was 23 years for the Baldwin County Sheriff's Department and 30 years for the Commission.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$1,168,485	100%	\$0
09/30/2011	\$1,698,775	100%	\$0
09/30/2010	\$1,781,466	100%	\$0

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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The following is three-year trend information for the Baldwin County Sheriff's Department:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$ 864,541	100%	\$0
09/30/2011	\$1,202,750	100%	\$0
09/30/2010	\$1,024,872	100%	\$0

**D. Funded Status and Funding Progress**

As of September 30, 2011, the most recent actuarial valuation date, the plan for the Commission was 70.1 percent funded. The actuarial accrued liability for benefits was \$59,868,722 and the actuarial value of assets was \$41,996,100, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,872,622. The covered payroll (annual payroll of active employees covered by the plan) was \$23,141,333, and the ratio of the UAAL to the covered payroll was 77.2 percent.

As of September 30, 2011, the most recent actuarial valuation date, the plan for the Baldwin County Sheriff's Department was 65.0 percent funded. The actuarial accrued liability for benefits was \$27,834,335 and the actuarial value of assets was \$18,078,856, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,755,479. The covered payroll (annual payroll of active employees covered by the plan) was \$11,790,904, and the ratio of the UAAL to the covered payroll was 82.7 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 7 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

The Baldwin County Commission provides a single-employer defined benefit medical plan for eligible retirees and their spouses. The medical insurance plan covers both active and retired members. The *Code of Alabama 1975*, Section 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**B. Funding Policy**

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2012.

For retirees with at least 25 years of service, the Commission pays all but \$100 of single coverage. For retirees with at least 30 years of service, the Commission pays 100% of single coverage. The Commission does not pay the family coverage portion. Retiree coverage ceases at age 65. For fiscal year 2012, the Commission contributed \$164,523.68 to cover approximately thirty-one participants. Plan members contributed \$18,200.00 for single coverage and \$34,493.50 for family coverage cost during fiscal year 2012.

**C. Annual OPEB Cost**

For fiscal year 2012, the Commission's annual other postemployment benefit (OPEB) cost (expense) was \$399,241.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed Annual OPEB	Net OPEB Obligation
09/30/2012	\$399,241.00	41.20%	\$1,499,949.65
09/30/2011	\$399,241.00	37.60%	\$1,265,232.33
09/30/2010	\$609,093.00	18.60%	\$1,016,259.21

**D. Funded Status and Funding Progress**

The funding status of the plan as of September 30, 2010, was as follows:

Actuarial Accrued Liability (AAL)	\$4,623,583
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$4,623,583
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$33,133,984.14
UAAL as a Percentage of Covered Payroll	14.0%

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a 4% percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2016. It was assumed that 100 percent of future retirees would elect medical insurance coverage and 50 percent of retirees electing coverage who have spouses would elect spousal coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

**Note 8 – Payables**

On September 30, 2012, payables for the Commission’s individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Other	Total
<b><u>Governmental Funds:</u></b>				
General Fund	\$7,129,741.01	\$5,994,983.15	\$ 128,227.03	\$13,252,951.19
Gasoline Tax Fund	1,281,878.69			1,281,878.69
Capital Projects Fund	5,011.73			5,011.73
Other Governmental Funds	603,076.23		37.01	603,113.24
<b>Total Governmental Funds</b>	<b>9,019,707.66</b>	<b>5,994,983.15</b>	<b>128,264.04</b>	<b>15,142,954.85</b>
<b><u>Business-Type Activities:</u></b>				
Solid Waste Fund	247,121.22			247,121.22
Other Enterprise Fund	259,826.03			259,826.03
<b>Total Business-Type Activities</b>	<b>506,947.25</b>			<b>506,947.25</b>
<b><u>Fiduciary Funds:</u></b>				
Private-Purpose Trust Agency	325,164.47		8,891,265.85	9,216,430.32
	684.00		159,582.80	160,266.80
<b>Total Fiduciary Funds</b>	<b>\$ 325,848.47</b>	<b>\$</b>	<b>\$9,050,848.65</b>	<b>\$ 9,376,697.12</b>

**Note 9 – Long-Term Debt**

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

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

In June 2004, General Obligation Warrants with interest rates of 2.6 to 5.25 percent were issued to provide funds for capital improvements to public roads, including preliminary engineering costs and Phase 1 County Road-64 to U. S. Highway 90 costs as estimated in that certain agreement between the State of Alabama and Baldwin County dated May 6, 2004. Debt service payments are made by Gasoline Tax Fund. These warrants were advanced refunded by the Series 2012 warrants issued in September 2012.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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In January 2006, General Obligation Warrants with interest rates of 3.20 to 5.00 percent were issued to purchase and renovate the Regions Bank Building and property in Robertsdale, and to cover project cost overruns for Bay Minette Courthouse, Central Annex, and Girls Wilderness Facility. The debt service payments are made by the General Fund (42.82%), the Gasoline Tax Fund (41.29%), and the Wilderness fund (15.89%).

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

In June 2007, a General Obligation Taxable Warrant with an interest rate of 5.54 percent was issued for the purchase of the Robertsdale Regions Bank Building and the rehabilitation, renovation, and equipment costs associated with the building. In June 2012, the Commission issued a Replacement Warrant that represented the same debt as the 2007 General Obligation Taxable Warrant ("Original Warrant"). This was done so that the Commission could take advantage of a lower interest rate of 1.38% and issued the debt at an amount equal to the principal amount of the Original Warrant outstanding. The debt service payments are made by the General and Gasoline Tax Funds.

In December 2007, General Obligation Warrant with an interest rate of 3.76 percent was issued for projects and purchases of resurfacing 125 miles of existing roads, construct 11 miles of new roads and the purchase of various pieces of capital equipment. The debt service payments are made by the Seven Cent Tax Fund.

In May 2008, General Obligation Warrants with interest rates of 3.60 to 5.00 percent were issued to acquire and construct the capital improvements and pays costs of issuing the warrants. The debt service payments are made by the General Fund and the Seven Cent Tax Fund.

In September 2008, a General Obligation Warrant with an interest rate of 4.96 percent was acquired to pay issuance expense of the warrant, to purchase real property and improvements and remaining proceeds used for the County improvements on the real property or other capital projects. The debt service payments are made by the General Fund.

In January 2010, General Obligation Warrants with interest rates of 1.00% to 5.00% were issued for the purpose of the current refunding of the General Obligation Warrants, Series 1999, dated March 1, 1999 and the advanced refunding and redemption of the General Obligation Warrants, Series 2002 and Series 2003, dated March 1, 2002 and December 1, 2003 respectively.

In June 2012, a General Obligation Taxable Warrant with an interest rate of 1.38% was issued for the purpose of purchasing real property known as the Crosby Portion of the Mega-Site Property.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

In September 2012, General Obligation Warrants with interest rates of 2.00% to 5.00% were issued for the purpose of the advance refunding of the General Obligation Warrants, Series 2004 issued in June 2004.

#### Notes Payable

Promissory notes were used to finance property acquisition of land on CR24 in Foley. The debt service payments are made by the Gasoline Tax Fund.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2012:

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants and Notes Payable:</b>					
Warrants, 2002	\$ 20,000.00	\$	\$ (20,000.00)	\$	\$
Warrants, 2004	5,725,000.00		(1,045,000.00)	4,680,000.00	1,085,000.00
Warrants, 2004-B	11,280,000.00		(11,280,000.00)		
Warrants, 2006-A	20,745,000.00		(970,000.00)	19,775,000.00	1,015,000.00
Warrant, 2007					
Taxable/2012-C	1,280,000.00		(405,000.00)	875,000.00	425,000.00
Warrants, 2007-A	13,045,000.00			13,045,000.00	
Warrant, 2008-A	8,249,336.75		(2,095,678.19)	6,153,658.56	1,525,026.12
Warrant, 2008-B	24,715,000.00			24,715,000.00	
Warrant, 2008-C	4,515,056.29		(174,401.35)	4,340,654.94	183,158.93
Warrants, 2010	20,390,000.00		(2,025,000.00)	18,365,000.00	1,450,000.00
Warrants, 2012		10,195,000.00		10,195,000.00	480,000.00
Warrants, 2012-B		25,000,000.00		25,000,000.00	
Less: Unamortized Discount	(135,656.78)		49,059.14	(86,597.64)	(49,059.14)
Less: Deferred Loss on Refunding	(1,286,439.04)	(1,157,690.37)	128,787.96	(2,315,341.45)	(121,896.95)
Plus: Unamortized Premium	1,858,565.45	1,398,945.80	(136,367.79)	3,121,143.46	136,367.79
Total Warrants Payable, Net	110,400,862.67	35,436,255.43	(17,973,600.23)	127,863,517.87	6,128,596.75
Notes Payable	84,431.38		(84,431.38)		
Total Warrants and Notes Payable	110,485,294.05	35,436,255.43	(18,058,031.61)	127,863,517.87	6,128,596.75
<b>Other Liabilities:</b>					
Compensated Absences	3,802,293.45		(1,429,486.11)	2,372,807.34	1,597,384.54
Estimated Liability for OPEB	1,171,423.17	206,292.60		1,377,715.77	
Total Other Liabilities	4,973,716.62	206,292.60	(1,429,486.11)	3,750,523.11	1,597,384.54
Total Governmental Activities Long-Term Liabilities	\$115,459,010.67	\$35,642,548.03	\$(19,487,517.72)	\$131,614,040.98	\$7,725,981.29

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Due Within One Year
<b>Business-Type Activities:</b>					
Estimated Liability for Compensated Absences	\$ 328,524.52	\$	\$(133,788.93)	\$ 194,735.59	\$177,819.34
Estimated Liability for Landfill Closure/Postclosure Costs	4,997,355.90		(325,226.91)	4,672,128.99	215,242.15
Estimated Liability for OPEB	93,809.16	28,424.72		122,233.88	
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$5,419,689.58</b>	<b>\$28,424.72</b>	<b>\$(459,015.84)</b>	<b>\$4,989,098.46</b>	<b>\$393,061.49</b>

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

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

Fiscal Year Ending	Governmental Activities Warrants Payable		Total Principal and Interest Requirements
	Principal	Interest	
September 30, 2013	\$ 6,163,185.05	\$ 4,657,937.97	\$ 10,821,123.02
2014	5,889,855.22	4,541,874.92	10,431,730.14
2015	31,121,102.22	4,315,218.08	35,436,320.30
2016	6,369,225.11	3,697,771.93	10,066,997.04
2017	6,344,301.09	3,427,958.45	9,772,259.54
2018-2022	30,437,056.78	13,086,327.68	43,523,384.46
2023-2027	24,757,642.36	6,527,153.85	31,284,796.21
2028-2032	14,006,945.67	2,331,387.14	16,338,332.81
2033	2,055,000.00	97,613.00	2,152,613.00
<b>Total</b>	<b>\$127,144,313.50</b>	<b>\$42,683,243.02</b>	<b>\$169,827,556.52</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Issuance Costs, Deferred Charges on Refunding, Premiums and Discounts**

The Commission has issuance costs, deferred charges on refunding and discounts/premiums in connection with the issuance of its 2002, 2004-B, 2006-A, 2007-A, 2008-B, 2008-C and 2012 General Obligation Warrants. The deferred amounts are being amortized using the straight-line method over a period of 10, 23, 20, 25, 25, 20 and 15 years respectively. For the 2010 General Obligation Warrants, the deferred charges on refunding are being amortized 10, 12 and 15 years while the issuance costs and premium are being amortized over 16 years.

	Issuance Costs	Deferred Loss on Refunding	Discount	Premium
Total Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	\$1,412,691.41	\$2,687,923.31	\$182,090.25	\$3,702,666.20
Amount Amortized Prior Years	307,193.18	243,793.90	46,433.47	445,154.95
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	1,105,498.23	2,444,129.41	135,656.78	3,257,511.25
Current Amount Amortized or Reduced	187,074.85	128,787.96	49,059.14	136,367.79
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	\$ 918,423.38	\$2,315,341.45	\$ 86,597.64	\$3,121,143.46

**Defeasance of Debt**

On September 1, 2012, the Commission issued \$10,195,000.00 in General Obligation Warrants, Series 2012 with interest rates of 2.00% to 5.00% for the advance refunding of \$10,745,000.00 of outstanding General Obligation Warrants, Series 2004-B with interest rates of 2.60% to 5.25%. The net proceeds were used to purchase U. S. Government securities in the amount of \$11,723,683.30.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,157,690.37. This difference is being netted against the new debt and amortized over the remaining life of the old debt which is the same as the life of the new debt. As a result of the refunding, the Commission decreased its total debt service requirements by \$1,133,700.40, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$932,924.22.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### **Note 10 – 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 post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount the landfill is used during the year. The estimated liability for closure and post-closure care costs has a balance of \$4,672,128.99 as of September 30, 2012, which is based on 64% usage (filled) of the landfill. It is estimated that an additional \$2,640,332.42 will be recognized as closure and post-closure 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 post-closure care (\$7,312,461.41) 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, 2012. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Commission is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The Commission is in compliance with these requirements, and at September 30, 2012, funds of \$2,315,767.55 are held for these purposes. These funds are deposits on hand and are presented on the Commission's balance sheet as "Cash." It is anticipated that future inflation costs will be financed in part from earnings on these funds. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

#### **Note 11 – Conduit Debt Obligations**

On June 1, 2007, the Public Building Authority of Baldwin County (PBA), which is a related organization of Baldwin County, issued \$6,405,000 of Building Revenue Warrants (DHR Project), Series 2007-A for the purpose of financing the acquisition, construction and installation of an office building for use by the Baldwin County Department of Human Resources. Simultaneously, with the issuance of the warrants, a lease agreement was executed between the PBA and Baldwin County in addition to a sub-lease agreement between Baldwin County and the State of Alabama, acting by and through its Department of Human Resources. The sub-lease agreement was amended on August 1, 2007. The lease is limited obligation debt of the County and is payable solely from the revenues generated through the sub-lease agreement, as amended. The warrants nor the lease do not constitute a debt or pledge of the faith and credit of the County and accordingly have not been reported in the accompanying financial statements. As of September 30, 2012, the outstanding balance of the lease is \$5,520,000.00.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Note 12 – 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 (excepting Equitable Defense Coverage which is set at \$100,000 per claim) for a maximum total coverage of \$5,000,000 and unlimited defense costs. Employment-related practices damage protections are limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement. Pool participants are eligible to receive refunds of unused premiums and/or the related investment earnings. The Commission continues to enjoy eligibility as to these refunds.

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. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and/or the related investment earnings. The Commission continues to enjoy eligibility as to these funds.

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Note 13 – Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2012, were as follows:

	Operating Transfers In		
	General Fund	Gasoline Tax Fund	Other Governmental Funds
<b><u>Operating Transfers Out:</u></b>			
General Fund	\$	\$14,169,935.00	\$ 4,144,520.83
Gasoline Tax Fund			6,381,340.08
Oil and Gas Severance Tax Fund	158,116.40		
Other Governmental Funds	198,710.90		1,278,048.50
Solid Waste Fund	414,900.00		454,335.95
Other Enterprise Funds	127,800.00		185,573.90
Totals	<u>\$899,527.30</u>	<u>\$14,169,935.00</u>	<u>\$12,443,819.26</u>

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

**Note 14 – Related Organizations**

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

- |  |
|--|
| North Baldwin Health Care Authority<br>Eastern Shore Health Care Authority<br>South Baldwin Health Care Authority<br>Baldwin County Historic Development Commission<br>Baldwin County Emergency Communications District<br>Baldwin County Board of Mental Health<br>Baldwin County Housing Authority<br>Baldwin County Library Board<br>Public Building Authority of Baldwin County, Alabama |
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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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Operating Transfers In		
Solid Waste Fund	Other Enterprise Fund	Totals
\$	\$	\$18,314,455.83
		6,381,340.08
		158,116.40
68,844.12		1,545,603.52
	825,000.00	1,694,235.95
		313,373.90
\$68,844.12	\$825,000.00	\$28,407,125.68

**Note 15 – Subsequent Event**

On December 27, 2012, the Commission authorized the purchase of 927 acres of land from Catawba Land Company, LLC, for the amount of \$6,312,500.00 for the MegaSite Industrial Development Complex.

On February 13, 2013, the Commission approved the issuance of \$18,840,000.00 General Obligation Warrants, Series 2013, for the purpose of (1) advanced refunding of the Series 2006-A General Obligation Warrants and (2) paying the issuance expenses.

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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, 2012***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b>Revenues</b>			
Taxes	\$ 32,299,041.00	\$ 32,299,041.00	\$ 33,018,283.41
Licenses and Permits	685,710.00	685,710.00	736,917.59
Intergovernmental	1,634,439.00	2,553,882.39	3,269,485.30
Charges for Services	9,354,026.00	9,354,026.00	9,569,684.96
Fines and Forfeits	60,000.00	60,000.00	40,198.39
Miscellaneous	2,185,314.00	2,371,787.00	10,022,512.14
Total Revenues	<u>46,218,530.00</u>	<u>47,324,446.39</u>	<u>56,657,081.79</u>
<b>Expenditures</b>			
Current:			
General Government	18,197,347.00	18,815,807.00	16,904,576.37
Public Safety	20,047,203.00	20,775,416.00	20,453,151.59
Highways and Roads	387,273.00		
Health	1,026,084.00	1,026,084.00	888,153.95
Welfare	4,000.00	4,000.00	1,500.00
Culture and Recreation	177,090.00	178,090.00	154,915.12
Education	75,907.00	75,907.00	72,695.04
Capital Outlay	1,395,800.00	2,414,377.39	4,997,166.51
Total Expenditures	<u>41,310,704.00</u>	<u>43,289,681.39</u>	<u>43,472,158.58</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,907,826.00</u>	<u>4,034,765.00</u>	<u>13,184,923.21</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,226,006.00	2,226,006.00	899,527.30
Sale of Capital Assets			35,780.99
Transfers Out	(6,386,296.00)	(10,197,131.00)	(9,167,035.88)
Other Financing Uses	(510,000.00)	(510,000.00)	
Total Other Financing Sources (Uses)	<u>(4,670,290.00)</u>	<u>(8,481,125.00)</u>	<u>(8,231,727.59)</u>
Net Change in Fund Balances	237,536.00	(4,446,360.00)	4,953,195.62
Fund Balances - Beginning of Year	(237,536.00)	4,446,360.00	27,171,940.68
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 32,125,136.30</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 8,972,951.87	\$ 41,991,235.28
		736,917.59
(1)	571,180.75	3,840,666.05
(1)	52,322.49	9,622,007.45
		40,198.39
(1)	72,489.56	10,095,001.70
	<u>9,668,944.67</u>	<u>66,326,026.46</u>
(2)	697,459.02	16,207,117.35
		20,453,151.59
		888,153.95
(2)	(490,368.69)	491,868.69
(2)	(918,786.86)	1,073,701.98
		72,695.04
(2)	(941,095.92)	5,938,262.43
	<u>(1,652,792.45)</u>	<u>45,124,951.03</u>
	<u>8,016,152.22</u>	<u>21,201,075.43</u>
		899,527.30
(3)	1,000.00	36,780.99
(3)	(9,147,419.95)	(18,314,455.83)
	<u>(9,146,419.95)</u>	<u>(17,378,147.54)</u>
	(1,130,267.73)	3,822,927.89
(4)	<u>2,517,881.94</u>	<u>29,689,822.62</u>
	<u>\$ 1,387,614.21</u>	<u>\$ 33,512,750.51</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012***

**Explanation of differences between Actual Amounts on  
Budgetary Basis and Actual Amounts GAAP Basis:**

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

(1) Revenues		
Election Fund	\$	54.01
Self Insurance Fund		34,309.62
Road and Bridge Fund		9,250,844.57
Legislative Delegation Fund		53,014.84
Supernumerary Fund		160.71
AAA Donation Fund		32.97
Council on Aging Fund		120,901.87
Utilities Permit Fund		3,235.41
Parks Fund		144,709.46
Bicentennial Fund		<u>61,681.21</u>
(2) Expenditures		
Election Fund		(125.00)
Legislative Delegation Fund		170,650.40
Council on Aging Fund		490,368.69
Parks Fund		918,786.86
Bicentennial Fund		<u>73,111.50</u>
(3) Other Financing Sources/(Uses), Net		
Election Fund		(5,869.86)
Self Insurance Fund		(77,879.77)
Road and Bridge Fund		(10,485,000.00)
Legislative Delegation Fund		100,455.64
Council on Aging Fund		317,157.65
Parks Fund		1,000.00
Parks Fund		912,657.65
Bicentennial Fund	\$	<u>91,058.74</u>

Net Decrease in Fund Balance - Budget to GAAP

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

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\$ 9,668,944.67

(1,652,792.45)

(9,146,419.95)

\$ (1,130,267.73)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Taxes	\$ 6,920,450.00	\$ 6,920,450.00	\$ 6,949,388.86
Intergovernmental	2,560,582.00	2,698,833.00	3,152,244.96
Charges for Services	10,000.00	10,000.00	118,664.11
Miscellaneous	284,553.00	392,064.00	452,494.73
Total Revenues	<u>9,775,585.00</u>	<u>10,021,347.00</u>	<u>10,672,792.66</u>
<b>Expenditures</b>			
Current:			
Highways and Roads	13,045,392.00	17,087,390.00	9,673,041.91
Capital Outlay	2,747,100.00	2,747,100.00	11,388,291.55
Debt Service:			
Principal Retirement	80,990.00	80,990.00	84,431.37
Interest and Fiscal Charges	7,031.00	7,031.00	3,588.33
Total Expenditures	<u>15,880,513.00</u>	<u>19,922,511.00</u>	<u>21,149,353.16</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,104,928.00)</u>	<u>(9,901,164.00)</u>	<u>(10,476,560.50)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	11,310,925.00	14,995,860.00	14,937,910.00
Sale of Capital Assets	624,000.00	624,000.00	669,773.54
Transfers Out	(6,400,244.00)	(6,400,244.00)	(6,381,340.08)
Total Other Financing Sources (Uses)	<u>5,534,681.00</u>	<u>9,219,616.00</u>	<u>9,226,343.46</u>
Net Change in Fund Balances	(570,247.00)	(681,548.00)	(1,250,217.04)
Fund Balances - Beginning of Year	<u>570,247.00</u>	<u>681,548.00</u>	<u>16,807,408.28</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 15,557,191.24</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$
(1)	774,446.78	6,949,388.86 3,926,691.74 118,664.11
(1)	2,163.93	454,658.66
	<u>776,610.71</u>	<u>11,449,403.37</u>
		9,673,041.91 11,388,291.55
		84,431.37 3,588.33
		<u>21,149,353.16</u>
	<u>776,610.71</u>	<u>(9,699,949.79)</u>
(2)	(767,975.00)	14,169,935.00 669,773.54 <u>(6,381,340.08)</u>
	<u>(767,975.00)</u>	<u>8,458,368.46</u>
	8,635.71	(1,241,581.33)
(3)	<u>224,512.35</u>	<u>17,031,920.63</u>
	<u>\$ 233,148.06</u>	<u>\$ 15,790,339.30</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2012***

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**Explanation of Differences between Actual Amounts on  
Budgetary Basis and Actual Amounts GAAP Basis:**

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

(1) Revenues	
Public Highway and Traffic Fund	\$ 705,276.61
Severed Material Severance Tax Fund	<u>71,334.10</u>
(2) Other Financing Sources/(Uses)	
Public Highway and Traffic Fund	(696,000.00)
Severed Material Severance Tax Fund	<u>\$ (71,975.00)</u>

Net Increase in Fund Balance - Budget to GAAP

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

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\$ 776,610.71

(767,975.00)

\$ 8,635.71

***Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2012***

The following table represents information received from the Employee's Retirement Systems of Alabama concerning employees paid by the Baldwin County Commission:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011***	\$41,996,100	\$59,868,722	\$17,872,622	70.10%	\$23,141,333	77.20%
09/30/2010**	\$42,167,104	\$58,917,071	\$16,749,967	71.60%	\$24,604,383	68.10%
09/30/2009	\$41,128,099	\$52,904,561	\$11,776,462	77.70%	\$24,197,063	48.70%

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

\*\* Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011 and the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

\*\*\* Reflects changes in actuarial assumptions. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

***Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2012***

The following table represents information received from the Employees' Retirement System of Alabama concerning employees paid by the Baldwin County Sheriff as prescribed by Act 2002-463, Acts of Alabama.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011***	\$18,078,856	\$27,834,335	\$9,755,479	65.00%	\$11,790,904	82.70%
09/30/2010**	\$17,491,126	\$27,214,661	\$9,273,535	64.30%	\$11,196,677	86.80%
09/30/2009	\$16,699,506	\$25,847,914	\$9,148,408	64.60%	\$11,056,237	82.70%

- \* Reflects liability for cost of living benefit increases granted on and after October 1, 1978.
- \*\* Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011 and the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- \*\*\* Reflects changes in actuarial assumptions. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2012***

For Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012	09/30/2011	\$	\$4,623,583.00	\$4,623,583.00	0%	\$33,133,984.14	14.0%
09/30/2011	09/30/2011	\$	\$4,623,583.00	\$4,623,583.00	0%	\$34,959,418.63	13.2%
09/30/2009	09/30/2009	\$	\$6,733,684.00	\$6,733,684.00	0%	\$35,537,168.33	18.9%

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
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		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Passed Through Alabama Department of Environmental Management</u></b>		
Coastal Zone Management Administration Awards	11.419	C20596042
<b><u>Passed Through Alabama Department of Homeland Security</u></b>		
Public Safety Interoperable Communications Grant Program (M)	11.555	7SCS
Total U. S. Department of Commerce		
<b><u>U. S. Department of Housing and Urban Development</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Community Development Block Grant/State's Program (M)	14.228	CY-CM-PF-10-003
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Emergency Solutions Grants Program	14.231	ESG-11-012
Emergency Solutions Grants Program	14.231	ESG-11-012A
Sub-Total Emergency Solutions Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2011-09/30/2012	\$ 21,596.55	\$ 21,596.55	\$ 21,596.55	\$ 21,596.55
10/01/2011-09/30/2012	38,266.73	38,266.73	38,266.73	38,266.73
	59,863.28	59,863.28	59,863.28	59,863.28
	59,863.28	59,863.28	59,863.28	59,863.28
10/01/2011-09/30/2012	20,000.00	20,000.00	20,000.00	20,000.00
07/01/2011-06/22/2012	4,593,392.00	4,593,392.00	3,942,997.70	3,942,997.70
	4,613,392.00	4,613,392.00	3,962,997.70	3,962,997.70
11/22/2010-00/00/0000	574,827.00	400,000.00	385,000.00	385,000.00
09/01/2011-08/31/2013	100,800.00	50,150.00	41,725.58	41,725.58
09/01/2011-08/31/2013	500.00	500.00	484.22	484.22
	101,300.00	50,650.00	42,209.80	42,209.80
	676,127.00	450,650.00	427,209.80	427,209.80
	\$ 5,349,382.28	\$ 5,123,905.28	\$ 4,450,070.78	\$ 4,450,070.78

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Interior</u></b>		
<b><u>Direct Program</u></b>		
Payments in Lieu of Taxes	15.226	N/A
National Wildlife Refuge Fund	15.659	N/A
Coastal Program	15.630	N/A
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Sub-Total Coastal Impact Assistance Program		
Coastal Impact Assistance Program	15.668	N/A
Total Coastal Impact Assistance Program		
Total U. S. Department of Interior		
<b><u>U. S. Department of Justice</u></b>		
<b><u>Direct Program</u></b>		
Public Safety Partnership and Community Policing Grants	16.710	N/A
Bulletproof Vest Partnership Program	16.607	N/A
Bulletproof Vest Partnership Program	16.607	N/A
Sub-Total Bulletproof Vest Partnership Program		
Equitable Sharing Program (M)	16.922	N/A
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A
<b><u>Passed Through Alabama Department of Economic and Community Affairs (Law Enforcement/Traffic Safety Division - LETS)</u></b>		
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories	16.803	09-DR-01-033
Sub-Total JAG Program Cluster (M)		
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 5,349,382.28	\$ 5,123,905.28	\$ 4,450,070.78	\$ 4,450,070.78
10/01/2011-09/30/2012	32,456.00	32,456.00	32,456.00	32,456.00
10/01/2011-09/30/2012	277,016.00	277,016.00	277,016.00	277,016.00
08/01/2010-09/30/2012	8,800.00	8,800.00	4,890.13	4,890.13
01/13/2010-06/30/2012	1,379,974.00	1,379,974.00	621,596.32	621,596.32
12/30/2009-02/28/2013	200,000.00	200,000.00	6,178.14	6,178.14
02/01/2010-12/31/2012	250,000.00	250,000.00	63,721.61	63,721.61
	1,829,974.00	1,829,974.00	691,496.07	691,496.07
06/01/2012-05/31/2013	2,546,939.05	2,546,939.05	2,546,939.05	2,546,939.05
	4,376,913.05	4,376,913.05	3,238,435.12	3,238,435.12
	4,695,185.05	4,695,185.05	3,552,797.25	3,552,797.25
12/16/2009-12/15/2012	500,000.00	500,000.00	59,775.30	59,775.30
04/01/2010-08/31/2012	2,059.48	1,029.74	1,029.74	1,029.74
04/01/2011-08/31/2013	742.60	371.30	371.30	371.30
	2,802.08	1,401.04	1,401.04	1,401.04
10/01/2011-09/30/2012	424,836.09	424,836.09	35,891.38	424,836.09
10/01/2010-09/30/2014	14,197.00	14,197.00	12,404.82	12,404.82
10/01/2011-09/30/2012	198,016.93	148,512.36	148,512.36	148,512.36
	212,213.93	162,709.36	160,917.18	160,917.18
	1,139,852.10	1,088,946.49	257,984.90	646,929.61
	\$ 11,184,419.43	\$ 10,908,036.82	\$ 8,260,852.93	\$ 8,649,797.64

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Passed Through Alabama Department of Transportation</u></b>		
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100056335
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100055258
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100056336
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100058119
Sub-Total Formula Grants for Other Than Urbanized Areas (M)		
ARRA - Formula Grants for Other Than Urbanized Areas (M)	20.509	RPTCA- 100055154
Total U. S. Department of Transportation		
<b><u>U. S. Department of Energy</u></b>		
<b><u>Direct Program</u></b>		
ARRA - Energy Efficiency and Conservation Block Grant Program (M)	81.128	N/A
Total U. S. Department of Energy		
<b><u>U. S. Election Assistance Commission</u></b>		
<b><u>Passed Through the Alabama Secretary of State</u></b>		
Help America Vote Act Requirements Payments	90.401	2011-0009
Total U. S. Election Assistance Commission		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through the South Alabama Regional Planning Commission</u></b>		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	302-AAA-2012
<b><u>Passed Through the Alabama Department of Public Health</u></b>		
Public Health Emergency Preparedness	93.069	CEP-42-PV2-12
Total U. S. Department of Health and Human Services		
<b><u>Executive Office of the President</u></b>		
<b><u>Passed Through the Alabama Department of Public Safety</u></b>		
High Intensity Drug Trafficking Areas Program	95.001	0HBS
High Intensity Drug Trafficking Areas Program	95.001	2HBC
Total Executive Office of the President		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 11,184,419.43	\$ 10,908,036.82	\$ 8,260,852.93	\$ 8,649,797.64
10/01/2011-09/30/2012	648,800.00	648,800.00	648,800.00	648,800.00
10/01/2011-09/30/2012	8,424.00	8,424.00	8,424.00	8,424.00
10/01/2011-09/30/2012	261,162.00	261,162.00	261,162.00	261,162.00
10/01/2011-09/30/2012	58,758.00	58,758.00	58,758.00	58,758.00
	<u>977,144.00</u>	<u>977,144.00</u>	<u>977,144.00</u>	<u>977,144.00</u>
08/10/2010-09/30/2012	725,000.00	725,000.00	316,520.00	316,520.00
	<u>1,702,144.00</u>	<u>1,702,144.00</u>	<u>1,293,664.00</u>	<u>1,293,664.00</u>
10/01/2009-09/30/2012	719,700.00	719,700.00	414,804.00	414,804.00
	<u>719,700.00</u>	<u>719,700.00</u>	<u>414,804.00</u>	<u>414,804.00</u>
10/01/2010-09/30/2012	259,750.33	259,750.33	41,817.28	41,817.28
	<u>259,750.33</u>	<u>259,750.33</u>	<u>41,817.28</u>	<u>41,817.28</u>
10/01/2011-09/30/2012	481,996.00	104,334.00	104,334.00	104,334.00
08/01/2011-08/09/2012	11,000.00	11,000.00	10,996.51	10,996.51
	<u>492,996.00</u>	<u>115,334.00</u>	<u>115,330.51</u>	<u>115,330.51</u>
01/01/2010-12/31/2012	10,571.00	10,571.00	3,770.67	3,770.67
01/01/2012-12/31/2013	25,602.00	25,602.00	11,887.37	11,887.37
	<u>36,173.00</u>	<u>36,173.00</u>	<u>15,658.04</u>	<u>15,658.04</u>
	\$ 14,395,182.76	\$ 13,741,138.15	\$ 10,142,126.76	\$ 10,531,071.47

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Homeland Security Passed Through Alabama Department of Homeland Security</u></b>		
Interoperable Emergency Communications	97.055	OIET
Homeland Security Grant Program	97.067	ALDHS-11-1145
Homeland Security Grant Program	97.067	ALDHS-10-0921
Sub-Total Homeland Security Grant Program		
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
Homeland Security Grant Program	97.067	9DEX
Total Homeland Security Grant Program		
Emergency Management Performance Grants	97.042	12 EMPG 05
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4082-DR-AL
Total U. S. Department of Homeland Security		
<b><u>General Services Administration Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<b><u>Social Security Administration Direct Program</u></b>		
Social Security - Disability Insurance	96.001	N/A
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 14,395,182.76	\$ 13,741,138.15	\$ 10,142,126.76	\$ 10,531,071.47
08/01/2011-12/31/2011	30,000.00	30,000.00	30,000.00	30,000.00
09/13/2010-07/31/2012	5,000.00	5,000.00	4,959.68	4,959.68
08/01/2009-12/31/2011	20,070.00	20,070.00	16,261.27	16,261.27
	<u>25,070.00</u>	<u>25,070.00</u>	<u>21,220.95</u>	<u>21,220.95</u>
02/07/2012-05/31/2012	6,000.00	6,000.00	3,904.99	3,904.99
	<u>31,070.00</u>	<u>31,070.00</u>	<u>25,125.94</u>	<u>25,125.94</u>
10/01/2011-05/31/2013	79,834.00	79,834.00	79,834.00	79,834.00
09/21/2012-00/00/0000	153,296.43	114,972.33	114,972.33	114,972.33
	<u>294,200.43</u>	<u>255,876.33</u>	<u>249,932.27</u>	<u>249,932.27</u>
10/01/2011-09/30/2012			4,525.79	4,525.79
10/01/2011-09/30/2012			2,000.00	2,000.00
	<u>\$ 14,689,383.19</u>	<u>\$ 13,997,014.48</u>	<u>\$ 10,398,584.82</u>	<u>\$ 10,787,529.53</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2012***

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**Note 1 – Basis of Presentation**

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

**Note 2 – 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/Entitlement Grants (CFDA #14.218) were used for testing.

**Note 3 – Subrecipients**

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant – State’s Program	14.228	<u>\$385,000.00</u>

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2011 through September 30, 2012***

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<b>Commission Members</b>		<b>Term Expires</b>
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Hon. Frank Burt, Jr. (*)	Member	2014
Hon. Charles F. Gruber	Member	2014
Hon. Robert E. James (**)	Chairman	2014
Hon. J. Tucker Dorsey	Member	2014

**Administrative Personnel**

Kimberly W. Creech	Clerk/Treasurer	Indefinite
David A. Z. Brewer	County Administrator	Indefinite

(\*) Chairman through November 2011.

(\*\*) Chairman beginning November 2011.

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

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission as of and for the year ended September 30, 2012, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated May 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Baldwin County Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Baldwin County Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Baldwin County Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Baldwin County Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

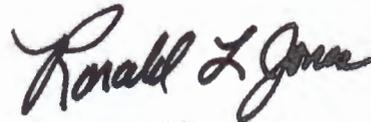
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**Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the members of the Baldwin County Commission, the County Administrator, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

May 30, 2013

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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**Independent Auditor's Report**

**Compliance**

We have audited the Baldwin County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Baldwin County Commission's major federal programs for the year ended September 30, 2012. The Baldwin County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwin County Commission's management. Our responsibility is to express an opinion on the Baldwin County Commission's compliance based on our audit.

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

In our opinion, the Baldwin County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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**Internal Control Over Compliance**

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

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

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

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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This report is intended solely for the information and use of management, the members of the Baldwin County Commission, the County Administrator, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

May 30, 2013

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.555	Public Safety Interoperable Communications Grant Program
14.228	Community Development Block Grant/State's Program
16.738 and 16.803	JAG Program Cluster
16.922	Equitable Sharing Program
20.509	Formula Grants for Other Than Urbanized Areas
81.128	Energy Efficiency and Conservation Block Grant Program, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$323,625.89

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

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

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

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

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

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