

# THE FRAZER LANIER COMPANY

INCORPORATED  
INVESTMENT BANKERS

April 26, 2013

Ms. Kim Creech, Clerk/Treasurer  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, AL 36507

Re: Issuance Expenses

Dear Kim:

Enclosed is a check totaling \$4,575.81, which represents the remaining funds that were withheld for issuance expenses. An accounting of the expenses, including the amount paid, to whom, and with the appropriate check number, is enclosed herewith. This money should be deposited into a capital account and expended for capital purposes. It should not be deposited into the general fund where it might be commingled with regular operating funds.

We deeply appreciate the trust and confidence that the County placed in our Firm and enjoyed working on the Series 2013 warrant issue with you. Should you have any questions, don't hesitate to call. With kindest regards, I remain

Sincerely yours,

THE FRAZER LANIER COMPANY



Robert H. Young, Jr.  
President

BY:mp  
Encl.

**\$18,840,000 Baldwin County  
General Obligation Warrants, Series 2013**

**Settlement:**               **2/21/2013**

<b>Withheld</b>	<b>\$ 80,964.01</b>
Bond Counsel Jones, Walker	\$ (35,275.30) JE 2/26/13
Ratings	
Moody's Investor Service	\$ (13,600.00) CK #14709
Standard & Poor's	\$ (13,050.00) Ck #14643
Printing - Preliminary & Final Official Statements Commerce Print Strategies	\$ (660.23) Ck #14641
Verification Arbitrage Group	\$ (2,500.00) Ck #14731
DTC	\$ (2,925.00) JE 3/15/13
CUSIP	\$ (433.00) Ck #14649
Paying Agent Fee Regions Bank	\$ (4,000.00) Ck #14639
Rating Agency Presentation Trip	\$ (3,773.35) JE 3/20/13
Fed ex	\$ (171.32) JE 3/20/13
<b>TOTAL</b>	<b>\$ 4,575.81</b>

---

**\$18,840,000**  
**BALDWIN COUNTY**  
**GENERAL OBLIGATION WARRANTS**  
**SERIES 2013**

**Dated February 1, 2013**  
**Delivered February 21, 2013**

---

1. Specimen Warrants
2. Opinion of Bond Counsel
3. Executed Preliminary and final Official Statements
4. Authorizing Resolution Adopted on February 19, 2013
5. Refunding Trust Agreement and Verification Report
6. Non-Arbitrage Certificate and IRS Form 8038-G
7. Certificate of Officers and Debt Certificate
8. Certificates of Revenue Commissioner and Judge of Probate
9. Acceptance by Custodian and Certificate of Purchaser
10. County Government Bond Financing Review Form
11. MSRB G-17 Certificate

**CLOSING MEMORANDUM**

**TO** Distribution List  
**FROM** Lee Birchall  
**DATE** February 21, 2013  
**SUBJECT** Closing and Wire Instructions

---

**\$18,840,000**  
**Baldwin County**  
**General Obligation Warrants**  
**Series 2013**

---

**DATED** February 1, 2013  
**DELIVERED** February 21, 2013

---

I. **SOURCES AND USES OF FUNDS**

The following is a summary of the total sources and uses of funds:

**Sources**

Par Amount	\$18,840,000.00
Accrued Interest	38,163.19
Plus Net Original Issue Premium	2,271,125.15
Series 2006-A Warrant Fund	<u>162,220.63</u>
<b>TOTAL SOURCES</b>	<b><u>\$21,311,508.97</u></b>

**Uses**

Advance Refunding of Series 2006-A Warrants	\$21,046,371.77
Accrued Interest	38,163.19
Underwriter's Discount	146,010.00
Issuance Expenses	<u>80,964.01</u>
<b>TOTAL USES</b>	<b><u>\$21,311,508.97</u></b>

II. **CLOSING**

The transaction shall close as follows on February 21, 2013 (the "Closing Date") at the offices of Jones Walker L.L.P., One Federal Place, Suite 1100, 1819 5<sup>th</sup> Avenue North, Birmingham, Alabama, 35203:

A. **Delivery of the Warrants**

Regions Bank (the "Custodian") shall deliver the Warrants by the FAST System to the Depository Trust Company ("DTC") on the Closing Date.

B. Payment for the Warrants

The Frazer Lanier Company Incorporated (the "Underwriter") shall simultaneously pay the Issuer the following amount (the "Amount Due at Closing"):

Par Amount	\$18,840,000.00
Plus Net Original Issue Premium	2,271,125.15
Less Underwriter's Discount	(146,010.00)
Less Issuance Expenses Withheld by Underwriter[1]	(80,964.01)
Plus Accrued Interest	<u>38,163.19</u>
 AMOUNT DUE AT CLOSING	 <u>\$20,922,314.33</u>

[1] The Underwriter shall pay the issuance expenses on the Closing Date

C. Transfer of Funds

1. The Underwriter has made the necessary wire transfer arrangements with the Custodian and shall deposit with such Custodian the Amount Due at Closing on the morning of the Closing Date.
2. Upon deposit the Amount Due at Closing shall without delay be applied by the Custodian and allocated as follows:
  - (i) The Accrued Interest of \$38,163.19 shall be deposited in the Warrant Fund and applied to the first interest payment due July 1, 2013.
  - (ii) \$20,884,151.14 of the Series 2013 Warrant proceeds, along with the sum of \$162,220.63 presently on deposit in the Series 2006-A Warrant Fund shall be transferred to the Escrow Fund established pursuant to the Refunding Trust Agreement and applied in the aggregate amount of \$21,046,371.77 to the advance refunding and redemption of the Series 2006-A Warrants on January 1, 2016, by purchasing State and Local Government Series (SLGS) Securities in the amount of \$21,046,371.00 and retaining \$0.77 as an initial cash deposit.
3. The Underwriter shall apply \$80,964.01 to pay issuance expenses as set forth on Exhibit A attached hereto and incorporated herein by reference. Any funds remaining after the payment of all issuance expenses shall be returned to the Issuer and deposited in the Series 2013 Warrant Fund.

III. RELEASE OF WARRANTS

Upon successful completion of all of the above, this transaction shall be closed and the Custodian and Underwriter shall notify the Closing Room at DTC ((212) 898-3756) to release the Warrants.

## DISTRIBUTION LIST

### Issuer

Bob James, David Brewer, Kimberly Creech  
Baldwin County Commission  
312 Courthouse Square, Ste. 11  
Bay Minette, AL 36507

(251) 580-2550 phone  
(251) 937-0367 fax  
dbrewer@co.baldwin.al.us  
kcreech@co.baldwin.al.us

### Underwriter

Bob Young and Ashton Stuckey  
The Frazer Lanier Company Incorporated  
300 Water Street  
Montgomery, AL 36104

(800) 223-2631 phone  
(334) 265-8523 fax  
bobyoun@fralan.com  
ashtonstuckey@fralan.com

### Bond Counsel

James L. Birchall and Lee Birchall  
Jones Walker, LLP  
1819 Fifth Ave. North, Suite 1100  
Birmingham, AL 35203

205-244-5222 phone  
205-244-5422 fax  
jbirchall@joneswalker.com  
lbirchall@joneswalker.com

### Custodian

Frank Caley  
Regions Bank  
1901 6<sup>th</sup> Avenue North, 28<sup>th</sup> Floor  
Birmingham, AL 35203

205-264-5527 phone  
205-264-5264 fax  
frank.caley@regions.com

### Verification

Russell Moore  
The Arbitrage Group  
14040 Red Elephant Lane  
Buhl, AL 35446

(205) 330-8211  
rmoore@thearbitragegroup.com

**EXHIBIT A**

The Underwriter is authorized and directed to disburse the following issuance expenses on the delivery date and to transfer any remaining sums to the Custodian for deposit thereby into the Series 2013 Warrant Fund:

(1)	Bond Counsel Jones Walker L.L.P.	\$35,00.00
(2)	Rating Agency Moody's Investor Services	\$13,600.00
(3)	Rating Agency Standard & Poor's	\$13,050.00
(4)	Verification The Arbitrage Group	\$2,500.00
(5)	Annual Fee Regions Bank	\$2,000.00
(6)	Acceptance Fee Regions Bank	\$2,000.00
(7)	Rating Agency Trip	\$1,536.00
(8)	Printing Official Statements	\$750.00
(9)	DTC and CUSIP	\$4,400.00
(10)	Actual out of pocket miscellaneous expenses of the above parties including copying, Federal Express and travel	<u>\$6,128.01</u>
	TOTAL	<u>\$80,964.01</u>

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-1

\$ \_\_\_\_\_

MATURITY DATE:

INTEREST RATE:

CUSIP:

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.



The Warrants are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by the Securities Depository Nominee, all as more particularly provided in the Authorizing Resolution. Reference is hereby made to the Authorizing Resolution for the terms and conditions upon which the purchase, transfer and exchange of beneficial ownership interest in the Warrants are to be made by means of the Book-Entry System administered by the Securities Depository, to and by all of which terms, conditions and provisions of the Authorizing Resolution the owner of any beneficial interest in the Warrant, by the acquisition hereof, hereby assents and agrees to be bound. In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof, the hereinafter described Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Authorizing Resolution, and the provisions of this warrant and of the Authorizing Resolution with respect to registration, transfer and exchange of warrants by the registered owners thereof shall apply.

The County has established in the Authorizing Resolution a special fund designated the "Series 2013 General Obligation Warrants Fund" for the payment of the principal of and interest on the Warrants and has obligated itself to pay or cause to be paid into said Fund from the proceeds of the revenues or funds of the County, sums sufficient to provide for the payment of the principal of and interest on the Warrants as the same mature and come due.

The Warrants with stated maturities on January 1, 2024 and thereafter, shall be subject to optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities at the option of the County on any date on or after January 1, 2023 at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium or penalty.

The Warrants are not subject to mandatory redemption prior to maturity.

Any redemption shall be made in the manner, upon the notice, and on the terms and conditions provided in the Authorizing Resolution. If less than all of the Warrants are to be redeemed during a period in which the Book-Entry System is in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date and, in accordance with the Letter of Representations, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all the Warrants are to be redeemed during a period in which the Book-Entry System is not in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date on the basis of the smallest Authorized Denomination of such Warrants, and the Custodian shall select, by lot or by such method as the Custodian shall deem fair and appropriate, the order and amount of the Warrants to be redeemed within a maturity. The County and the Custodian shall so select such Warrants for redemption in such manner so as to assure that after such redemption no Holder shall retain Warrants in an aggregate amount less than an Authorized Denomination.

The Warrants are issuable only as fully registered Warrants in the denomination of \$5,000 or any integral multiple thereof for each maturity. Provision is made in the Authorizing Resolution for the exchange of Warrants for a like aggregate principal amount of Warrants of the same maturity and in

authorized denomination, all upon the terms and subject to the conditions set forth in the Authorizing Resolution with respect thereto.

This warrant is transferable by the registered owner hereof, in person or by authorized attorney, only on the books of the Custodian (the registrar of the County) and only upon surrender of this warrant to the Custodian for cancellation, and upon any such transfer, a new Warrant of like tenor hereof shall be issued to the transferee in exchange therefor, all as more particularly described in the Authorizing Resolution. Each registered owner, by receiving or accepting this warrant, shall consent and agree and shall be estopped to deny that, insofar as the County and the Custodian are concerned, this warrant may be transferred only in accordance with the provisions of the Authorizing Resolution.

The Custodian shall not be required to transfer or exchange this warrant during the period of fifteen (15) days next preceding any interest payment date; and, in the event that this warrant (or any principal portion hereof) is duly called for redemption, the Custodian shall not be required to register or transfer this warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer, but the registered owner of any Warrant requesting any such transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

Provision is made in the Authorizing Resolution for the replacement of any Warrant which shall be or become mutilated, lost, stolen or destroyed by the issuance, authentication and registration of a new Warrant of like tenor, subject, however, to the terms, conditions and limitations contained in the Authorizing Resolution with respect thereto.

It is hereby recited, certified and declared that the indebtedness evidenced and ordered paid by this warrant is lawfully due without condition, abatement or offset of any description, that this warrant has been registered in the manner provided by law, that the Warrants represent valid claims against the Warrant Fund, that all acts, conditions and things required by the Constitution and laws of the State of Alabama to happen, exist and be performed precedent to and in the execution, registration and issuance of this warrant and the adoption of the Authorizing Resolution have happened, do exist and have been performed as so required and that the principal amount of this warrant, together with all other indebtedness of the County, are within every debt and other limit prescribed by the Constitution and laws of the State of Alabama.

IN WITNESS WHEREOF, the County, acting by and through its County Commission as the governing body thereof, has caused this warrant to be manually executed in its name and on its behalf by the Chairman, has caused its corporate seal to be affixed hereto, has caused said seal to be manually attested by its County Administrator, and has caused this warrant to be dated February 1, 2013.

**BALDWIN COUNTY**

\_\_\_\_\_  
Chairman

COUNTY SEAL

Attest \_\_\_\_\_

County Administrator

AUTHENTICATION AND REGISTRATION DATE: \_\_\_\_\_

CERTIFICATE OF AUTHENTICATION AND REGISTRATION OF OWNERSHIP

This Series 2013 General Obligation Warrant is hereby authenticated and has been registered by Baldwin County on the registration books maintained with the Custodian in the name of the above registered owner on the Authentication and Registration Date noted above.

**REGIONS BANK**

By \_\_\_\_\_  
Its Authorized Officer

REGISTRATION CERTIFICATE

I hereby certify that this Warrant has been duly registered by me as a claim against Baldwin County, Alabama and the Warrant Fund referred to herein.

\_\_\_\_\_  
Chairman

ASSIGNMENT

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ the within Warrant and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, with full power of substitution in the premises, to transfer this Warrant on the books of the within mentioned Custodian.

Dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Warrant in every particular, without alteration, enlargement or change whatsoever.

Signature Guaranteed:\*

\_\_\_\_\_  
(Bank, Trust Company or Firm)

By \_\_\_\_\_  
(Authorized Officer)

\* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

NOTICE BY SECURITIES DEPOSITORY

Unless the within Warrant is presented by an authorized representative of the Securities Depository (as defined in the Authorizing Resolution referenced in the within Warrant), to the County or its agent for registration of transfer, exchange, or payment, and any Warrant issued is registered in the name of the Securities Depository or the Securities Depository Nominee (as defined in the Authorizing Resolution referenced in the within Warrant), as the case may be, or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to the Securities Depository or the Securities Depository Nominee or to such other entity as is requested by an authorized representative of the Securities Depository), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, the Securities Depository or Securities Depository Nominee, as the case may be, has an interest herein.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-1		\$1,180,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2014	2.00%	057845NY1

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS (\$1,180,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-2		\$1,200,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2015	2.00%	057845NZ8

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-3		\$1,235,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2016	3.00%	057845PA1

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION TWO HUNDRED THIRTY-FIVE THOUSAND DOLLARS (\$1,235,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-4 \$1,275,000

MATURITY DATE: INTEREST RATE: CUSIP:

January 1, 2017 3.00% 057845PB9

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$1,275,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.



**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-5		\$1,315,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2018	4.00%	057845PC7

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION THREE HUNDRED FIFTEEN THOUSAND DOLLARS (\$1,315,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-6		\$1,370,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2019	4.00%	057845PD5

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION THREE HUNDRED SEVENTY THOUSAND DOLLARS (\$1,370,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-7		\$1,430,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2020	4.00%	057845PE3

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION FOUR HUNDRED THIRTY THOUSAND DOLLARS (\$1,430,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-8		\$1,485,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2021	4.00%	057845PF0

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION FOUR HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$1,485,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-9		\$1,545,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2022	4.00%	057845PG8

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION FIVE HUNDRED FORTY-FIVE THOUSAND DOLLARS (\$1,545,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-10 \$1,595,000

MATURITY DATE: INTEREST RATE: CUSIP:

January 1, 2023 2.25% 057845PH6

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION FIVE HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$1,595,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-11		\$1,655,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2024	5.00%	057845PJ2

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION SIX HUNDRED FIFTY-FIVE THOUSAND DOLLARS (\$1,655,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-12		\$1,740,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2025	5.00%	057845PK9

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS (\$1,740,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.



**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R-13		\$1,815,000
MATURITY DATE:	INTEREST RATE:	CUSIP:
January 1, 2026	4.00%	057845PL7

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

ONE MILLION EIGHT HUNDRED FIFTEEN THOUSAND DOLLARS (\$1,815,000)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

JONES WALKER L.L.P.  
ONE FEDERAL PLACE  
1819 FIFTH AVENUE NORTH, SUITE 1100  
BIRMINGHAM, ALABAMA 35203

February 21, 2013

Baldwin County Commission  
Bay Minette, Alabama

Regions Bank  
Birmingham, Alabama

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

Re: \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013, issued  
by Baldwin County, Alabama

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance of the above-referenced warrants (the "Warrants") by Baldwin County, Alabama (the "County"), a political subdivision organized under the laws of the State of Alabama. The Warrants are issued pursuant to a resolution and order duly adopted by the governing body of the County on February 19, 2013 (the "Warrant Resolution").

We have examined the following: the proceedings of the County for adoption of the Warrant Resolution; a certification on behalf of the County pursuant to the regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), relative to arbitrage bonds; and other certificates, documents and proofs considered by us to be pertinent. In rendering this opinion we have relied upon statements set forth in certificates executed by public officials and by officers of the County.

Based upon the foregoing and upon our examination of the aforesaid proceedings and other papers submitted to us, and in reliance on the aforesaid certificates and opinion and assuming compliance with the covenants and representations in the Warrant Resolution, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Warrants constitute and evidence the valid and binding general obligation indebtedness of the County payable from the special fund designated "Series 2013 General Obligation Warrants Fund" into which there has been ordered to be paid from the proceeds of the general revenues and taxes of the County amounts sufficient to pay the principal of and interest on the Warrants as the same respectively mature and become due.

(2) Interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code and applicable regulations and rulings of the Commissioner of Internal Revenue and court decisions heretofore rendered.

(3) Interest on the Warrants is exempt from present income taxation in the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the

Warrants. It should be noted, however, that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in certain alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security benefits and certain railroad retirement benefits required to be included in gross income and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Warrant Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Warrant Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

The rights of the registered owners of the Warrants and the enforceability thereof are subject to the exercise of judicial discretion, to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State of Alabama, and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted.

The opinion is (a) limited to matters stated herein and no opinion may be inferred beyond the matters expressly stated, (b) given as of the date hereof and with the express understanding that we have no obligation to advise you or any of your successors or assigns of any changes in law or fact subsequent to the date hereof, even though such changes may affect the opinions expressed herein, (c) rendered to you solely in connection with the subject transactions and may not be relied upon by you or by any other person for any other purpose, and (d) rendered as an expression of our professional judgment as to the legal issues explicitly addressed herein, by the rendering of which we do not become an insurer or guarantor of that expression of professional judgment or of the outcome of any legal dispute that may arise with respect to any of the matters herein contained.

Faithfully yours,

*Jones Walker L.L.P.*

**CERTIFICATE OF CHAIRMAN**

I, the undersigned, do hereby certify that I am the duly elected, qualified and acting Chairman of the Baldwin County Commission. I do further certify that as Chairman of the Baldwin County Commission I have access to all original records of the County and I am duly authorized to make certified copies of its records on its behalf, and attached to this certificate is a true and correct copy of the Official Statement with respect to the County's \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013, which document was presented to, considered, passed and adopted at a meeting of the Baldwin County Commission on the 19<sup>th</sup> day of February, 2013.

IN WITNESS WHEREOF, I have hereunto set my hand as Chairman of the Baldwin County Commission and have affixed the official seal of the County, this 21st day of February, 2013.



  
Chairman

**OFFICIAL STATEMENT**

**New Issue—Book-Entry Only**

**Ratings: Moody's: Aa1  
S & P: AA+ (Stable)**

*In the opinion of Jones Walker L.L.P., Bond Counsel, and assuming continuing compliance by the County with certain conditions imposed by the Internal Revenue Code of 1986, as amended, referred to herein under "TAX EXEMPTION," interest on the Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. Bond Counsel is also of the opinion that interest on the Warrants is exempt from Alabama income taxation. See "TAX EXEMPTION" herein.*

**\$18,840,000  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANTS  
SERIES 2013**

Dated February 1, 2013

Due January 1, as shown below

The General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") offered hereby constitute general obligations of Baldwin County, an Alabama political subdivision (the "County"), for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. Principal is payable on January 1 in amounts and years as shown below. Interest is payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The Warrants are subject to redemption as herein described.

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>
2014	\$1,180,000	2.00%	0.45%	2021	\$1,485,000	4.00%	1.90%
2015	1,200,000	2.00	0.67	2022	1,545,000	4.00	2.13
2016	1,235,000	3.00	0.88	2023	1,595,000	2.25	2.31
2017	1,275,000	3.00	1.04	2024	1,655,000	5.00	2.26
2018	1,315,000	4.00	1.23	2025	1,740,000	5.00	2.35
2019	1,370,000	4.00	1.44	2026	1,815,000	4.00	2.58
2020	1,430,000	4.00	1.68				

(Plus Accrued Interest)

The Warrants are initially issuable as fully registered warrants without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a Book-Entry System (as hereafter defined) to be administered by The Depository Trust Company, New York, New York (the "Securities Depository") and, when issued, will be registered in the name of and held by Cede & Co., as nominee for the Securities Depository. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly described herein. The Warrants are offered when, as and if issued and received by The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter"), subject to prior sale, withdrawal or modification of the offer without notice and to the approval of the validity thereof by Jones Walker L.L.P., Bond Counsel, and certain other conditions. It is expected that the Warrants in definitive form will be available for delivery on or about February 21, 2013.

**THE FRAZER LANIER COMPANY  
INCORPORATED**

February 14, 2013

**BALDWIN COUNTY**

**County Commission**

J. Tucker Dorsey, Chairman  
Robert E. "Bob" James  
Frank Burt, Jr.  
Charles F. "Skip" Gruber

**County Administrator**

David A. Z. Brewer

**County Clerk-Treasurer**

Kimberly Creech

**UNDERWRITER**

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

**BOND COUNSEL**

Jones Walker L.L.P.  
Birmingham, Alabama

**CUSTODIAN**

Regions Bank  
Birmingham, Alabama

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM SOURCES WHICH ARE CONSIDERED DEPENDABLE AND WHICH ARE CUSTOMARILY RELIED UPON IN THE PREPARATION OF SIMILAR OFFICIAL STATEMENTS, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE COUNTY. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE RELIABLE BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED. NO PERSON, INCLUDING ANY BROKER, DEALER OR SALESMAN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHOULD THERE BE ANY SALE OF THE WARRANTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. ANY INFORMATION OR EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

Page

INTRODUCTION AND DEFINITIONS .....	1
THE WARRANTS .....	2
RATINGS .....	5
DEBT SERVICE REQUIREMENTS .....	5
SUMMARY OF AUTHORIZING RESOLUTION .....	7
THE COUNTY .....	8
BOOK-ENTRY SYSTEM .....	29
TORT LIABILITY .....	32
FEDERAL BANKRUPTCY CODE .....	33
EXHIBITS .....	34
APPROVAL OF LEGAL MATTERS .....	34
TAX EXEMPTION .....	34
ORIGINAL ISSUE DISCOUNT AND PREMIUM ON WARRANTS .....	35
NOT BANK QUALIFIED .....	36
LITIGATION .....	36
UNDERWRITERS .....	36
WARRANTHOLDER RISKS .....	36
CONTINUING DISCLOSURE UNDERTAKING .....	37
MISCELLANEOUS .....	39
CERTIFICATE .....	40

EXHIBIT A - Proposed Opinion of Bond Counsel

EXHIBIT B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

## INTRODUCTION AND DEFINITIONS

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$18,840,000 principal amount of General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") by Baldwin County, an Alabama political subdivision (the "County").

The Warrants are issued by the County under the authority of the Constitution and laws of the State of Alabama and pursuant to a resolution and order (the "Authorizing Resolution" or "Resolution") duly adopted by the Baldwin County Commission. The Warrants are issued for the purposes of (1) advance refunding and redeeming on January 1, 2016 the County's outstanding General Obligation Warrants, Series 2006-A, dated January 1, 2006 (the "Series 2006-A Warrants") and (2) paying issuance expenses.

The Warrants constitute general obligations of the County for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. See "THE WARRANTS;" "Security for Warrants; Source of Payment."

For purposes of this Official Statement the following terms have the following meanings:

Book-Entry System means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Warrants.

Business Day shall mean a day, other than a Saturday or a Sunday, on which commercial banking institutions are open for business in the state where the designated office of the Custodian is located and a day on which the payment system of the Federal Reserve System is operational.

Commission means the Baldwin County Commission, the governing body of the County.

County means Baldwin County, an Alabama political subdivision and any successor to its functions.

Custodian means Regions Bank with a designated corporate trust office in Birmingham, Alabama, as custodian, paying agent and registrar for the Warrants.

Direct Participant means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book Entry System.

Federal Securities shall mean direct general obligations of, or obligations the payment of which is unconditionally guaranteed by, the United States of America.

Fiscal Year shall mean the period beginning on October 1 of one calendar year and ending on September 30 of the next succeeding calendar year or such other fiscal year as may hereafter be adopted by the County.

Indirect Participant means a broker, dealer, bank or other financial institution for which the Securities Depository holds Warrants as securities depository through a Direct Participant.

Letter of Representation shall mean and include (i) the Letter of Representation by the County to the Securities Depository and (ii) any other or subsequent agreement with respect to the Warrants between such parties by whatever name or identification.



Qualified Investments shall mean:

(1) Federal Securities, or

(2) A certificate of deposit or time deposit issued by (i) the Custodian, or (ii) any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than \$50,000,000, provided in each case such deposit is insured by the Federal Deposit Insurance Corporation or such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation, or

(3) A trust or fund rated "AAm" or "AAm-G" or better by S&P and customarily utilized by the Custodian for the investment of public funds.

Record Date means, with respect to Warrants, that date which is 15 calendar days before any date on which interest is due and payable on Warrants.

Securities Depository means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Warrants.

Securities Depository Nominee means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Warrants to be delivered to such Securities Depository during the period in which the Warrants are held pursuant to the Book-Entry System.

Underwriter means The Frazer Lanier Company Incorporated and its successors and assigns.

Warrant Fund shall mean the fund by that name established for the Warrants pursuant to the Authorizing Resolution.

Warrants means the County's \$18,840,000 original principal amount General Obligation Warrants, Series 2013, dated February 1, 2013, offered hereby.

Warrant Register means the register for the registration and transfer of Warrants maintained by the Custodian for the County under the Authorizing Resolution.

## **THE WARRANTS**

### **General Description**

The Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners thereof, or registered assigns, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered for identification as determined by the Custodian hereinafter defined. The Warrants are dated February 1, 2013, and will bear interest from that date at the applicable per annum rates and will mature on January 1 in years and in amounts as set forth on the cover page of this Official Statement. Interest will be payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on the Warrants shall be payable in lawful money of the United States of America, without deduction for exchange, fees or expenses, by the County through Regions Bank at its

designated corporate trust office in Birmingham, Alabama, the custodian, paying agent and the registrar for the Warrants (the "Custodian"). The principal of the Warrants shall be payable only upon presentation and surrender of the Warrants at the designated office of the Custodian in Birmingham, Alabama. So long as the Book-Entry System is in effect, payment of principal and interest shall be made in accordance with the procedures and requirements of the Book-Entry System. If the Book-Entry System is not in effect, then interest on the Warrants shall be remitted by the Custodian to the then registered owners of the Warrants at the respective addresses thereof shown on the registration books of the Custodian pertaining to the Warrants. Such payments shall be deemed timely made if mailed on the interest payment date (or if such interest payment date is not a Business Day, then on the next succeeding Business Day). Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year with twelve months of thirty days each.

The Warrants will be initially issued pursuant to a Book-Entry System to be administered by The Depository Trust Company, New York, New York ("DTC") and registered in the name of and held by Cede & Co., as nominee of DTC. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to Cede & Co. (as registered owner) for DTC for disbursement by DTC to the Direct Participants of DTC and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly provided in the Resolution and described herein under "BOOK-ENTRY SYSTEM." In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of the beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the Warrant Register, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the provisions of the Warrants and of the Resolution with respect to registration, transfer and exchange of Warrants by the registered owners thereof shall apply, as described herein under "Discontinuation of Book-Entry System; Transfer, Exchange and Registration."

#### Optional Redemption

The Warrants with stated maturities on January 1, 2024 and thereafter, shall be subject to optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities at the option of the County on any date on or after January 1, 2023 at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium or penalty.

#### Manner and Notice of Redemption

If less than all of the Warrants are to be optionally redeemed during a period in which the Book-Entry System is in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date. In accordance with the Letter of Representation, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all of the Warrants at the time outstanding are redeemed during a period in which the Book-Entry System is not in effect for the Warrants, any redemption shall be in such order and amount of maturities as the County shall determine in its sole discretion. In the event that less than all of the principal of the Warrants is to be redeemed, the Custodian shall assign a number to each \$5,000 principal portion of all the Warrants and shall, by process

of random selection based upon such numbers, select the principal portion of Warrants to be redeemed. Prior notice of such redemption shall be given by registered or certified mail to the Holder of each Warrant, all or a portion of which is to be redeemed, not more than sixty (60) days or less than thirty (30) days prior to the proposed redemption date.

Authority for Issuance

The Warrants are issued by the County under authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, as amended, and pursuant to the Authorizing Resolution. Pursuant to said Chapter 28, any county in the State of Alabama may issue, without an election, interest-bearing warrants for the purpose of financing the costs of acquiring, by construction, purchase or otherwise, any public facilities described in said Chapter 28, including without limitation, county jails, public buildings, public highways, capital equipment, roads and bridges or to refund any obligations theretofore issued for such purposes.

Security for Warrants; Source of Payment

The Warrants will be general obligations of the County for the punctual payment of principal of and interest on which the full faith, credit and taxing powers of the County are sacredly and irrevocably pledged. The County has represented and covenanted in the Authorizing Resolution that ad valorem taxes have been and will be levied and collected insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama, on all taxable property in the County and applied to the payment of the principal of and interest on the Warrants as they respectively mature and come due in amounts sufficient for such purpose. The County has further covenanted and agreed in the Authorizing Resolution that if the proceeds of ad valorem taxes are in any year insufficient to pay the principal of and interest on the Warrants coming due and payable in such year, it will provide the amount of such deficiency from other taxes, revenues and income of the County.

Sources and Uses of Warrant Proceeds

The sources and uses of Warrant proceeds are as follows:

Sources

Par Amount	\$18,840,000.00
Accrued Interest	38,163.19
Plus Net Original Issue Premium	2,271,125.15
Series 2006-A Warrant Fund	<u>162,220.63</u>
TOTAL SOURCES	<u>\$21,311,508.97</u>

Uses

Advance Refunding of Series 2006-A Warrants	\$21,046,371.77
Accrued Interest	38,163.19
Underwriter's Discount	146,010.00
Issuance Expenses	<u>80,964.01</u>
TOTAL USES	<u>\$21,311,508.97</u>

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of the McGraw-Hill Companies ("S&P"), have assigned respective underlying credit ratings of "Aa1" and "AA+" (Stable) to the Warrants. The ratings are independent and each rating reflects that individual rating agency's own assessment of the County's ability to pay the Warrants without municipal bond insurance or other form of supplemental credit enhancement. Any explanation as to the significance of either of the above ratings may be obtained only from the agency which made such rating. The above ratings are not recommendations to buy, sell or hold the Warrants. Each rating may be subject to revision or withdrawal at any time by the agency which made the particular rating. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Warrants. Any further explanation as to the significance of either of the above ratings may be obtained only from the agency which made the particular rating.

## **DEBT SERVICE REQUIREMENTS**

The following table sets forth the County's principal and interest requirements on the Warrants plus all outstanding general obligation debt, other than its (1) \$4,428,923.66 General Obligation Warrant, Series 2008-C, dated September 30, 2008, (2) \$25,000,000 General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012, (3) \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012, (4) landfill costs and post-closure liability (not exceeding \$4,672,128.99), (5) compensated absences and accrued wages of \$285,542.79, (6) other post-employment benefits of \$1,234,111, (7) annual pension liability cost of \$2,901,378.63; and (8) other miscellaneous obligations of not more than \$500,000. The proceeds of the Series 2012-B Warrant described above were used to acquire approximately 2,107.8 acres for future economic development. The Series 2012-B Warrant matures on June 15, 2015 and is expected to be refinanced on a long term basis prior to maturity.

GENERAL OBLIGATION INDEBTEDNESS(1)[2][3]

Period Ending Sept. 30					Series 2010		Series 2012		Series 2013		Total
	Series 2004	Series 2007-A	Series 2008-A	Series 2008-B	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$1,291,875	\$553,794	\$1,736,862	\$1,169,648	\$1,450,000	\$715,150	\$480,000	\$309,263		\$286,224	\$7,992,816
2014	1,296,125	553,794	1,127,831	1,169,648	1,480,000	685,850	595,000	402,750	\$1,180,000	675,138	9,166,136
2015	1,287,625	1,031,544	1,127,831	1,169,648	1,510,000	648,400	605,000	390,850	1,200,000	651,338	9,622,236
2016	1,286,375	1,031,419	1,127,831	1,169,648	1,555,000	586,875	620,000	372,700	1,235,000	620,813	9,605,661
2017	0	1,034,919	1,127,831	2,154,648	1,635,000	507,125	645,000	347,900	1,275,000	583,163	9,310,586
2018	0	1,029,994	563,915	2,154,188	1,720,000	431,850	670,000	322,100	1,315,000	537,738	8,744,785
2019	0	1,031,894	0	2,153,388	1,795,000	352,575	700,000	295,300	1,370,000	484,038	8,182,195
2020	0	1,032,794	0	2,155,388	1,890,000	260,450	730,000	267,300	1,430,000	428,038	8,193,970
2021	0	1,032,694	0	2,154,638	1,830,000	176,600	755,000	238,100	1,485,000	369,738	8,041,770
2022	0	1,031,594	0	2,156,138	1,905,000	101,900	795,000	200,350	1,545,000	309,138	8,044,120
2023	0	1,034,394	0	2,154,638	505,000	53,700	835,000	160,600	1,595,000	260,294	6,598,626
2024	0	1,030,644	0	2,155,138	535,000	32,900	875,000	118,850	1,655,000	200,975	6,603,507
2025	0	1,030,325	0	2,155,775	555,000	11,100	920,000	75,100	1,740,000	116,100	6,603,400
2026	0	1,033,666	0	2,153,325	0	0	970,000	29,100	1,815,000	36,300	6,037,391
2027	0	1,030,156	0	2,157,788	0	0	0	0	0	0	3,187,944
2028	0	1,034,669	0	2,153,688	0	0	0	0	0	0	3,188,357
2029	0	1,032,588	0	2,156,263	0	0	0	0	0	0	3,188,851
2030	0	1,033,913	0	2,155,038	0	0	0	0	0	0	3,188,951
2031	0	1,033,538	0	2,155,013	0	0	0	0	0	0	3,188,551
2032	0	1,031,463	0	2,155,950	0	0	0	0	0	0	3,187,413
2033	0	0	0	2,152,613	0	0	0	0	0	0	2,152,613
TOTAL	\$5,162,000	\$19,689,796	\$6,812,101	\$41,312,209	\$18,365,000	\$4,564,475	\$10,195,000	\$3,530,263	\$18,840,000	\$5,559,035	\$134,029,879

[1] Does not include the General Obligation Warrant, Series 2008-C, dated September 30, 2008, outstanding in the principal amount of \$4,428,923.66.

[2] Does not include the following estimated liabilities; compensated absences and accrued wages (\$285,542.79); other post-employment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost of \$2,901,378.63; and other miscellaneous obligations not exceeding \$500,000.

[3] Does not include the \$25,000,000 General Obligation Warrant, Series 2012-B, dated June 6, 2012, issued in conjunction with the acquisition of approximately 2,107.8 acres for economic development or the \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012.

## SUMMARY OF AUTHORIZING RESOLUTION

A brief description of the Authorizing Resolution is included hereafter in this Official Statement. Such description does not purport to be comprehensive or definitive; all references herein to the Authorizing Resolution are qualified in their entirety by reference to such document, copies of which are available at the office of the Baldwin County Commission; and all references to the Warrants are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Authorizing Resolution.

### Warrant Fund

In the Authorizing Resolution, the County will establish a special fund to provide for the payment of the Warrants (the "Warrant Fund"), which shall be held in trust by the Custodian, as paying agent for the Warrants, until the principal of and interest on the Warrants are paid in full. The County shall pay or cause to be paid into the Warrant Fund, from the revenues and taxes of the County, the following amounts on or before the following dates:

- (a) Immediately following the delivery of and payment for the Warrants, the amount received as accrued interest (if any) on the Warrants; and
- (b) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including June, 2013, an amount equal to one-fifth (1/5<sup>th</sup>) of the interest coming due on the Warrants on July 1, 2013; and
- (c) On or before July 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-sixth (1/6<sup>th</sup>) of the interest coming due on the Warrants on the next succeeding interest payment date; and
- (d) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2013, an amount equal to one-eleventh (1/11<sup>th</sup>) of the principal maturing on January 1, 2014; and
- (e) On or before January 25, 2014 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-twelfth of the principal coming due on the next ensuing principal payment date.

### Investment of and Security for Warrant Fund

The County may cause any money on deposit in the Warrant Fund not then needed for the payment of principal of and interest on the Warrants to be invested or reinvested by the Custodian in Qualified Investments and which mature or are subject to redemption by the holder, at the option of the holder, on or prior to the respective date or dates when cash funds will be required. All investments shall be held by or under control of the Custodian for the credit of the Warrant Fund, and all interest accruing thereon and any profits realized therefrom shall be credited to such Fund, and any losses resulting from liquidation of investments shall be charged to such Fund. The Custodian shall sell and reduce to cash a sufficient portion of the investments whenever the cash balance in the Warrant Fund is insufficient to pay the current interest and principal requirements on the Warrants.

The Custodian shall at all times keep the moneys on deposit in the Warrant Fund which are not invested as aforesaid continuously secured for the benefit of the County and the registered owners of the Warrants, either (a) by holding on deposit as collateral security direct general obligations of the United

States of America, having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Warrant Fund or (b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and Federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Custodian so to secure any portion of the moneys on deposit in the Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions.

#### Provisions of the Authorizing Resolution a Contract

The terms, provisions and conditions set forth in the Authorizing Resolution constitute a contract between the County and the registered owners of the Warrants and shall remain in effect until the principal of and interest on the Warrants shall have been paid in full.

### **THE COUNTY**

#### General Information

Baldwin County was created and established by the Alabama Legislature as a political subdivision of the State. The County is located in the extreme southern section of the State of Alabama, and has an area of approximately 1,613 square miles. The County is bordered by Mobile Bay and Mobile County to the west, Clarke County and Monroe County to the north, Escambia County, Alabama, and the State of Florida to the east, and the Gulf of Mexico to the south.

The City of Bay Minette, which is the county seat of the County, is located within thirty miles of Mobile, Alabama and within fifty miles of Pensacola, Florida. Baldwin County is traversed by two Interstate Highways, I-10 and I-65; three U.S. Highways, U.S. 98, 31 and 90; and Alabama Highways 180, 181, 182, 59, 225 and 104. The County is served by Greyhound Bus Lines as well as by the CSX Transportation System. The Mobile municipal airport is approximately twenty-five miles from the boundary of Baldwin County.

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 calves, and to a lesser degree, soybeans, fruits, vegetables and nuts. The major mineral products in Baldwin County are oil and gas.

## Population

The following sets forth certain historical population statistics from the U.S. Census Bureau relating to the County and the municipalities located therein:

<u>Census Year</u>	<u>County Population</u>
2010	182,265
2000	140,415
1990	98,280
1980	78,556
1970	59,382

Source: U.S. Census Bureau

## Municipal Populations

<u>Municipality</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Bay Minette	6,727	7,455	7,168	7,820	8,044
Daphne	2,382	3,406	11,290	16,581	21,570
Elberta	395	491	458	552	1,498 [1]
Fairhope	5,720	7,286	8,485	12,480	15,326
Foley	3,368	4,003	4,937	7,590	14,618
Gulf Shores	909	1,349	3,261	5,044	9,741
Loxley	859	804	1,161	1,348	1,632
Orange Beach	-	192	2,253	3,784	5,441
Magnolia Springs	--	--	--	--	723
Perdido Beach	--	--	--	--	581
Robertsdale	2,078	2,306	2,401	3,782	5,276
Silverhill	552	624	556	616	706
Spanish Fort	--	--	3,663	5,423	6,798
Summerdale	550	546	559	655	862

Source: United States Census, 2010 figures were obtained from [www.cubitplanning.com](http://www.cubitplanning.com)

[1] The increase was primarily attributed to Elberta's annexation of the previously unincorporated community of Mifflin shortly after the 2000 Census was taken.

## Governmental Organization and Administration

The County is governed by the Baldwin County Commission, consisting of four commissioners elected at-large. The County Commission is responsible for the direction, control and maintenance of the property of the County, for setting policies of the County, including the appropriation and expenditure of County funds and the settlement of claims against the County, the levy of certain taxes as provided by law, and the creation and investment of funds for the payment of long term indebtedness.



### Members of the Baldwin County Commission

<u>Name</u>	<u>Occupation</u>
Charles F. "Skip" Gruber	County Highway Department, retired
Robert E. "Bob" James	Road and utility contractor
J. Tucker Dorsey	Land development/real estate
Frank Burt, Jr.	Pharmacist, retired

The County Commission is assisted by numerous professional staff members. The County Administrator is David A. Z. Brewer. Mr. Brewer's primary responsibility is to prepare the agendas for the general business meetings of the Baldwin County Commission. He is appointed by and serves at the pleasure of the County Commission. Mr. Brewer earned his B.A. Degree (1993) and M.P.A. Degree (1995), respectively, from the University of Alabama, serves as a Special Legislative Aide to State Representative Joe Faust [(R)-Baldwin County], remains a former Interim Secretary of the Baldwin County Historic Development Commission, former member of the Board of Directors of the Mental Retardation/Developmental Disabilities Board, Inc. (of Baldwin County, Alabama, & Clarke County, Alabama), and a former member of the Board of Commissioners of the Housing Authority of the City of Bay Minette, Alabama.

The County Clerk-Treasurer is Kimberly Creech. She serves as the Director of the Finance and Accounting Department of the Baldwin County Commission. Additionally, she is responsible for all records and reports that relate to the finances of the County Commission and assists the Alabama Department of Examiners of Public Accounts during audits. She is appointed by and serves at the pleasure of the County Commission. Ms. Creech is a 1993 graduate of Auburn University of Montgomery where she earned a Degree in Accounting.

### Personnel

The County employs approximately 857 people in its various departments. Of this total number 575 are within departments of the County Commission and 282 are within the Baldwin County Sheriff's office. No employees of the County are represented by labor unions or similar employee organizations. The County does not bargain collectively with any labor union or employee organization. The County has enjoyed good relations with all County employees and the County believes that good relations will continue.

### Employee Pension Plan and Liability

The Employees' Retirement System of Alabama was created in 1945 pursuant to an act of the Alabama Legislature. The Employees' Retirement System is administered on behalf of the State of Alabama and certain local governmental units in Alabama by Retirement Systems of Alabama, an agency of the State of Alabama. More than 40,000 employees of the State of Alabama and certain local governmental units in Alabama are active members of the Employees' Retirement System. See Note 6, Page 36 to the Financial Statement attached hereto as Exhibit B for a description of the plan.

The County has participated in the Employees' Retirement System for over ten years. The plan covers substantially all salaried and hourly employees of the County.

Contributions by the County are made on the basis of certain actuarial calculations of amounts which, together with the employees' contributions, are projected to provide at the time of retirement the

benefits contemplated by the retirement program. The independent actuary employed by Retirement Systems of Alabama calculates total employer contributions to liquidate any unfunded accrued liability over a period of not more than 20 years. The next actuarial evaluation of the accrued liability respecting the County will be prepared on the basis of revised actuarial assumptions. See Part D of Note 6 to the Financial Statement attached hereto as Exhibit B for a statement of the funding status of the plan.

The Employees' Retirement System does not undertake to fund the retirement plans of participating local governmental units. The Employees' Retirement System acts only in an administrative capacity, and then only upon the election of the local governmental units. The statute permitting such election provides that "The retirement system shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefit." The statute further provides that the agreement of a local government to contribute to the Employees' Retirement System on account of its employees is irrevocable, but should it become financially unable to make the normal contribution, administrative charge and accrued liability contribution, the County would be deemed to be in default under the Employees' Retirement System.

In the event any participating local government elects to withdraw from the Employees' Retirement System by mutual agreement with employees, the statute provides that the rights and privileges of existing beneficiaries shall not, as a result of such withdrawal, be diminished or impaired. Upon any such withdrawal, the statute requires the Actuary to certify to the local government the actuarial determination of the reserves necessary to provide existing benefits and provides that the local government shall agree to appropriate such amounts as may be necessary to maintain existing benefits.

#### Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave. See Note 8 (page 28) to the Financial Statement attached hereto as Exhibit B.

#### 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. See Note 10 (page 46) to the Financial Statement attached hereto as Exhibit B for a description of such requirements.

#### Other Postemployment Benefits and Contingent Liabilities

The Commission allows retired employees and officials to continue to participate in the County's health insurance plan. See Note 7 (page 39) to the Financial Statement attached hereto as Exhibit B for a description of such plan. The funded status and funding progress of the plan is set forth on Part D of the aforesaid Note 7 on page 40 thereof.

#### Contingent Liabilities

The Central Regional Office, Office of Disaster Assistance Oversight, DHS Office of the Inspector General (OIG) issued Audit Report DD-09-03 in December 2008 after auditing 26 approved projects totaling almost \$39.6 million. The OIG questioned approximately \$10.5 million in Public Assistance funding for costs the County incurred in Hurricanes Ivan, Dennis and Katrina related to tipping fees, interest cost earned on these fees, stump removal costs, duplicate charges and insurance

claims. Of these five issues the County concurred on two: duplicate charges and insurance claims. The County challenged three of the five issues.

The Regional Administrator concurred with the OIG findings and disallowed approximately \$5.8 million of the questioned \$10.5 million from Hurricanes Ivan, Dennis and Katrina in a letter dated August 11, 2009.

#### *First Appeal*

On October 13, 2009, the County submitted a first appeal and the State submitted the appeal to FEMA on November 16, 2009. The County appealed FEMA's disallowance of \$5,753,619 in funding for tipping fees, stump removal charges and interest earned on tipping fees based on the OIG audit findings. The County claimed that the costs questioned in the OIG audit were eligible under FEMA policy and debris monitoring procedures.

#### *Second Appeal*

On June 9, 2010, the County submitted a second appeal which was submitted to FEMA by the State on July 21, 2010. The County claims that \$5.8 million disallowed by FEMA based on the OIG audit is eligible under FEMA policy and guidance in place at the time of the disasters.

On July 20, 2010 the County submitted an additional letter withdrawing the second appeal for FEMA-1605-DR-AL for Hurricane Katrina. The issue with regard to funding under FEMA-1605-DR-AL was submitted to the U.S. Civilian Board of Contract Appeals as part of the arbitration process for Hurricanes Katrina and Rita, and was no longer contested as part of the second appeal. The County was successful in the arbitration regarding Hurricane Katrina.

The findings of the second appeal determined that the County's requested funding for tipping fees were eligible for Public Assistance funding, and the interest earned on these fees should be returned to the County. Therefore, the second appeal in the amount of \$3,597,283 was approved. The County has paid the remaining total exposure to FEMA of \$763,795.97 and the matter is finally resolved.

#### Tax Sale Litigation

Several counties in the State of Alabama, including Baldwin County, are presently litigating the application and constitutionality of Alabama's so-called "Excess Funds Statute" (Ala. Code § 40-10-28 (1975)). Under Alabama law, counties may recover delinquent property taxes by "selling" the subject property at public auction for a minimum bid of the amount of tax owed. It is however customary in Alabama for bidders to bid in excess of the amount of tax owed because, in order to redeem the delinquent property, property owners (or other redeeming parties) must pay interest on the winning bid at a rate of 12%. The issue raised in litigation is that counties have historically, after receiving a winning bid and subtracting the amount of tax owed, either retained the excess funds until the delinquent owner redeems the property or deposited them in the county treasury pursuant to the Excess Funds Statute.

Class-action plaintiffs have alleged that counties have misapplied the Excess Funds Statute in violation of their due process and equal protection rights by failing to notify owners that counties will accept bid amounts that exceed the amount of tax owed, retain the excess funds until the owners seek to recover them through redemption, earn interest on the excess funds and require owners to pay 12% interest in order to redeem their property.

The Jefferson County Circuit Court, in the first such case of *Winston v. Jefferson County* (CV-09-2297), which is still ongoing, issued a preliminary order in favor, in part, of the plaintiffs holding that county retention of excess funds was impermissible and a violation of due process because delinquent property owners have no notice as to the actual amount of the excess that may be allowed and that charging them interest on the excess is essentially an "involuntary loan" encumbering their right of redemption.

Two companion cases were filed in Baldwin County alleging similar facts and circumstances: *Cleveland v. Baldwin County* (CV-09-900202) and *Barbee v. Baldwin County* (CV-09-900549). The Baldwin County Circuit Court, directly contrary to the Jefferson County Circuit Court, dismissed *Cleveland* without prejudice because the plaintiffs failed to satisfy certain prerequisite constitutional conditions and likewise dismissed the *Barbee* case on similar grounds. The *Barbee* plaintiffs have appealed to the Alabama Supreme Court. A similar lawsuit entitled *Mary E. Morgan et al. v. Baldwin County* (05-CV-2011-901062) was also dismissed on May 24, 2012 on the grounds that the plaintiffs had no standing to bring the lawsuit.

The County cannot make any predictions as to the outcome of this litigation or the financial impact a negative ruling would have on the County. The County has not spent the principal amount of any excess funds (\$13,335,290 as of September 30, 2010 and \$21,100,746 as of June 20, 2011) but has spent the interest earned thereon. The County has earned \$905,093 in interest earnings which has been transferred to the County's General Fund since 2008. It is possible that a negative ruling would require the County to release all excess funds currently held (approximately \$21,100,746) and to repay the interest earnings on such excess funds previously spent by the County.

#### General Financial Information

The County's Fiscal Year begins each October 1. The financial statements of the County are required to be audited by the Department of Examiners of Public Accounts of the State of Alabama not less often than every two years. The most recent audit available is for the fiscal year October 1, 2010-September 30, 2011 and is attached hereto as Exhibit B. There is no statutory authorization for the County to employ independent accountants to conduct an audit.

#### Limited Taxing Authority

Governing bodies of counties in the State of Alabama generally have no authority to raise taxes without first having a bill passed by the state legislature authorizing the levy of a new tax or the increase in an existing tax. Additionally, with respect to ad valorem taxes, no increase may be authorized even with the approval of the state legislature unless the qualified voters in the county also approve the levy of the proposed ad valorem tax.

#### Long Term Indebtedness

The long-term indebtedness of the County, after issuance of the Warrants will be as follows:

	<u>Principal Outstanding</u>	<u>Final Maturity</u>
General Obligation Warrants, Series 2013, dated February 1, 2013	\$18,840,000	January 1, 2026

General Obligation Warrants, Series 2012, dated September 1, 2012	\$10,195,000	June 1, 2026
General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012	\$25,000,000	June 15, 2015
General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012	\$875,000	June 1, 2014
General Obligation Warrants, Series 2010, dated January 1, 2010	\$16,915,000	January 1, 2025
General Obligation Warrants, Series 2008-B, dated May 1, 2008	\$24,715,000	May 1, 2033
General Obligation Warrant, Series 2008-C, dated September 30, 2008	\$4,428,923.66	September 15, 2028
General Obligation Warrant, Series 2008-A, dated December 4, 2007	\$5,096,582.13	November 30, 2017
General Obligation Warrants, Series 2007-A, dated March 1, 2007	\$13,045,000	February 1, 2032
General Obligation Warrants, Series 2004, dated April 1, 2004	\$3,595,000	February 1, 2016
TOTAL	\$122,705,505.79	

The long-term indebtedness set forth above and under the aforescribed section does not include certain lease and other miscellaneous obligations such as landfill closure and post-closure liability and compensated absences. The County has the following estimated liabilities: compensated absences (\$285,542.79); other postemployment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost (\$2,901,378.63); and other miscellaneous obligations not exceeding \$500,000. The aggregate of all such amounts is approximately \$9,593,161.41 in principal amount. These obligations do not necessarily count against the County's constitutional debt limit but are shown here and under the "Constitutional Debt Limitation" section solely in the interest of full disclosure.

Short Term Debt

The County has no outstanding short-term notes or other obligations except as noted above.

Constitutional Debt Limitation

Section 224 of the Constitution of Alabama, as amended by Amendment 342, provides that no county shall become indebted in an amount, including present indebtedness, greater than five percent (5%) of the assessed value of the property therein. The net assessed valuation of the taxable property situated in the County (including motor vehicles) for the fiscal year which ended September 30, 2012 (for which taxes became due and payable on October 1, 2012) is not less than \$3,733,695,420. The corresponding constitutional debt limit of the County is therefore not less than \$186,684,771. The County has incurred general obligation indebtedness chargeable against its constitutional debt limit in the

aggregate amount of \$132,298,667.20. The County has a debt margin of \$54,581,103.80. The constitutional debt limit of the County and its relation to certain demographic data is as follows:

Debt Ratios

Assessed Value	\$3,733,695,420.00
Debt Limit (5%)	\$186,684,771.00
G.O. Chargeable Debt [1][2]	\$132,298,667.20
Debt Margin	\$54,386,103.80
Ratio of G.O. Chargeable Debt to Assessed Value	3.54%
2010 County Population	182,265
G.O. Chargeable Debt per capita	\$724.86

- [1] Includes the Long Term Indebtedness hereinabove described and the other miscellaneous obligations of approximately \$9,593,161.41.
- [2] The Public Building Authority of Baldwin County issued its \$6,405,000 Building Revenue Warrants, Series 2007-A, dated June 1, 2007 in order to finance the cost of acquiring, constructing and equipping an office building for lease on a year-to-year basis to the County and a sublease, on a year-to-year basis to the Alabama Department of Human Resources. The County is obligated to pay rent solely from amounts received under the sublease from the Alabama Department of Human Resources. The County is not obligated to pay any amounts from its general revenues and such lease obligation is not a constitutional debt of the County.

General Fund Revenues and Expenditures and Summary of Operations

The County's General Fund (unaudited for 2012) has primarily depended on the following sources of revenue:

A. Five Mill County-Wide Ad Valorem Tax. The County's five mill ad valorem tax is levied under the authority of Section 215 of the Constitution of Alabama of 1901, as amended by Amendment No. 208, and is one of the two largest sources of revenue for the County's General Fund. Proceeds of the five mill county-wide tax have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Five Mill General Fund</u>
2011-12 (unaudited)	\$18,492,388
2010-11	19,692,368
2009-10	21,559,368
2008-09	22,102,021
2007-08	22,360,831

B. 1983 County Sales Tax. Pursuant to Act No. 83-532 adopted at the 1983 Regular Session of the Legislature of Alabama, as amended by Act No. 84-523 adopted at the 1984 Regular Session of the Legislature of Alabama, the County levies a County-wide sales tax. In general, the rate is 1% of the gross proceeds of the sales or receipts of persons engaged in the business of selling at retail in the County any tangible personal property or in the business of conducting or operating places of amusement or entertainment in the County. Such 1983 Sales Tax must be added to the sales price or admission fee and collected from the purchaser or person paying an admission fee. Through September 30, 1995, the 1983 Sales Tax was collected by the State Department of Revenue along with the collection of the state sales

tax. Effective with the 1995-96 fiscal year, the County entered into a two-year agreement with a private firm to collect the County's sales tax. After payment of the costs of collection to said firm, 2% of the sales tax was paid to the Baldwin County Juvenile Court. Of the remaining 98% of the 1983 Sales Tax proceeds, 55% was paid to the Baldwin County Board of Education, 5% was paid to James H. Faulkner Community College and 40% was paid into the General Fund. From October 1, 1997 through February 28, 2001, the County again employed the Alabama Department of Revenue to collect its 1983 Sales Tax. Effective March 1, 2001, the County established its own department to collect the 1983 Sales Tax. The distribution of the 1983 Sales Tax remains as noted above after payment of collection costs. Proceeds of the 1983 Sales Tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds of the Sales Tax
2011-12 (unaudited)	\$9,955,607
2010-11	9,558,725
2009-10	8,853,228
2008-09	8,702,394
2007-08	9,135,871

C. Lease Tax. Pursuant to Act No. 2007-377, as amended by Act No. 2010-588, the County levies a County-wide lease tax. Seventy-five percent (75%) of the tax is distributed to the County general fund. Proceeds of the lease tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds of the Lease Tax
2011-12 (unaudited)	\$2,259,566
2010-11	2,331,609
2009-10	1,873,465
2008-09	2,028,241
2007-08	1,756,175

D. State Funding. The County's General Fund also receives from the State of Alabama certain taxes, licenses and other moneys levied and collected by the State. The largest sources of State revenues are from state franchise taxes and state excise taxes. Although such moneys have been made available to the County by the State, the continued availability of such moneys is dependent upon the ability and willingness of the Alabama Legislature to continue to provide such moneys.

#### General Fund Operations

The following comparative statements of General Fund revenues and expenditures have been extracted from audited financial records of the County for the fiscal years ended September 30, 2008 through September 30, 2011 and unaudited figures for 2012:

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND – FISCAL YEARS 2008-2012**

	<u>2012[1]</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>					
Taxes	\$42,642,205.61	\$44,729,686.31	\$34,311,655.60	\$35,468,203.67	\$36,557,514.90
Licenses and Permits	736,917.59	2,369,699.26	1,815,462.56	1,900,145.31	2,248,155.40
Intergovernmental	3,269,485.30	8,656,114.85	9,553,715.93	3,397,082.90	3,384,148.54
Charges for Services	9,569,684.96	8,053,527.60	8,221,609.50	8,384,281.61	8,947,893.12
Fines and forfeitures	40,198.39	40,978.86	59,403.60	65,500.87	76,156.58
Miscellaneous	<u>9,740,924.27</u>	<u>2,258,815.05</u>	<u>3,067,538.28</u>	<u>3,084,173.41</u>	<u>3,980,168.81</u>
<b>TOTAL REVENUES</b>	<b>65,999,416.12</b>	<b>66,108,821.93</b>	<b>57,029,385.47</b>	<b>52,299,387.77</b>	<b>55,194,037.35</b>
<b>EXPENDITURES</b>					
General Government	16,670,659.25	22,960,321.53	19,060,257.72	18,676,399.64	20,155,733.57
Public Safety	20,466,283.76	20,846,762.12	25,720,415.02	21,405,431.33	20,903,293.14
Highways and Roads	--	501,064.48	154,865.78	--	623.70
Health	888,153.95	944,735.21	893,325.42	921,122.34	954,390.88
Welfare	1,500.00	659,994.20	4,000.00	4,000.00	2,500.00
Culture and Recreation	154,915.12	1,144,479.03	217,366.69	198,214.38	359,369.79
Education	72,695.04	80,549.72	157,175.12	171,741.68	174,006.43
Capital Outlay	4,997,166.51	3,518,540.07	4,439,273.12	2,422,459.67	1,100,657.78
Intergovernmental	--	--	--	--	--
Debt Service:					
Principal Retirement	--	--	--	278,671.19	268,030.38
Interest and Fiscal Charges	--	--	--	11,063.25	21,704.05
<b>TOTAL EXPENDITURES</b>	<b>43,251,373.63</b>	<b>50,656,446.36</b>	<b>50,646,678.87</b>	<b>44,089,103.48</b>	<b>43,940,309.72</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,748,042.49</b>	<b>15,452,375.57</b>	<b>6,382,706.60</b>	<b>8,210,284.29</b>	<b>11,253,727.63</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers in	2,104,313.93	2,040,448.65	1,662,987.28	1,837,946.74	1,574,134.47
Other Sources	35,780.99	--	--	--	--
Sale of Capital Assets	--	12,174.54	5,154.45	167.48	18,053.00
Inception of Capital Lease	--	--	--	--	--
Operating transfers out	<u>(20,948,104.59)</u>	<u>(19,106,601.09)</u>	<u>(9,355,414.85)</u>	<u>(10,731,134.89)</u>	<u>(8,577,411.14)</u>
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(18,808,009.67)</b>	<b>(17,053,977.90)</b>	<b>(7,687,273.12)</b>	<b>(8,893,020.67)</b>	<b>(6,985,223.67)</b>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures	3,940,032.82	(1,601,602.33)	(1,304,566.52)	(682,736.38)	4,268,503.96
Fund Balance October 1	28,526,980.43	28,217,180.71	29,521,747.23	30,204,483.61	25,935,979.65
Changes in Fund Balances	--	(1,601,602.33)	(1,304,566.52)	(682,736.38)	4,268,503.96
Fund Balance October 1, as Restated (Note 16)	28,526,980.43	31,291,424.95	29,521,747.23	30,204,483.61	25,935,979.65
Fund Balance September 30	<u>\$32,467,013.25</u>	<u>\$29,689,822.62</u>	<u>\$28,217,180.71</u>	<u>\$29,521,747.23</u>	<u>\$30,204,483.61</u>

[1] Unaudited



## Special Revenue Funds

To account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes, the County has established, among others, the following funds:

(a) State Seven Cents Gasoline Tax Fund - The County's share of the State's seven cents gasoline tax is deposited in this fund and used for building and maintaining county roads and bridges. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Seven Cents Proceeds</u>
2011-12 (unaudited)	\$2,315,482
2010-11	2,060,490
2009-10	2,057,524
2008-09	2,029,612
2007-08	2,024,240

(b) State Four Cents Gasoline Tax Fund - The County's share of the State's four cents gasoline tax is deposited in this fund and used for resurfacing, restoring and rehabilitating of the County's existing paved roads and bridges. The proceeds of this tax for the last seven fiscal years have been as follows:

<u>Fiscal Year</u>	<u>Four Cents Proceeds</u>
2011-12 (unaudited)	\$1,375,089
2010-11	1,229,084
2009-10	1,222,995
2008-09	1,204,104
2007-08	1,209,962

(c) State Five Cents Gasoline Tax - The County's share of the State's five cents gasoline tax is deposited in the Four Cents Gasoline Tax Fund and used for resurfacing, restoring and rehabilitating the County's existing paved roads and bridges and for maintaining County roads. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Five Cents Proceeds</u>
2011-12 (unaudited)	\$661,452
2010-11	588,712
2009-10	587,643
2008-09	579,890
2007-08	578,353

(d) State Five Cents Gasoline Tax - The County receives the entire proceeds of a three cents per gallon countywide gasoline tax. The County was also authorized after January 1, 1995, pursuant to Act No. 91-159 adopted at the 1991 Regular Session of the Alabama Legislature, to levy two separate and distinct taxes each in the amount of one cent (\$0.01) per gallon on persons, corporations and others engaged in the business of selling, distributing, storing or withdrawing from storage, for any purpose whatsoever, gasoline and motor fuel and substitutes therefor in the County. The governing body of the County has adopted a resolution levying such taxes. The combined taxes have produced the following revenues:

<u>Fiscal Year</u>	<u>Five Cents Proceeds[1]</u>
2011-12 (unaudited)	\$6,949,389
2010-11	7,018,882
2009-10	6,945,982
2008-09	6,929,893
2007-08	6,925,428

[1] Such proceeds are deposited in the Seven Cents Gasoline Tax Fund

(e) Public Building, Road and Bridge Fund - The County's 2.5 mill ad valorem tax levied for the building and maintaining of public buildings, roads and bridges is deposited in this fund. The proceeds of this tax have been as follows for the last seven fiscal years:

<u>Fiscal Year</u>	<u>Road and Bridge Tax</u>
2011-12 (unaudited)	\$8,972,952
2010-11	9,626,725
2009-10	10,584,900
2008-09	10,822,413
2007-08	10,996,964

#### Ad Valorem Taxation

##### General

The Constitution of Alabama of 1901 provides for the levy and collection of ad valorem taxes in Alabama by establishing the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Constitution of Alabama of 1901 substantially changed ad valorem taxation in Alabama. Because of litigation, including litigation involving "current use" assessments and possible future changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, future collections of ad valorem taxes in Baldwin County cannot be predicted with certainty. Amendment No. 373 to the Constitution of Alabama of 1901, the second of the two amendments referred to above, sets forth the assessment ratios, millage rates and the maximum amount of taxes collectable in any year currently in effect.

##### The 1978 Tax Amendment

Amendment No. 373 to the Constitution of Alabama of 1901 (approved at a statewide election on November 7, 1978; the "1978 Tax Amendment") provides that all taxable property in Alabama be classified and assessed in the following classifications and at the following ratios of assessed value to fair and reasonable market value (or, with respect to certain Class III property, at current use value) for purposes of State of Alabama and local taxation:

Class I	Property of utilities used in their business*	30%
Class II	Property not otherwise classified (generally, business or commercial property)	20%

Class III	Agricultural; forest; single-family, owner-occupied residential property; and historic buildings and sites	10%
-----------	--	-----

Class IV	Private passenger automobiles and small trucks (pickups) for personal use and not for hire, rent or compensation	15%
----------	--	-----

\* As a result of federal regulations, railroads are now assessed at 15% of the fair and reasonable market value of their property and as a result of litigation certain other utilities are now assessed at 22.5% of the fair and reasonable value of their property.

The 1978 Amendment provides that Class III property shall, upon application by the owner of such property, be assessed "at the ratio of assessed value to the current use value" of such property and not the fair and reasonable market value of such property. Act No. 82-302 adopted at the 1982 Regular Session of the Alabama Legislature, implementing the 1978 Tax Amendment, defined "current use value" as the value of such property based on the use being made of it on October 1 of the preceding year, without considering "the prospective value such property might have if it were put to some other possible use." Act No. 82-302 established a standard valuation formula for uniform use statewide by which the current use value of Class III properties could be ascertained and thereby provided for a different method of determining current use values than that used by revenue commissioners pursuant to directives issued by the State Department of Revenue prior to the passage of Act No. 82-302. The impact of Act No. 82-302 on assessed valuations of Class III properties in the County was and will continue to be negative and adverse.

#### Variation of Assessment Ratios

The 1978 Tax Amendment provides that the governing body of any local taxing authority (but not the State of Alabama) may adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or current use value provided that (1) said adjustment shall have been proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by majority vote of the qualified electors residing in the taxing authority; provided, however, that the adjusted assessment ratio applicable to each class of taxable property must be uniform within each local taxing authority, that no decrease in any assessment ratio may jeopardize the payment of any bonded indebtedness secured by any tax levied by the taxing authority decreasing said assessment ratio, and that no class of taxable property shall have an assessment ratio of less than 5% nor more than 35%. The State Legislature has no authority with respect to the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of the County has not sought to make any adjustment in the assessment ratio applicable to any class of taxable property in the County.

The Legislature has provided that no local taxing authority may adjust the assessment ratios of any class of taxable property except as follows:

(1) If the total assessed valuation of all property in one class exceeds 50% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential from the standard ratio of such class set forth above; (2) if the total assessed valuation of all property in one class is less than 20% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be increased up to a maximum of 5% differential from the standard

ratio for such class set forth above; or (3) if the total assessed valuation of all property in one class constitutes more than 75% of the assessed valuation of all taxable property in the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential, and the ratio of properties in other classes of taxable property may be increased up to a maximum of 5% differential.

#### Millage Rate Adjustments

The 1978 Tax Amendment provides that each local taxing authority may decrease any ad valorem tax rate at any time, provided such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax.

The 1978 Tax Amendment provides that each local taxing authority may increase the rate at which any ad valorem tax is levied by any such authority above the limit otherwise provided in the Constitution provided that the proposed increase shall have been (1) proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by a majority vote of the qualified electors residing in the taxing authority.

#### Limitation on Ad Valorem Taxation

The 1978 Tax Amendment limits the total amount of ad valorem taxes payable to the State and to all counties and municipalities and other taxing authorities, with respect to any item of taxable property, and in any one ad valorem tax year, to the following respective percentages of the fair and reasonable market value of such property:

Class I	2.00%
Class II	1.50%
Class III	1.00%
Class IV	1.25%

These limitations are not now exceeded as to any class of property in the County. In the event the total ad valorem tax otherwise payable by any taxpayer with respect to any item of taxable property exceeds the maximum tax limit set forth above, the county revenue commissioner is required by the 1978 Tax Amendment to reduce the rate of each separate tax in proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all taxing authorities.

#### Exemptions

The 1978 Tax Amendment exempts from all ad valorem taxation the real and personal property of the State, all counties and municipalities, and property devoted exclusively to religious, educational or charitable purposes, household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise.

#### Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the State Legislature increased the State ad valorem tax homestead exemption to \$4,000 and provided that local taxing authorities, including the County, are permitted to increase the current \$2,000 homestead exemption against county taxes to not more than \$4,000 of assessed value for any year and to extend the homestead exemption to school district

ad valorem taxes. The Baldwin County Commission has not elected to increase the homestead exemption from the current amount of \$2,000. An increase made in subsequent tax years would have the effect of decreasing the collection of the taxes for the year or years in which such increase was in effect.

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable property except motor vehicles, mobile homes and public utility properties are assessed and collected by the County Revenue Commissioner. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Judge of Probate of Baldwin County and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and the County Revenue Commissioner. Ad valorem taxes become due and payable on October 1 of each year following the October 1 as of which they are assessed and become delinquent after the next succeeding December 31.

Net Assessed Valuations

The net assessed valuations of taxable property in Baldwin County have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Real, Personal and Public Utility Property</u>	<u>Motor Vehicles</u>	<u>Total</u>
2011-12	\$3,399,511,400	\$334,184,020	\$3,733,695,420
2010-11	3,570,497,540	310,697,586	3,881,195,126
2009-10	3,810,638,920	284,265,436	4,094,904,356
2008-09	4,275,161,020	314,497,984	4,589,659,004
2007-08	4,664,597,260	331,613,012	4,996,210,272

Sources: Revenue Commissioner of Baldwin County; Judge of Probate of Baldwin County

Ad Valorem Taxes Levied in the County

The following ad valorem taxes are currently being levied on all taxable property in Baldwin County by the following taxing authorities at the following rates (in mills):

<u>State of Alabama:</u>	<u>Mills</u>
General	2.5
Soldier	1.0
School	<u>3.0</u>
<b>TOTAL - State Tax Rate</b>	<b>6.5</b>

Baldwin County:

General	5.0*
Road and Bridge	2.5
School - County - Special	9.0
School - District	3.0**
Hospital	2.0***
Health	0.5
Volunteer Fire Departments	<u>1.5</u>
TOTAL - County Tax Rate	23.5
TOTAL TAX RATE	30.0

\* The County levies a 5 mill ad valorem tax under the general ad valorem tax authority of Section 215 of the Alabama Constitution. Pursuant to Act No. 609 adopted in 1901 by the Alabama Legislature, 2 mills were remitted to the Baldwin County School Board. In consideration of the County levying a new one-half of one percent sales tax and a 1½% use tax for educational purposes, the County Board relinquished its rights to the two mill ad valorem tax. Act No. 89-482 provides that so long as the above-referenced sales and use tax proceeds are received by the Board of Education, the two mill ad valorem tax shall be deposited in the County's General Fund.

\*\* Applies to District Two only

\*\*\* Applicable to northern Precincts I through 7 for northern Baldwin Hospital Fund

Source: Revenue Commissioner of Baldwin County

Ad Valorem Taxes Levied by Municipalities

In addition to the state and county ad valorem taxes listed above, the following municipalities in Baldwin County currently levy ad valorem taxes on property within their corporate limits at the following rates (in mills):

<u>Municipality</u>	<u>Mills</u>
Bay Minette	12.5
Daphne	15.0
Elberta	5.0
Fairhope	15.0
Foley	5.0
Gulf Shores	5.0
Loxley	6.0
Magnolia Springs	5.0
Orange Beach	4.0
Perdido Beach	4.0
Robertsdale	5.0
Silverhill	10.0
Spanish Fort	5.0
Summerdale	5.0

Source: Revenue Commissioner of Baldwin County

### Largest Ad Valorem Taxpayers

The largest ad valorem taxpayers in the County (other than the Fairhope Single Tax Corporation) and the amount of ad valorem taxes paid by each during the 2012 tax years are shown below:

<u>Taxpayer</u>	<u>2012 Total Tax Due</u>	<u>2012 Total Assessed Value</u>
Baldwin County Electric Membership	\$882,836.08	\$31,529,860
Gulf Telephone Company	646,669.52	23,282,180
Florida Gas Transmission Co.	560,779.52	20,027,840
Alabama Power Company	395,811.92	14,150,060
Exxon Corporation	282,641.52	10,094,340
Red Mountain Timberco IV LLC	119,867.49	3,765,240
BellSouth Telecommunications, LLC D	113,699.60	4,060,700
Baldwin County Sewer Service, LLC	102,622.80	3,666,100
Powersouth Energy Cooperative	100,041.80	3,669,220
MEPUS	99,589.28	3,556,760
CSX Transportation Inc.	94,739.40	3,165,340
FST Wal-Mart Stores East LP	92,054.48	3,287,660
Gulf South Pipeline Company	91,294.20	3,043,140
Audubon Park Apartments LLC	78,136.80	2,790,600
Genesis Pipeline USA LP	53,989.04	1,928,180
D&E Investments LLC	53,532.64	1,912,220
Barber Marina Inc.	53,003.20	1,892,800
Thompson Tractor Co. Inc.	49,598.64	1,771,380
Seven States Timberlands LLC	42,302.33	1,313,580
Magnolia Properties LLC	40,246.08	1,437,360

Source: Revenue Commissioner of Baldwin County

### Fairhope Single Tax Colony

The Fairhope Single Tax Corporation is America's oldest and largest single tax colony. The intent of the settlers of Fairhope was to demonstrate the theories of taxation of Henry George, the 19<sup>th</sup> century American economist. George believed that only land should be taxed. The corporation holds title to all of its lands. The corporation owns approximately 20 percent of the land within the corporate limits of the City of Fairhope. The land is divided and leased at a rental rate equalizing the varying advantages of different tracts. The land is made available through leases to those who will use it and improve upon it. All assessed taxes on the land owned by the corporation and improvements owned by its lessees are paid by the corporation. The corporation also makes public improvements. Over the years the corporation has financed vital public projects and cultural efforts.

### Ad Valorem Tax Collections

The Baldwin County Tax Collector has collected not less than 95% of ad valorem taxes due during the last nine fiscal years.

## Economy

Income Level. Two basic measures of annual income include per capita income, which is the total income of all families and individuals in a given area divided by the total population of the area and median family income, above and below which are an equal number of family incomes.

### Per Capita Income

The following table sets forth certain information from the U.S. Department of Commerce, Bureau of Economic Analysis regarding comparative per capita personal income levels in the County and the State of Alabama.

<u>Area Measured</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Baldwin County	\$27,133	\$29,093	\$31,164	\$33,682	\$35,042	\$35,829	\$34,461
State of Alabama	26,380	28,019	29,843	31,421	32,773	33,928	33,411

Source: U.S. Department of Commerce; [cber.cba.ua.edu/edata](http://cber.cba.ua.edu/edata)

### Median Family Income

The median family income for Baldwin County and the State of Alabama has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2009</u>
Baldwin County	\$3,835	\$7,338	\$16,917	\$30,199	\$47,028	\$57,447
State of Alabama	3,937	7,266	16,353	28,688	41,657	\$51,989

Source: Alabama County Data Book; Alabama Department of Economic and Community Affairs; U.S. Census Bureau

### Poverty Level

The percentage of families in the County and in the State of Alabama with incomes below the federal poverty level has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u> <u>(income less</u> <u>than \$3,000)</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1999</u>	<u>2009</u>
Baldwin County	39.0%	17.9%	13.2%	10.4%	7.6%	8.8%
State of Alabama	39.1	20.7	14.8	14.3	12.5	12.9

Source: U.S. Bureau of the Census (2009 figures from [www.factfinder2.census.gov](http://www.factfinder2.census.gov))



## Unemployment Rates

Comparative average annual unemployment figures for Baldwin County, the State of Alabama, and U.S. national average are as follows:

<u>Calendar Year</u>	<u>Baldwin County</u>	<u>State of Alabama</u>	<u>U.S. National Average</u>
2012	6.1%	6.7%	7.4%
2011	7.2	7.5	8.3
2010	8.4	8.9	9.1
2009	10.2	10.6	9.7
2008	4.1	5.1	5.8
2007	2.7	3.5	4.6
2006	2.8	3.6	4.6

Source: Alabama Department of Industrial Relations

## Major Employers

The following table sets forth the most recent information with respect to the major employers in the County:

<u>Name of Employer</u>	<u>Product</u>	<u>Approximate Employees</u>
Baldwin County Board of Education	Education	3,141
Wal-Mart Super Centers (5 locations)	General retail	1,600
Tanger Outlet Mall	Outlet stores	1,500
Thomas Hospital	Medical care	1,048
Baldwin County Government	County government	857
Goodrich Aerospace & Aerostructure Group	Thrust reversers and nacelle components	805
South Baldwin Regional Medical Center	Health care	653
Marriott Grand Hotel	Hotel and country club	600
Brett/Robinson Gulf Corporation	Condo rental and management	550
Mercy Medical	Medical care	550
Standard Furniture	Bedroom and dining room tables	530
Columbia Southern University	Education	432
Meyer Real Estate	Sales and vacation rentals	264
City of Foley	Municipal government	260
Ace Hardware Support Center	Hardware distribution	250
Spectrum Resorts	Real estate	230
Riviera Utilities	Utilities	220
Vulcan, Inc.	Aluminum and steel products	200
LuLu's at Homeport	Restaurant	199
Baldwin EMC	Electric Utility	193
North Baldwin Infirmary	Medical care	189
Faulkner State Community College	Education	175
Bon Secour Fisheries	Seafood processing	152
International Paper	Shipping containers	150
Quincy Compressors	Rotary screw air compressors	149
Golden Living Center	Nursing home	147
Quality Filters	Air filters	102

Dental EZ Inc.	Dental equipment and supplies	100
Segers Aero	Aerospace MRO	91
Connexion	Call/support center	80

Source: Baldwin County Economic Development Alliance website: baldwineda.com; updated April 30, 2012

### Educational Levels

According to the U.S. Census Bureau, Census 2000, approximately 82% of Baldwin County residents were high school graduates and approximately 23.1% of Baldwin County residents were college graduates. State averages were 75.3% and 19%, respectively. For the period 2006-2010, the U.S. Census Bureau estimates that approximately 87.6% of Baldwin County residents were high school graduates and approximately 26.8% of Baldwin County residents were college graduates. State averages were 82.1% and 21.9%, respectively.

### General Housing Characteristics

According to the U.S. Census Bureau, Census 2000, the median value of owner-occupied homes in Baldwin County was \$122,500. The state average was \$85,100. For 2009, the Census Bureau reports the figures as \$173,100 and \$111,900, respectively.

### Health Services

Presently, three hospitals, North Baldwin Infirmary, Thomas Hospital, and South Baldwin Regional Medical Center, are currently operated in Baldwin County. Approximately 240 hospital beds and 565 nursing home beds are maintained in the County.

### Utilities

Telephone service is provided throughout the County by several telephone systems including AT&T and Gulf Telephone Company. Natural gas is provided throughout the County at wholesale by United Gas Pipeline Company and at retail by municipal systems including Fairhope Utilities and Riviera Utilities of Foley. Electricity is provided by Alabama Power Company, Riviera Utilities of Foley and the Baldwin County Electric Membership Cooperative. Approximately 26 public/private water systems are in service in the County. Approximately seven sewage facilities are installed in the County. There is one "Subtitle D" secondary landfill and one transfer station in Baldwin County operated by the County.

### Tourism

Baldwin County has become a tourist destination center. There are two separate areas which attract two different types of tourists. The first area offers the beautiful white sand beaches on the Gulf of Mexico at Gulf Shores and Orange Beach. In the summer it attracts vacationing families who enjoy the gulf waters and beaches. More and more people, especially those from colder Midwestern states, are discovering this area for a cold weather retreat. The second area, commonly known as the Eastern Shore (Mobile Bay), attracts tourists who are interested in fine living at the Grand Hotel, coupled with an active artist community and many quaint shops. This area offers a pleasant, easygoing pace with a beautiful community.

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.

### Transportation

Highway. The major highway system in the County is comprised of the following: three U.S. Highways, U.S. 90, 98 and 31; two interstate highways, I-10 and I-65; and six major state highways, Alabama 225, 104, 59, 180 181 and 182.

Bus and Rail. Nationwide bus service is available. More than 55 common and specified carriers are authorized to serve the Baldwin and Mobile County areas. CSX Transportation connects Bay Minette and Mobile to the west, and Bay Minette and Escambia County to the east.

Water. The Port of Mobile is the largest and best equipped gulf port located close to deep water. The Port's major waterfront facilities are located along the lower five miles of the Mobile River at the head of Mobile Bay just across the Bay from Baldwin County. The harbor is situated about 30 miles north of the Bay entrance from the Gulf of Mexico. The present depth-controlling entrance to the inner harbor is 40 feet. The Port is authorized for 55 feet south of the I-10 tunnels. The State Docks have been providing all appropriate expansions south of the tunnels to take advantage of this future increased depth.

The Gulf Intercoastal Waterway traverses South Baldwin County. The channel is 12 feet deep and 125 feet wide. The waterway extends along the lower end of Mobile Bay and Gulf Coast for 1,100 miles. An extensive system of Alabama inland waterways, with docking facilities, is tributary to the Port of Mobile, permitting barge traffic as far north as Birmingham. The Alabama State Docks, which operates waterfront facilities at the Port of Mobile, has spent more than \$275 million over the past 15 years to upgrade and expand the available facilities for handling cargo.

Air Service. There are two air carrier facilities available to Baldwin County, one of which is the Mobile Municipal Airport, located approximately 30 to 40 miles from most locations in Baldwin County. Passenger service is provided by major air carriers and commuter services. There are three lighted runways. Major repairs, storage and transportation are also available.

The other air carrier facility available to residents of Baldwin County is the Pensacola, Florida Municipal Airport. Pensacola is served by major and commuter airlines. Charter flights, aircraft repair and hangar storage are made available by several independent flying services in Pensacola. Nine other municipal or private air fields in the County serve the needs of general aviation interests of the area (six are public and three are private).

### Education

Primary and Secondary. There are approximately 44 public schools being operated by the Baldwin County Board of Education with an enrollment of approximately 25,000. There are presently no public school systems operated by any municipality in the County, although the cities of Gulf Shores, Orange Beach, Daphne and Fairhope have each considered forming their own municipal school systems in the past. There are approximately 10 private and parochial schools operating in the County.

Vocational and Technical. Although Baldwin County does not have a trade school, a vocational curriculum is available to the high school students at the County's two area technology centers. These vocational schools are open to high school students during the day and to adults at night.

Higher Education. Although Baldwin County has one state community college (James H. Faulkner Community College with campuses in Bay Minette, Fairhope and Gulf Shores), many students are able to stay in the area and receive a higher education. The County Campus of the University of South Alabama is located in Fairhope. Mobile has become the major center of higher education between New Orleans and Tallahassee with four degree-granting institutions. They are the University of Mobile, Spring Hill College, University of South Alabama and Bishop State Community College. There are other post-secondary schools that are vocational and trade schools.

### **BOOK-ENTRY SYSTEM**

DTC will serve as initial Securities Depository under the Book-Entry System for the Warrants with no physical distribution of Warrants made to any owner of any Warrant or Warrants. The ownership of one fully registered Warrant for each maturity will be registered in the name of Cede & Co., as initial Securities Depository Nominee. Except as provided below, so long as the Securities Depository or the Securities Depository Nominee is the registered owner of the Warrants, references herein to the Holders, owners or registered owners of the Warrants shall mean the Securities Depository or the Securities Depository Nominee and shall not mean the Beneficial Owners of the Warrants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking corporation" under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "Direct Participants") and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among Direct Participants in such securities through electronic computerized book-entry changes in accounts of the Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Book-Entry System of DTC is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the Direct Participants are on file with the Securities and Exchange Commission.

Beneficial ownership interests in the Warrants may be purchased by or through Direct Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." Such Direct Participants and the persons for whom they acquire interests in the Warrants as nominees will not receive a warrant certificate, but each Direct Participant will receive a credit balance in the records of the Securities Depository in the amount of such Direct Participant's interest in the Warrants, which will be confirmed in accordance with standard procedures of the Securities Depository. Beneficial Owners of Warrants will not receive certificates representing their beneficial ownership interests in the Warrants, unless use of the Book-Entry System is discontinued as described below. Beneficial Owners will be treated in all respects as the owners of the Warrants. The deposit of Warrants with the Securities Depository and their registration in the name of the Securities Depository Nominee effect no change in beneficial ownership. The Securities Depository has no knowledge of the actual Beneficial Owners of the Warrants; the records of the Securities Depository reflect only the identity of the Direct Participants to whose accounts such Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers as Beneficial Owners.

Transfers of beneficial interests in the Warrants which are registered in the name of the Securities Depository Nominee will be accomplished by book entries made by the Securities Depository and in turn by the Direct Participants and Indirect Participants who act on behalf of the Beneficial Owners of the Warrants. For every transfer and exchange of beneficial ownership in the Warrants, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

During the period in which the Book-Entry System is in effect for the Warrants, the County and the Custodian shall treat the Securities Depository and the Securities Depository Nominee as the only registered owner of the Warrants for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Warrants, receipt of notices, and requesting or directing the Custodian to take or not to take, or consenting to, certain actions under the Resolution.

The Securities Depository may be expected to assign the consent or voting rights of the Securities Depository Nominee to those Direct Participants to whose accounts the Warrants are credited on the record date specified by the Securities Depository therefor. In the event of such assignment, the County and the Custodian shall treat the assignees as the only registered owners of the Warrants for purposes of exercising such rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Warrants. Under its usual procedures, DTC mails an Omnibus Proxy to the County, as soon as possible after the said record date, for purposes of assigning such consent and voting rights to the Direct Participants.

Conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Warrants, will be governed by arrangements among the Securities Depository, Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to the Securities Depository Nominee and redemption of Warrants shall be effected as provided in the Resolution and described herein.

Principal, redemption prices, and interest payments on the Warrants will be made by the County or the Custodian to the Securities Depository or the Securities Depository Nominee, as registered owner of the Warrants. Payment of interest due on each interest payment date will be made for the account of the persons who are Beneficial Owners on the Record Date for such interest payment date. Disbursement of such payments by the Securities Depository or the Securities Depository Nominee to Direct Participants shall be solely the responsibility of the Securities Depository and subsequent disbursements of such payments to the Beneficial Owners shall be solely the responsibility of the Direct Participants and, where appropriate, Indirect Participants. Upon receipt of moneys, the Securities Depository will credit immediately the accounts of the Direct Participants in accordance with their respective holdings shown on the records of the Securities Depository. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions of the Beneficial Owners and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Such payments to the Beneficial Owners will be the sole responsibility of such Direct Participant or Indirect Participant and not of the County or the Custodian, subject to any statutory and regulatory requirements as may be in effect from time to time.

The County, the Custodian and the Underwriter cannot and do not give any assurances that the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Warrants (1) payments of principal or redemption price, premium, if any, or interest on, the Warrants, (2) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in Warrants, or (3) redemption or other notices sent to the Securities Depository or the Securities Depository Nominee, as

the registered owner of the Warrants, or that they will do so on a timely basis or that the Securities Depository or the Securities Depository Nominee, the Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. All such payments to the Securities Depository or the Securities Depository Nominee of principal, interest, or redemption price on behalf of the County and Custodian shall be valid and effectual to satisfy and discharge the liability of the County and Custodian to the extent of the amounts so paid, and the County and Custodian shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or any Direct Participant or any Indirect Participant.

The County, the Custodian and the Underwriter will not have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant; (2) the payment by the Securities Depository, any Direct Participant or Indirect Participant, of any amount due to any Beneficial Owner in respect of the principal or redemption price, premium, if any, and interest on the Warrants; (3) the delivery or timeliness of delivery by the Securities Depository, any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository or the Securities Depository Nominee, as owner.

In Release No. 34-47978; File No. SR-DTC-2003-02, the SEC approved DTC's Rule change clarifying that only DTC Participants with a position in that issue can request withdrawal of those securities from DTC. Issuers have no legal or beneficial interest in securities held by Participants at DTC and therefore issuers, such as the County, have no basis to request the withdrawal of those securities.

DTC's Rule change provides that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer.

In the event that the Securities Depository determines not to continue to act as securities depository for the Warrants the County may appoint another qualified securities depository to administer the Book-Entry System. If the County appoints another securities depository to administer the Book-Entry System, the rules and procedures of such securities depository may differ from those described herein. If the County fails to identify another qualified securities depository, the County will cause the Custodian to authenticate and deliver fully registered Warrants to each Beneficial Owner. *See* "Discontinuation of Book-Entry System; Transfer, Exchange and Registration".

In the event of an insolvency of the Securities Depository or if the Securities Depository has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its Direct Participants or Indirect Participants with respect to deposited securities and is unable by application of (i) cash deposits and securities pledged to the Securities Depository to protect the Securities Depository against losses and liabilities; (ii) the proceeds of insurance maintained by the Securities Depository or its Direct Participants or Indirect Participants; or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that Direct Participants or Indirect Participants will be able to obtain all of their deposited securities.

The information in this section concerning the Securities Depository and the Book-Entry System has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

#### Discontinuation of Book-Entry System; Transfer, Exchange and Registration

The Securities Depository may determine to discontinue the Book-Entry System with respect to the Warrants at any time upon notice to the County and the Custodian and upon discharge of its responsibilities with respect thereto under applicable law. Upon such notice the Book-Entry System for the Warrants will be discontinued unless a successor securities depository is appointed by the County.

In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the following provisions with respect to registration, transfer and exchange of the Warrants by the registered owners thereof shall apply, subject to the further conditions set forth in the Resolution with respect thereto:

(a) The Warrants may be transferred by the registered owner in person or by authorized attorney, only on the Warrant Register maintained by the Custodian and only upon surrender of the Warrant to the Custodian for cancellation with a written instrument of transfer acceptable to the Custodian executed by the registered owner or his duly authorized attorney, and upon any such transfer, a new Warrant of like tenor shall be issued to the transferee in exchange therefor.

(b) The registered owner of any Warrant in a face amount of more than \$5,000 may surrender the same in exchange for more than one Warrant, each in the principal amount which is an integral multiple of \$5,000, having the same year of maturity as the Warrant so surrendered and the same aggregate principal amount. The registered owner of two or more Warrants having the same principal maturity may surrender the same in exchange for a single Warrant in the aggregate principal amount of the Warrants so surrendered.

(c) The Custodian shall not be required to transfer or exchange any Warrant during the period from the Record Date and the then next succeeding interest payment date; and in the event that any Warrant (or any part thereof) is duly called for redemption, the Custodian shall not be required to register or transfer any such Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer or exchange, but the registered owner of any Warrant requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The registered owner of any Warrant will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Warrant.

#### TORT LIABILITY

In past years, the Supreme Court of Alabama, in several related decisions, overruled a long-standing series of cases holding that political subdivisions of the State were not liable in tort for damages resulting from the performance by them of governmental functions. As a result of these decisions,

counties in Alabama may now be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the CODE OF ALABAMA 1975) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including counties. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence. The Act also limits recovery of damages to \$100,000 for damage or loss of property arising out of any single occurrence. The constitutionality and applicability of all parts of said Act have not been definitively determined, and the County can give no assurance that any recovery against the County would be limited by the amounts provided in said Act. Additionally, Act No. 673 has no applicability to causes of action under Section 1983 and 1985 of Title 42 of the United States Code. Local governments throughout the country have been increasingly subjected to lawsuits - many of which seek substantial damages - for alleged denials of civil rights under the provision of said Sections.

### **FEDERAL BANKRUPTCY CODE**

The rights and remedies of the registered owners of the Warrants are subject to the provisions of Chapter 9 of Title 11 of the United States Code (Bankruptcy) which permits under certain specific circumstances (but only after authorization by the legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision of a state, such as the County, to file a petition for relief in the U.S. District Court for the district in which the political subdivision is located if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts. Under the Bankruptcy Code, the filing of such a petition operates as an "automatic" stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant of the petitioner. Chapter 9 also permits a political subdivision that files such a petition to issue, with the approval of the Court, certificates of indebtedness having priority over pre-existing obligations.

Any political subdivision filing a petition for relief under Chapter 9 must in due course file a plan for the adjustment of its debts, and such plan may include provisions modifying or altering the rights of creditors generally, or any class of them, secured and unsecured. Such plan, when confirmed by the Court, binds all creditors who had timely notice or actual knowledge of the petition or plan and discharges all claims against the petitioning political subdivision provided for in the plan. No plan may, however, be confirmed by the Court unless certain conditions occur, which include either (1) that the plan has been accepted in writing by two-thirds (2/3) in the amount and more than fifty percent (50%) in number of the allowed claims of each class which is impaired by the plan, or (2) the Court finds that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims that is impaired under, and has not accepted, the plan.

Existing Alabama statutes authorize the County to file a petition for relief under Chapter 9 of Title 11 of the United States Code.



## EXHIBITS

Each Exhibit is an integral part of this Official Statement and should be read in its entirety. The Exhibits include the following:

- Exhibit A - Proposed Opinion of Bond Counsel
- Exhibit B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

## APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Warrants are subject to the approval of Jones Walker L.L.P. in Birmingham, Alabama, Bond Counsel, whose approving legal opinion will be delivered at the time of delivery of the Warrants. The proposed form of that opinion is included in this Official Statement as Exhibit A.

The various legal opinions to be delivered concurrently with the delivery of the Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX EXEMPTION

In the opinion of Bond Counsel, assuming the accuracy of certain representations and the compliance with certain covenants made by the County in the Authorizing Resolution with respect to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code, applicable regulations and rulings of the Commissioner of Internal Revenue, and court decisions heretofore rendered. Bond Counsel is also of the opinion that under existing statutes interest on the Warrants is exempt from income taxation by the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in the alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security and certain railroad retirement benefits required to be included in gross income, and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation. Furthermore, interest on the Warrants is required to be included in the calculation of the federal branch profits tax liability of foreign corporations.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on

the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Authorizing Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Authorizing Resolution, nor any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

#### **ORIGINAL ISSUE DISCOUNT AND PREMIUM ON WARRANTS**

Certain of the Warrants (or those of the Warrants having certain stated maturities) may initially be sold to the public at an "original issue discount." As that term is effectively defined in the Tax Code and applicable regulations thereunder, the "original issue discount" referable to a Warrant is the excess (if any) of (i) the stated redemption price of such Warrant at maturity, over (ii) the initial offering price to the public, or (in other words) the first price, at which a substantial amount of the Warrants of the "issue" of which such Warrant is a part, was sold for money (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Original issue discount is treated as interest excluded from gross income for Federal income tax purposes.

An amount equal to the excess of the purchase price of the Warrants over its stated redemption price at maturity constitutes premium on such Warrant. A purchaser of a Warrant must amortize any premium over such Warrant's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Warrant is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

The holder of any Warrant or Warrants should consult his own tax advisors with respect to (a) the determination, for Federal income tax purposes, of the amount of original issue discount or premium (if any) accrued with respect to each Warrant held by him as of any date, including the date of disposition of such Warrant, and (b) the treatment of such original issue discount or premium for purposes of state or local taxation.

### **NOT BANK QUALIFIED**

The County has not designated the Warrants as "qualified tax-exempt obligations." The Warrants are not "bank qualified."

### **LITIGATION**

There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the proceedings and authority under which the Warrants are issued; or the validity of the Warrants. There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the creation, organization or existence of the County; or the title of the present members of the County Commission or other officers of the County to their respective offices.

The County does not believe that there are any legal proceedings pending or threatened against the County which may affect the County's financial condition or its ability to perform its obligations to the registered owners of the Warrants. The County is a defendant in several lawsuits involving claims for personal injuries and other claims in all of which the County's insurers have assumed the defense and in all of which the exposure, if any, is within the coverages provided by the insurance or are within amounts that the County feels that it could fund without materially affecting its ability to pay principal of and interest on the Warrants.

### **UNDERWRITER**

The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter") has purchased the Warrants from the County for a purchase price of \$20,965,115.15 (which represents the par amount of \$18,840,000 less an underwriter's discount of \$146,010.00 and plus a net original issue premium of \$2,271,125.15), plus accrued interest thereon to the date of delivery.

### **WARRANTHOLDER RISKS**

An investment in the Warrants involves certain risks which should be carefully considered by investors. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Warrants are an appropriate investment for them. The sufficiency of taxes to pay debt service on the Warrants may be affected by events and conditions relating generally to, among other things, population trends and economic developments in the County. Additionally, there can be no assurance that the proceeds of taxes will be adequate to pay the principal of and interest on the Warrants as they mature and come due for the following, among other, reasons:

(a) The General Fund of the County depends, to a significant degree, on ad valorem tax collections. In the past, the system of ad valorem taxation in Alabama has been under revision by constitutional amendments, legislation and court orders relating to the reappraisal of taxable property, reclassification of taxable property, variation of assessment ratios, and limitations on the expected increase in ad valorem taxes resulting from reappraisal and proposals respecting current use valuations. Because of additional revisions that may be made to the system of ad valorem taxation in Alabama, the County cannot predict what effect said past or future revisions may have on the future collections of ad valorem taxes in the County.

(b) There can be no assurance that the total assessed value of taxable property in the County will remain at its present level. Adverse trends in the economy of the County could adversely affect property values and retail sales and the collection of ad valorem and sales tax revenues.

(c) The County's coastal location, sub-tropical climate and low elevation make weather events such as hurricanes, tropical storms, tropical depressions, low-pressure systems and the related damages caused thereby including storm surge, wind damage, flood damage and property damage, which may all occur immediately or even some time thereafter, virtual certainties. The County is also extremely susceptible to other natural disasters including tornados, water spouts, thunderstorms, heavy rain and flooding at all times of year.

(d) The County depends heavily on the tourist-oriented coastal cities of Gulf Shores, Orange Beach and Fairhope to generate sales and use taxes, lodging taxes and ad valorem taxes. Hurricanes Ivan, Dennis and Katrina severely damaged these and other cities and negatively impacted the County's tax revenues. Though the area has recovered from the hurricanes, future damage to the County and these cities from the next storm, which may likely occur prior to the maturity of the Warrants, could negatively and adversely affect the County's financial condition. Additionally, oil spills or other natural disasters and man-made disasters that adversely impact the use of the beaches or fishing in the Gulf of Mexico will negatively impact the County's financial condition, as was experienced following the April, 2010 BP oil spill. The County is vulnerable to other natural and man-made disasters in addition to hurricanes and oil spills.

(e) The severity of recent hurricanes has prompted speculation that the federal government and private insurance companies may permanently terminate existing property insurance at any time and no longer offer property insurance within the County. In fact, a number of private insurance carriers have already withdrawn from the State of Alabama entirely. The withdrawal of property insurance could mean, following the next storm, that (1) the County, including existing residences and private businesses may not ever be rebuilt to its pre-storm condition, (2) displaced residents or businesses may not ever return to the County, (3) tax revenue may not ever return to present levels or (4) the federal government may not provide, as it did after Hurricanes Ivan, Dennis and Katrina funds necessary to rebuild the County. There are no assurances, commitments or guarantees that the County will ever receive any private, public, state, federal or other emergency funds for repairs, replacements or service restoration. Any of the foregoing events or consequences would negatively and adversely affect the County's financial condition.

(f) Neither the Warrants, the Authorizing Resolution, nor any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

#### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the County has agreed in the Authorizing Resolution to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB,

(i) certain annual financial information and operating data, including audited financial information, generally consistent with the information contained herein under the caption "THE COUNTY."

(ii) the County's budget for the next fiscal year, and unaudited financial statements for the fiscal year ending on the preceding September 30, will be made available to the MSRB on or before March 31 in each calendar year.

(iii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Warrants: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, and (n) appointment of a successor or additional trustee or the change of name of a trustee.

(iv) the County's audited financial statement must be prepared by the Alabama Department of Examiners of Public Accounts and will be provided to MSRB when available, and in any event, within five business days after receipt by the County.

(v) in a timely manner, notice of any failure by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The County will reserve the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, provided that any such modification may be done only in a manner consistent with the Rule. The County will reserve the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the County no longer remains an "obligated person" with respect to the Warrants, within the meaning of the Rule. The County will, in the Authorizing Resolution, acknowledge that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered owners of the Warrants and shall be enforceable by the holders of the Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the County's obligations under the Authorizing Resolution and any failure by the County to comply with the provisions of such undertaking shall not be an event of default with respect to the Warrants and shall not subject the County to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the County are as follows:

Kimberly Creech, or successor as County Clerk/Treasurer  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, Alabama 36507  
Telephone: (251) 937-0350  
Facsimile: (251) 937-0367  
Email: [kcreech@baldwincounty.al.gov](mailto:kcreech@baldwincounty.al.gov)

Effective July 1, 2009, The Securities and Exchange Commission (SEC) made two procedural changes to the way in which these annual reports and event notices are filed. They are as follows: (1) the Municipal Securities Rulemaking Board (MSRB) must receive all continuing disclosure filings, and (2) continuing disclosure filings must also be submitted in electronic pdf format to the Electronic Municipal

Market Asset (EMMA) system, which may be accessed at [emma.msrb.org](http://emma.msrb.org). Effective January 1, 2010, submissions to the EMMA System must be in word-searchable pdf format and must not be password protected for viewing, saving and printing. Rule 15c2-12 was recently amended by Release No. 34-62184 adopted on May 26, 2010 and MSRB Notice 2010-32 approved by the SEC on August 19, 2010. The County will comply with these changes and further agrees to comply with all future SEC regulations, several of which are presently under consideration, which may affect the County's continuing obligations hereunder.

### **MISCELLANEOUS**

Any statements made in this Official Statement and indicated to involve matters of opinion or estimates are represented to be opinions or estimates made in good faith. Any such estimate or opinion is not to be construed as a representation that such estimate or opinion will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Warrants.

**CERTIFICATE**

I, the undersigned Chairman of the Baldwin County Commission, do hereby certify that, to the best of my knowledge, the County's Official Statement respecting the Warrants does not contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in light of the circumstances in which they are made, not misleading.

This Official Statement has been approved by the governing body of the County.

**BALDWIN COUNTY**



By /s/ J. Tucker Dorsey  
Chairman



**EXHIBIT A**

**[Proposed Opinion of Bond Counsel]**



JONES WALKER L.L.P.  
ONE FEDERAL PLACE  
1819 FIFTH AVENUE NORTH, SUITE 1100  
BIRMINGHAM, ALABAMA 35203

February 21, 2013

Baldwin County Commission  
Bay Minette, Alabama

Regions Bank  
Birmingham, Alabama

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

Re: \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013, issued  
by Baldwin County, Alabama

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance of the above-referenced warrants (the "Warrants") by Baldwin County, Alabama (the "County"), a political subdivision organized under the laws of the State of Alabama. The Warrants are issued pursuant to a resolution and order duly adopted by the governing body of the County on February 19, 2013 (the "Warrant Resolution").

We have examined the following: the proceedings of the County for adoption of the Warrant Resolution; a certification on behalf of the County pursuant to the regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), relative to arbitrage bonds; and other certificates, documents and proofs considered by us to be pertinent. In rendering this opinion we have relied upon statements set forth in certificates executed by public officials and by officers of the County.

Based upon the foregoing and upon our examination of the aforesaid proceedings and other papers submitted to us, and in reliance on the aforesaid certificates and opinion and assuming compliance with the covenants and representations in the Warrant Resolution, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Warrants constitute and evidence the valid and binding general obligation indebtedness of the County payable from the special fund designated "Series 2013 General Obligation Warrants Fund" into which there has been ordered to be paid from the proceeds of the general revenues and taxes of the County amounts sufficient to pay the principal of and interest on the Warrants as the same respectively mature and become due.

(2) Interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code and applicable regulations and rulings of the Commissioner of Internal Revenue and court decisions heretofore rendered.

(3) Interest on the Warrants is exempt from present income taxation in the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the

Warrants. It should be noted, however, that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in certain alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security benefits and certain railroad retirement benefits required to be included in gross income and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Warrant Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Warrant Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

The rights of the registered owners of the Warrants and the enforceability thereof are subject to the exercise of judicial discretion, to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State of Alabama, and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted.

The opinion is (a) limited to matters stated herein and no opinion may be inferred beyond the matters expressly stated, (b) given as of the date hereof and with the express understanding that we have no obligation to advise you or any of your successors or assigns of any changes in law or fact subsequent to the date hereof, even though such changes may affect the opinions expressed herein, (c) rendered to you solely in connection with the subject transactions and may not be relied upon by you or by any other person for any other purpose, and (d) rendered as an expression of our professional judgment as to the legal issues explicitly addressed herein, by the rendering of which we do not become an insurer or guarantor of that expression of professional judgment or of the outcome of any legal dispute that may arise with respect to any of the matters herein contained.

Faithfully yours,

**EXHIBIT B**

**[Audited Financial Report for the Fiscal Year Ending September 30, 2011]**

**PRELIMINARY OFFICIAL STATEMENT**

**New Issue--Book-Entry Only**

**Ratings: Moody's: Aa1  
S & P: AA+ (Stable)**

*In the opinion of Jones Walker L.L.P., Bond Counsel, and assuming continuing compliance by the County with certain conditions imposed by the Internal Revenue Code of 1986, as amended, referred to herein under "TAX EXEMPTION," interest on the Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. Bond Counsel is also of the opinion that interest on the Warrants is exempt from Alabama income taxation. See "TAX EXEMPTION" herein.*

**\$18,645,000\***  
**BALDWIN COUNTY**  
**GENERAL OBLIGATION WARRANTS**  
**SERIES 2013**

Dated February 1, 2013

Due January 1, as shown below

The General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") offered hereby constitute general obligations of Baldwin County, an Alabama political subdivision (the "County"), for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. Principal is payable on January 1 in amounts and years as shown below. Interest is payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The Warrants are subject to redemption as herein described.

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>
2014	\$1,175,000			2021	\$1,450,000		
2015	1,200,000			2022	1,510,000		
2016	1,220,000			2023	1,580,000		
2017	1,250,000			2024	1,660,000		
2018	1,285,000			2025	1,745,000		
2019	1,340,000			2026	1,835,000		
2020	1,395,000						

(Plus Accrued Interest)

The Warrants are initially issuable as fully registered warrants without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a Book-Entry System (as hereafter defined) to be administered by The Depository Trust Company, New York, New York (the "Securities Depository") and, when issued, will be registered in the name of and held by Cede & Co., as nominee for the Securities Depository. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly described herein. The Warrants are offered when, as and if issued and received by The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter"), subject to prior sale, withdrawal or modification of the offer without notice and to the approval of the validity thereof by Jones Walker L.L.P., Bond Counsel, and certain other conditions. It is expected that the Warrants in definitive form will be available for delivery on or about February \_\_, 2013.

**THE FRAZER LANIER COMPANY**  
**INCORPORATED**

February \_\_, 2013

\* Preliminary; subject to change

{BH152701.2}

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. The securities herein described may not be sold or offered prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer or solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**BALDWIN COUNTY**

**County Commission**

J. Tucker Dorsey, Chairman  
Robert E. "Bob" James  
Frank Burt, Jr.  
Charles F. "Skip" Gruber

**County Administrator**

David A. Z. Brewer

**County Clerk-Treasurer**

Kimberly Creech

**UNDERWRITER**

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

**BOND COUNSEL**

Jones Walker L.L.P.  
Birmingham, Alabama

**CUSTODIAN**

Regions Bank  
Birmingham, Alabama

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM SOURCES WHICH ARE CONSIDERED DEPENDABLE AND WHICH ARE CUSTOMARILY RELIED UPON IN THE PREPARATION OF SIMILAR OFFICIAL STATEMENTS, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE COUNTY. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE RELIABLE BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED. NO PERSON, INCLUDING ANY BROKER, DEALER OR SALESMAN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHOULD THERE BE ANY SALE OF THE WARRANTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. ANY INFORMATION OR EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

Page

INTRODUCTION AND DEFINITIONS .....	1
THE WARRANTS .....	2
RATINGS .....	5
DEBT SERVICE REQUIREMENTS .....	5
SUMMARY OF AUTHORIZING RESOLUTION .....	7
THE COUNTY .....	8
BOOK-ENTRY SYSTEM .....	29
TORT LIABILITY .....	32
FEDERAL BANKRUPTCY CODE .....	33
EXHIBITS .....	34
APPROVAL OF LEGAL MATTERS .....	34
TAX EXEMPTION .....	34
NOT BANK QUALIFIED .....	35
LITIGATION .....	35
UNDERWRITERS .....	35
WARRANTHOLDER RISKS .....	36
CONTINUING DISCLOSURE UNDERTAKING .....	37
MISCELLANEOUS .....	38
CERTIFICATE .....	39

EXHIBIT A - Proposed Opinion of Bond Counsel

EXHIBIT B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

## INTRODUCTION AND DEFINITIONS

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$18,645,000\* principal amount of General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") by Baldwin County, an Alabama political subdivision (the "County").

The Warrants are issued by the County under the authority of the Constitution and laws of the State of Alabama and pursuant to a resolution and order (the "Authorizing Resolution" or "Resolution") duly adopted by the Baldwin County Commission. The Warrants are issued for the purposes of (1) advance refunding and redeeming on January 1, 2016 the County's outstanding General Obligation Warrants, Series 2006-A, dated January 1, 2006 (the "Series 2006-A Warrants") and (2) paying issuance expenses.

The Warrants constitute general obligations of the County for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. See "THE WARRANTS;" "Security for Warrants; Source of Payment."

For purposes of this Official Statement the following terms have the following meanings:

Book-Entry System means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Warrants.

Business Day shall mean a day, other than a Saturday or a Sunday, on which commercial banking institutions are open for business in the state where the designated office of the Custodian is located and a day on which the payment system of the Federal Reserve System is operational.

Commission means the Baldwin County Commission, the governing body of the County.

County means Baldwin County, an Alabama political subdivision and any successor to its functions.

Custodian means Regions Bank with a designated corporate trust office in Birmingham, Alabama, as custodian, paying agent and registrar for the Warrants.

Direct Participant means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book Entry System.

Federal Securities shall mean direct general obligations of, or obligations the payment of which is unconditionally guaranteed by, the United States of America.

Fiscal Year shall mean the period beginning on October 1 of one calendar year and ending on September 30 of the next succeeding calendar year or such other fiscal year as may hereafter be adopted by the County.

Indirect Participant means a broker, dealer, bank or other financial institution for which the Securities Depository holds Warrants as securities depository through a Direct Participant.

\* Preliminary; subject to change

Letter of Representation shall mean and include (i) the Letter of Representation by the County to the Securities Depository and (ii) any other or subsequent agreement with respect to the Warrants between such parties by whatever name or identification.

Qualified Investments shall mean:

(1) Federal Securities, or

(2) A certificate of deposit or time deposit issued by (i) the Custodian, or (ii) any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than \$50,000,000, provided in each case such deposit is insured by the Federal Deposit Insurance Corporation or such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation, or

(3) A trust or fund rated "AAm" or "AAm-G" or better by S&P and customarily utilized by the Custodian for the investment of public funds.

Record Date means, with respect to Warrants, that date which is 15 calendar days before any date on which interest is due and payable on Warrants.

Securities Depository means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Warrants.

Securities Depository Nominee means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Warrants to be delivered to such Securities Depository during the period in which the Warrants are held pursuant to the Book-Entry System.

Warrant Fund shall mean the fund by that name established for the Warrants pursuant to the Authorizing Resolution.

Warrants means the County's \$18,645,000 original principal amount General Obligation Warrants, Series 2013, dated February 1, 2013, offered hereby.

Warrant Register means the register for the registration and transfer of Warrants maintained by the Custodian for the County under the Authorizing Resolution.

Underwriter means The Frazer Lanier Company Incorporated and its successors and assigns.

## **THE WARRANTS**

### **General Description**

The Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners thereof, or registered assigns, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered for identification as determined by the Custodian hereinafter defined. The Warrants are dated February 1, 2013, and will bear interest from that date at the applicable per annum



rates and will mature on January 1 in years and in amounts as set forth on the cover page of this Official Statement. Interest will be payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on the Warrants shall be payable in lawful money of the United States of America, without deduction for exchange, fees or expenses, by the County through Regions Bank at its designated corporate trust office in Birmingham, Alabama, the custodian, paying agent and the registrar for the Warrants (the "Custodian"). The principal of the Warrants shall be payable only upon presentation and surrender of the Warrants at the designated office of the Custodian in Birmingham, Alabama. So long as the Book-Entry System is in effect, payment of principal and interest shall be made in accordance with the procedures and requirements of the Book-Entry System. If the Book-Entry System is not in effect, then interest on the Warrants shall be remitted by the Custodian to the then registered owners of the Warrants at the respective addresses thereof shown on the registration books of the Custodian pertaining to the Warrants. Such payments shall be deemed timely made if mailed on the interest payment date (or if such interest payment date is not a Business Day, then on the next succeeding Business Day). Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year with twelve months of thirty days each.

The Warrants will be initially issued pursuant to a Book-Entry System to be administered by The Depository Trust Company, New York, New York ("DTC") and registered in the name of and held by Cede & Co., as nominee of DTC. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to Cede & Co. (as registered owner) for DTC for disbursement by DTC to the Direct Participants of DTC and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly provided in the Resolution and described herein under "BOOK-ENTRY SYSTEM." In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of the beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the Warrant Register, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the provisions of the Warrants and of the Resolution with respect to registration, transfer and exchange of Warrants by the registered owners thereof shall apply, as described herein under "Discontinuation of Book-Entry System; Transfer, Exchange and Registration."

#### Optional Redemption

The Warrants with stated maturities on January 1, 20\_\_\_\_ and thereafter, shall be subject to optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities at the option of the County on any date on or after January 1, 20\_\_\_\_ at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium or penalty.

#### Manner and Notice of Redemption

If less than all of the Warrants are to be optionally redeemed during a period in which the Book-Entry System is in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date. In accordance with the Letter of Representation, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all of the Warrants at the time

outstanding are redeemed during a period in which the Book-Entry System is not in effect for the Warrants, any redemption shall be in such order and amount of maturities as the County shall determine in its sole discretion. In the event that less than all of the principal of the Warrants is to be redeemed, the Custodian shall assign a number to each \$5,000 principal portion of all the Warrants and shall, by process of random selection based upon such numbers, select the principal portion of Warrants to be redeemed. Prior notice of such redemption shall be given by registered or certified mail to the Holder of each Warrant, all or a portion of which is to be redeemed, not more than sixty (60) days or less than thirty (30) days prior to the proposed redemption date.

Authority for Issuance

The Warrants are issued by the County under authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, as amended, and pursuant to the Authorizing Resolution. Pursuant to said Chapter 28, any county in the State of Alabama may issue, without an election, interest-bearing warrants for the purpose of financing the costs of acquiring, by construction, purchase or otherwise, any public facilities described in said Chapter 28, including without limitation, county jails, public buildings, public highways, capital equipment, roads and bridges or to refund any obligations theretofore issued for such purposes.

Security for Warrants; Source of Payment

The Warrants will be general obligations of the County for the punctual payment of principal of and interest on which the full faith, credit and taxing powers of the County are sacredly and irrevocably pledged. The County has represented and covenanted in the Authorizing Resolution that ad valorem taxes have been and will be levied and collected insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama, on all taxable property in the County and applied to the payment of the principal of and interest on the Warrants as they respectively mature and come due in amounts sufficient for such purpose. The County has further covenanted and agreed in the Authorizing Resolution that if the proceeds of ad valorem taxes are in any year insufficient to pay the principal of and interest on the Warrants coming due and payable in such year, it will provide the amount of such deficiency from other taxes, revenues and income of the County.

Sources and Uses of Warrant Proceeds

The sources and uses of Warrant proceeds are as follows:

Sources

Par Amount  
Accrued Interest  
Less Net Original Issue Discount  
Series 2006-A Warrant Fund

TOTAL SOURCES

Uses

Advance Refunding Series 2006-A Warrants  
Accrued Interest  
Underwriter's Discount  
Issuance Expenses

TOTAL USES

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of the McGraw-Hill Companies ("S&P"), have assigned respective underlying credit ratings of "Aa1" and "AA+" (Stable) to the Warrants. The ratings are independent and each rating reflects that individual rating agency's own assessment of the County's ability to pay the Warrants without municipal bond insurance or other form of supplemental credit enhancement. Any explanation as to the significance of either of the above ratings may be obtained only from the agency which made such rating. The above ratings are not recommendations to buy, sell or hold the Warrants. Each rating may be subject to revision or withdrawal at any time by the agency which made the particular rating. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Warrants. Any further explanation as to the significance of either of the above ratings may be obtained only from the agency which made the particular rating.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the County's principal and interest requirements on the Warrants plus all outstanding general obligation debt, other than its (1) \$4,428,923.66 General Obligation Warrant, Series 2008-C, dated September 30, 2008, (2) \$25,000,000 General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012, (3) \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012, (4) landfill costs and post-closure liability (not exceeding \$4,672,128.99), (5) compensated absences and accrued wages of \$285,542.79, (6) other post-employment benefits of \$1,234,111, (7) annual pension liability cost of \$2,901,378.63; and (8) other miscellaneous obligations of not more than \$500,000. The proceeds of the Series 2012-B Warrant described above were used to acquire approximately 2,107.8 acres for future economic development. The Series 2012-B Warrant matures on June 15, 2015 and is expected to be refinanced on a long term basis prior to maturity.

GENERAL OBLIGATION INDEBTEDNESS[1][2][3]

Period Ending Sept. 30					Series 2010		Series 2012		Series 2013		Total
	Series 2004	Series 2007-A	Series 2008-A	Series 2008-B	Principal	Interest	Principal	Interest	Principal	Interest[4]	
2013	\$1,291,875	\$553,794	\$1,736,862	\$1,169,648	\$1,450,000	\$715,150	\$480,000	\$309,263		\$298,792	\$8,005,384
2014	1,296,125	553,794	1,127,831	1,169,648	1,480,000	685,850	595,000	402,750	\$1,175,000	705,350	9,191,348
2015	1,287,625	1,031,544	1,127,831	1,169,648	1,510,000	648,400	605,000	390,850	1,200,000	681,600	9,652,498
2016	1,286,375	1,031,419	1,127,831	1,169,648	1,555,000	586,875	620,000	372,700	1,220,000	657,400	9,627,248
2017	0	1,034,919	1,127,831	2,154,648	1,635,000	507,125	645,000	347,900	1,250,000	632,700	9,335,123
2018	0	1,029,994	563,915	2,154,188	1,720,000	431,850	670,000	322,100	1,285,000	594,500	8,771,547
2019	0	1,031,894	0	2,153,388	1,795,000	352,575	700,000	295,300	1,340,000	542,000	8,210,157
2020	0	1,032,794	0	2,155,388	1,890,000	260,450	730,000	267,300	1,395,000	487,300	8,218,232
2021	0	1,032,694	0	2,154,638	1,830,000	176,600	755,000	238,100	1,450,000	430,400	8,067,432
2022	0	1,031,594	0	2,156,138	1,905,000	101,900	795,000	200,350	1,510,000	371,200	8,071,182
2023	0	1,034,394	0	2,154,638	505,000	53,700	835,000	160,600	1,580,000	301,500	6,624,832
2024	0	1,030,644	0	2,155,138	535,000	32,900	875,000	118,850	1,660,000	220,500	6,628,032
2025	0	1,030,325	0	2,155,775	555,000	11,100	920,000	75,100	1,745,000	135,375	6,627,675
2026	0	1,033,666	0	2,153,325	0	0	970,000	29,100	1,835,000	45,875	6,066,966
2027	0	1,030,156	0	2,157,788	0	0	0	0	0	0	3,187,944
2028	0	1,034,669	0	2,153,688	0	0	0	0	0	0	3,188,357
2029	0	1,032,588	0	2,156,263	0	0	0	0	0	0	3,188,851
2030	0	1,033,913	0	2,155,038	0	0	0	0	0	0	3,188,951
2031	0	1,033,538	0	2,155,013	0	0	0	0	0	0	3,188,551
2032	0	1,031,463	0	2,155,950	0	0	0	0	0	0	3,187,413
2033	0	0	0	2,152,613	0	0	0	0	0	0	2,152,613
<b>TOTAL</b>	<b>\$5,162,000</b>	<b>\$19,689,796</b>	<b>\$6,812,101</b>	<b>\$41,312,209</b>	<b>\$18,365,000</b>	<b>\$4,564,475</b>	<b>\$10,195,000</b>	<b>\$3,530,263</b>	<b>\$18,645,000</b>	<b>\$6,104,492</b>	<b>\$134,380,336</b>

[1] Does not include the General Obligation Warrant, Series 2008-C, dated September 30, 2008, outstanding in the principal amount of \$4,428,923.66.

[2] Does not include the following estimated liabilities; compensated absences and accrued wages (\$285,542.79); other post-employment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost of \$2,901,378.63; and other miscellaneous obligations not exceeding \$500,000.

[3] Does not include the \$25,000,000 General Obligation Warrant, Series 2012-B, dated June 6, 2012, issued in conjunction with the acquisition of approximately 2,107.8 acres for economic development or the \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012.

[4] Preliminary, based on assumed rates

## SUMMARY OF AUTHORIZING RESOLUTION

A brief description of the Authorizing Resolution is included hereafter in this Official Statement. Such description does not purport to be comprehensive or definitive; all references herein to the Authorizing Resolution are qualified in their entirety by reference to such document, copies of which are available at the office of the Baldwin County Commission; and all references to the Warrants are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Authorizing Resolution.

### Warrant Fund

In the Authorizing Resolution, the County will establish a special fund to provide for the payment of the Warrants (the "Warrant Fund"), which shall be held in trust by the Custodian, as paying agent for the Warrants, until the principal of and interest on the Warrants are paid in full. The County shall pay or cause to be paid into the Warrant Fund, from the revenues and taxes of the County, the following amounts on or before the following dates:

- (a) Immediately following the delivery of and payment for the Warrants, the amount received as accrued interest (if any) on the Warrants; and
- (b) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including June, 2013, an amount equal to one-fifth (1/5<sup>th</sup>) of the interest coming due on the Warrants on July 1, 2013; and
- (c) On or before July 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-sixth (1/6<sup>th</sup>) of the interest coming due on the Warrants on the next succeeding interest payment date; and
- (d) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2013, an amount equal to one-eleventh (1/11<sup>th</sup>) of the principal maturing on January 1, 2014; and
- (e) On or before January 25, 2014 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-twelfth of the principal coming due on the next ensuing principal payment date.

### Investment of and Security for Warrant Fund

The County may cause any money on deposit in the Warrant Fund not then needed for the payment of principal of and interest on the Warrants to be invested or reinvested by the Custodian in Qualified Investments and which mature or are subject to redemption by the holder, at the option of the holder, on or prior to the respective date or dates when cash funds will be required. All investments shall be held by or under control of the Custodian for the credit of the Warrant Fund, and all interest accruing thereon and any profits realized therefrom shall be credited to such Fund, and any losses resulting from liquidation of investments shall be charged to such Fund. The Custodian shall sell and reduce to cash a sufficient portion of the investments whenever the cash balance in the Warrant Fund is insufficient to pay the current interest and principal requirements on the Warrants.

The Custodian shall at all times keep the moneys on deposit in the Warrant Fund which are not invested as aforesaid continuously secured for the benefit of the County and the registered owners of the Warrants, either (a) by holding on deposit as collateral security direct general obligations of the United

States of America, having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Warrant Fund or (b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and Federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Custodian so to secure any portion of the moneys on deposit in the Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions.

#### Provisions of the Authorizing Resolution a Contract

The terms, provisions and conditions set forth in the Authorizing Resolution constitute a contract between the County and the registered owners of the Warrants and shall remain in effect until the principal of and interest on the Warrants shall have been paid in full.

### THE COUNTY

#### General Information

Baldwin County was created and established by the Alabama Legislature as a political subdivision of the State. The County is located in the extreme southern section of the State of Alabama, and has an area of approximately 1,613 square miles. The County is bordered by Mobile Bay and Mobile County to the west, Clarke County and Monroe County to the north, Escambia County, Alabama, and the State of Florida to the east, and the Gulf of Mexico to the south.

The City of Bay Minette, which is the county seat of the County, is located within thirty miles of Mobile, Alabama and within fifty miles of Pensacola, Florida. Baldwin County is traversed by two Interstate Highways, I-10 and I-65; three U.S. Highways, U.S. 98, 31 and 90; and Alabama Highways 180, 181, 182, 59, 225 and 104. The County is served by Greyhound Bus Lines as well as by the CSX Transportation System. The Mobile municipal airport is approximately twenty-five miles from the boundary of Baldwin County.

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 calves, and to a lesser degree, soybeans, fruits, vegetables and nuts. The major mineral products in Baldwin County are oil and gas.

## Population

The following sets forth certain historical population statistics from the U.S. Census Bureau relating to the County and the municipalities located therein:

<u>Census Year</u>	<u>County Population</u>
2010	182,265
2000	140,415
1990	98,280
1980	78,556
1970	59,382

Source: U.S. Census Bureau

## Municipal Populations

<u>Municipality</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Bay Minette	6,727	7,455	7,168	7,820	8,044
Daphne	2,382	3,406	11,290	16,581	21,570
Elberta	395	491	458	552	1,498 [1]
Fairhope	5,720	7,286	8,485	12,480	15,326
Foley	3,368	4,003	4,937	7,590	14,618
Gulf Shores	909	1,349	3,261	5,044	9,741
Loxley	859	804	1,161	1,348	1,632
Orange Beach	-	192	2,253	3,784	5,441
Magnolia Springs	--	--	--	--	723
Perdido Beach	--	--	--	--	581
Robertsdale	2,078	2,306	2,401	3,782	5,276
Silverhill	552	624	556	616	706
Spanish Fort	--	--	3,663	5,423	6,798
Summerdale	550	546	559	655	862

Source: United States Census, 2010 figures were obtained from [www.cubitplanning.com](http://www.cubitplanning.com)

[1] The increase was primarily attributed to Elberta's annexation of the previously unincorporated community of Mifflin shortly after the 2000 Census was taken.

## Governmental Organization and Administration

The County is governed by the Baldwin County Commission, consisting of four commissioners elected at-large. The County Commission is responsible for the direction, control and maintenance of the property of the County, for setting policies of the County, including the appropriation and expenditure of County funds and the settlement of claims against the County, the levy of certain taxes as provided by law, and the creation and investment of funds for the payment of long term indebtedness.

### Members of the Baldwin County Commission

<u>Name</u>	<u>Occupation</u>
Charles F. "Skip" Gruber	County Highway Department, retired
Robert E. "Bob" James	Road and utility contractor
J. Tucker Dorsey	Land development/real estate
Frank Burt, Jr.	Pharmacist, retired

The County Commission is assisted by numerous professional staff members. The County Administrator is David A. Z. Brewer. Mr. Brewer's primary responsibility is to prepare the agendas for the general business meetings of the Baldwin County Commission. He is appointed by and serves at the pleasure of the County Commission. Mr. Brewer earned his B.A. Degree (1993) and M.P.A. Degree (1995), respectively, from the University of Alabama, serves as a Special Legislative Aide to State Representative Joe Faust [(R)-Baldwin County], remains a former Interim Secretary of the Baldwin County Historic Development Commission, former member of the Board of Directors of the Mental Retardation/Developmental Disabilities Board, Inc. (of Baldwin County, Alabama, & Clarke County, Alabama), and a former member of the Board of Commissioners of the Housing Authority of the City of Bay Minette, Alabama.

The County Clerk-Treasurer is Kimberly Creech. She serves as the Director of the Finance and Accounting Department of the Baldwin County Commission. Additionally, she is responsible for all records and reports that relate to the finances of the County Commission and assists the Alabama Department of Examiners of Public Accounts during audits. She is appointed by and serves at the pleasure of the County Commission. Ms. Creech is a 1993 graduate of Auburn University of Montgomery where she earned a Degree in Accounting.

### Personnel

The County employs approximately 857 people in its various departments. Of this total number 575 are within departments of the County Commission and 282 are within the Baldwin County Sheriff's office. No employees of the County are represented by labor unions or similar employee organizations. The County does not bargain collectively with any labor union or employee organization. The County has enjoyed good relations with all County employees and the County believes that good relations will continue.

### Employee Pension Plan and Liability

The Employees' Retirement System of Alabama was created in 1945 pursuant to an act of the Alabama Legislature. The Employees' Retirement System is administered on behalf of the State of Alabama and certain local governmental units in Alabama by Retirement Systems of Alabama, an agency of the State of Alabama. More than 40,000 employees of the State of Alabama and certain local governmental units in Alabama are active members of the Employees' Retirement System. See Note 6, Page 36 to the Financial Statement attached hereto as Exhibit B for a description of the plan.

The County has participated in the Employees' Retirement System for over ten years. The plan covers substantially all salaried and hourly employees of the County.

Contributions by the County are made on the basis of certain actuarial calculations of amounts which, together with the employees' contributions, are projected to provide at the time of retirement the



benefits contemplated by the retirement program. The independent actuary employed by Retirement Systems of Alabama calculates total employer contributions to liquidate any unfunded accrued liability over a period of not more than 20 years. The next actuarial evaluation of the accrued liability respecting the County will be prepared on the basis of revised actuarial assumptions. See Part D of Note 6 to the Financial Statement attached hereto as Exhibit B for a statement of the funding status of the plan.

The Employees' Retirement System does not undertake to fund the retirement plans of participating local governmental units. The Employees' Retirement System acts only in an administrative capacity, and then only upon the election of the local governmental units. The statute permitting such election provides that "The retirement system shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefit." The statute further provides that the agreement of a local government to contribute to the Employees' Retirement System on account of its employees is irrevocable, but should it become financially unable to make the normal contribution, administrative charge and accrued liability contribution, the County would be deemed to be in default under the Employees' Retirement System.

In the event any participating local government elects to withdraw from the Employees' Retirement System by mutual agreement with employees, the statute provides that the rights and privileges of existing beneficiaries shall not, as a result of such withdrawal, be diminished or impaired. Upon any such withdrawal, the statute requires the Actuary to certify to the local government the actuarial determination of the reserves necessary to provide existing benefits and provides that the local government shall agree to appropriate such amounts as may be necessary to maintain existing benefits.

#### Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave. See Note 8 (page 28) to the Financial Statement attached hereto as Exhibit B.

#### 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. See Note 10 (page 46) to the Financial Statement attached hereto as Exhibit B for a description of such requirements.

#### Other Postemployment Benefits and Contingent Liabilities

The Commission allows retired employees and officials to continue to participate in the County's health insurance plan. See Note 7 (page 39) to the Financial Statement attached hereto as Exhibit B for a description of such plan. The funded status and funding progress of the plan is set forth on Part D of the aforesaid Note 7 on page 40 thereof.

#### Contingent Liabilities

The Central Regional Office, Office of Disaster Assistance Oversight, DHS Office of the Inspector General (OIG) issued Audit Report DD-09-03 in December 2008 after auditing 26 approved projects totaling almost \$39.6 million. The OIG questioned approximately \$10.5 million in Public Assistance funding for costs the County incurred in Hurricanes Ivan, Dennis and Katrina related to tipping fees, interest cost earned on these fees, stump removal costs, duplicate charges and insurance

claims. Of these five issues the County concurred on two: duplicate charges and insurance claims. The County challenged three of the five issues.

The Regional Administrator concurred with the OIG findings and disallowed approximately \$5.8 million of the questioned \$10.5 million from Hurricanes Ivan, Dennis and Katrina in a letter dated August 11, 2009.

#### *First Appeal*

On October 13, 2009, the County submitted a first appeal and the State submitted the appeal to FEMA on November 16, 2009. The County appealed FEMA's disallowance of \$5,753,619 in funding for tipping fees, stump removal charges and interest earned on tipping fees based on the OIG audit findings. The County claimed that the costs questioned in the OIG audit were eligible under FEMA policy and debris monitoring procedures.

#### *Second Appeal*

On June 9, 2010, the County submitted a second appeal which was submitted to FEMA by the State on July 21, 2010. The County claims that \$5.8 million disallowed by FEMA based on the OIG audit is eligible under FEMA policy and guidance in place at the time of the disasters.

On July 20, 2010 the County submitted an additional letter withdrawing the second appeal for FEMA-1605-DR-AL for Hurricane Katrina. The issue with regard to funding under FEMA-1605-DR-AL was submitted to the U.S. Civilian Board of Contract Appeals as part of the arbitration process for Hurricanes Katrina and Rita, and was no longer contested as part of the second appeal. The County was successful in the arbitration regarding Hurricane Katrina.

The findings of the second appeal determined that the County's requested funding for tipping fees were eligible for Public Assistance funding, and the interest earned on these fees should be returned to the County. Therefore, the second appeal in the amount of \$3,597,283 was approved. The County has paid the remaining total exposure to FEMA of \$763,795.97 and the matter is finally resolved.

#### Tax Sale Litigation

Several counties in the State of Alabama, including Baldwin County, are presently litigating the application and constitutionality of Alabama's so-called "Excess Funds Statute" (Ala. Code § 40-10-28 (1975)). Under Alabama law, counties may recover delinquent property taxes by "selling" the subject property at public auction for a minimum bid of the amount of tax owed. It is however customary in Alabama for bidders to bid in excess of the amount of tax owed because, in order to redeem the delinquent property, property owners (or other redeeming parties) must pay interest on the winning bid at a rate of 12%. The issue raised in litigation is that counties have historically, after receiving a winning bid and subtracting the amount of tax owed, either retained the excess funds until the delinquent owner redeems the property or deposited them in the county treasury pursuant to the Excess Funds Statute.

Class-action plaintiffs have alleged that counties have misapplied the Excess Funds Statute in violation of their due process and equal protection rights by failing to notify owners that counties will accept bid amounts that exceed the amount of tax owed, retain the excess funds until the owners seek to recover them through redemption, earn interest on the excess funds and require owners to pay 12% interest in order to redeem their property.

The Jefferson County Circuit Court, in the first such case of *Winston v. Jefferson County* (CV-09-2297), which is still ongoing, issued a preliminary order in favor, in part, of the plaintiffs holding that county retention of excess funds was impermissible and a violation of due process because delinquent property owners have no notice as to the actual amount of the excess that may be allowed and that charging them interest on the excess is essentially an "involuntary loan" encumbering their right of redemption.

Two companion cases were filed in Baldwin County alleging similar facts and circumstances: *Cleveland v. Baldwin County* (CV-09-900202) and *Barbee v. Baldwin County* (CV-09-900549). The Baldwin County Circuit Court, directly contrary to the Jefferson County Circuit Court, dismissed *Cleveland* without prejudice because the plaintiffs failed to satisfy certain prerequisite constitutional conditions and likewise dismissed the *Barbee* case on similar grounds. The *Barbee* plaintiffs have appealed to the Alabama Supreme Court. A similar lawsuit entitled *Mary E. Morgan et al. v. Baldwin County* (05-CV-2011-901062) was also dismissed on May 24, 2012 on the grounds that the plaintiffs had no standing to bring the lawsuit.

The County cannot make any predictions as to the outcome of this litigation or the financial impact a negative ruling would have on the County. The County has not spent the principal amount of any excess funds (\$13,335,290 as of September 30, 2010 and \$21,100,746 as of June 20, 2011) but has spent the interest earned thereon. The County has earned \$905,093 in interest earnings which has been transferred to the County's General Fund since 2008. It is possible that a negative ruling would require the County to release all excess funds currently held (approximately \$21,100,746) and to repay the interest earnings on such excess funds previously spent by the County.

#### General Financial Information

The County's Fiscal Year begins each October 1. The financial statements of the County are required to be audited by the Department of Examiners of Public Accounts of the State of Alabama not less often than every two years. The most recent audit available is for the fiscal year October 1, 2010-September 30, 2011 and is attached hereto as Exhibit B. There is no statutory authorization for the County to employ independent accountants to conduct an audit.

#### Limited Taxing Authority

Governing bodies of counties in the State of Alabama generally have no authority to raise taxes without first having a bill passed by the state legislature authorizing the levy of a new tax or the increase in an existing tax. Additionally, with respect to ad valorem taxes, no increase may be authorized even with the approval of the state legislature unless the qualified voters in the county also approve the levy of the proposed ad valorem tax.

#### Long Term Indebtedness

The long-term indebtedness of the County, after issuance of the Warrants will be as follows:

	<u>Principal Outstanding</u>	<u>Final Maturity</u>
General Obligation Warrants, Series 2013, dated February 1, 2013	\$18,645,000	January 1, 2026

General Obligation Warrants, Series 2012, dated September 1, 2012	\$10,195,000	June 1, 2026
General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012	\$25,000,000	June 15, 2015
General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012	\$875,000	June 1, 2014
General Obligation Warrants, Series 2010, dated January 1, 2010	\$16,915,000	January 1, 2025
General Obligation Warrants, Series 2008-B, dated May 1, 2008	\$24,715,000	May 1, 2033
General Obligation Warrant, Series 2008-C, dated September 30, 2008	\$4,428,923.66	September 15, 2028
General Obligation Warrant, Series 2008-A, dated December 4, 2007	\$5,096,582.13	November 30, 2017
General Obligation Warrants, Series 2007-A, dated March 1, 2007	\$13,045,000	February 1, 2032
General Obligation Warrants, Series 2004, dated April 1, 2004	\$3,595,000	February 1, 2016
TOTAL	\$122,510,505.79	

The long-term indebtedness set forth above and under the aforescribed section does not include certain lease and other miscellaneous obligations such as landfill closure and post-closure liability and compensated absences. The County has the following estimated liabilities: compensated absences (\$285,542.79); other postemployment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost of \$2,901,378.63; and other miscellaneous obligations not exceeding \$500,000. The aggregate of all such amounts is approximately \$9,593,161.41 in principal amount. These obligations do not necessarily count against the County's constitutional debt limit but are shown here and under the "Constitutional Debt Limitation" section solely in the interest of full disclosure.

#### Short Term Debt

The County has no outstanding short-term notes or other obligations except as noted above.

#### Constitutional Debt Limitation

Section 224 of the Constitution of Alabama, as amended by Amendment 342, provides that no county shall become indebted in an amount, including present indebtedness, greater than five percent (5%) of the assessed value of the property therein. The net assessed valuation of the taxable property situated in the County (including motor vehicles) for the fiscal year which ended September 30, 2012 (for which taxes became due and payable on October 1, 2012 is not less than \$3,733,695,420. The corresponding constitutional debt limit of the County is therefore not less than \$186,684,771. The County has incurred general obligation indebtedness chargeable against its constitutional debt limit in the

aggregate amount of \$132,103,667.20. The County has a debt margin of \$54,581,103.80. The constitutional debt limit of the County and its relation to certain demographic data is as follows:

Debt Ratios

Assessed Value	\$3,733,695,420.00
Debt Limit (5%)	\$186,684,771.00
G.O. Chargeable Debt [1][2]	\$132,103,667.20
Debt Margin	\$54,581,103.80
Ratio of G.O. Chargeable Debt to Assessed Value	3.53%
2010 County Population	182,265
G.O. Chargeable Debt per capita	\$724.79

- [1] Includes the Long Term Indebtedness hereinabove described and the other miscellaneous obligations of approximately \$9,593,161.41.
- [2] The Public Building Authority of Baldwin County issued its \$6,405,000 Building Revenue Warrants, Series 2007-A, dated June 1, 2007 in order to finance the cost of acquiring, constructing and equipping an office building for lease on a year-to-year basis to the County and a sublease, on a year-to-year basis to the Alabama Department of Human Resources. The County is obligated to pay rent solely from amounts received under the sublease from the Alabama Department of Human Resources. The County is not obligated to pay any amounts from its general revenues and such lease obligation is not a constitutional debt of the County.

General Fund Revenues and Expenditures and Summary of Operations

The County's General Fund (unaudited for 2012) has primarily depended on the following sources of revenue:

A. Five Mill County-Wide Ad Valorem Tax. The County's five mill ad valorem tax is levied under the authority of Section 215 of the Constitution of Alabama of 1901, as amended by Amendment No. 208, and is one of the two largest sources of revenue for the County's General Fund. Proceeds of the five mill county-wide tax have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Five Mill General Fund</u>
2011-12 (unaudited)	\$18,492,388
2010-11	19,692,368
2009-10	21,559,368
2008-09	22,102,021
2007-08	22,360,831

B. 1983 County Sales Tax. Pursuant to Act No. 83-532 adopted at the 1983 Regular Session of the Legislature of Alabama, as amended by Act No. 84-523 adopted at the 1984 Regular Session of the Legislature of Alabama, the County levies a County-wide sales tax. In general, the rate is 1% of the gross proceeds of the sales or receipts of persons engaged in the business of selling at retail in the County any tangible personal property or in the business of conducting or operating places of amusement or entertainment in the County. Such 1983 Sales Tax must be added to the sales price or admission fee and collected from the purchaser or person paying an admission fee. Through September 30, 1995, the 1983 Sales Tax was collected by the State Department of Revenue along with the collection of the state sales

tax. Effective with the 1995-96 fiscal year, the County entered into a two-year agreement with a private firm to collect the County's sales tax. After payment of the costs of collection to said firm, 2% of the sales tax was paid to the Baldwin County Juvenile Court. Of the remaining 98% of the 1983 Sales Tax proceeds, 55% was paid to the Baldwin County Board of Education, 5% was paid to James H. Faulkner Community College and 40% was paid into the General Fund. From October 1, 1997 through February 28, 2001, the County again employed the Alabama Department of Revenue to collect its 1983 Sales Tax. Effective March 1, 2001, the County established its own department to collect the 1983 Sales Tax. The distribution of the 1983 Sales Tax remains as noted above after payment of collection costs. Proceeds of the 1983 Sales Tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds of the Sales Tax
2011-12 (unaudited)	\$9,955,607
2010-11	9,558,725
2009-10	8,853,228
2008-09	8,702,394
2007-08	9,135,871

C. Lease Tax. Pursuant to Act No. 2007-377, as amended by Act No. 2010-588, the County levies a County-wide lease tax. Seventy-five percent (75%) of the tax is distributed to the County general fund. Proceeds of the lease tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds of the Lease Tax
2011-12 (unaudited)	\$2,259,566
2010-11	2,331,609
2009-10	1,873,465
2008-09	2,028,241
2007-08	1,756,175

D. State Funding. The County's General Fund also receives from the State of Alabama certain taxes, licenses and other moneys levied and collected by the State. The largest sources of State revenues are from state franchise taxes and state excise taxes. Although such moneys have been made available to the County by the State, the continued availability of such moneys is dependent upon the ability and willingness of the Alabama Legislature to continue to provide such moneys.

#### General Fund Operations

The following comparative statements of General Fund revenues and expenditures have been extracted from audited financial records of the County for the fiscal years ended September 30, 2007 through September 30, 2011:

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND – FISCAL YEARS 2008-2012

	<u>2012[1]</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>					
Taxes	\$42,642,205.61	\$44,729,686.31	\$34,311,655.60	\$35,468,203.67	\$36,557,514.90
Licenses and Permits	736,917.59	2,369,699.26	1,815,462.56	1,900,145.31	2,248,155.40
Intergovernmental	3,269,485.30	8,656,114.85	9,553,715.93	3,397,082.90	3,384,148.54
Charges for Services	9,569,684.96	8,053,527.60	8,221,609.50	8,384,281.61	8,947,893.12
Fines and forfeitures	40,198.39	40,978.86	59,403.60	65,500.87	76,156.58
Miscellaneous	<u>9,740,924.27</u>	<u>2,258,815.05</u>	<u>3,067,538.28</u>	<u>3,084,173.41</u>	<u>3,980,168.81</u>
<b>TOTAL REVENUES</b>	<b>65,999,416.12</b>	<b>66,108,821.93</b>	<b>57,029,385.47</b>	<b>52,299,387.77</b>	<b>55,194,037.35</b>
<b>EXPENDITURES</b>					
General Government	16,670,659.25	22,960,321.53	19,060,257.72	18,676,399.64	20,155,733.57
Public Safety	20,466,283.76	20,846,762.12	25,720,415.02	21,405,431.33	20,903,293.14
Highways and Roads	--	501,064.48	154,865.78	--	623.70
Health	888,153.95	944,735.21	893,325.42	921,122.34	954,390.88
Welfare	1,500.00	659,994.20	4,000.00	4,000.00	2,500.00
Culture and Recreation	154,915.12	1,144,479.03	217,366.69	198,214.38	359,369.79
Education	72,695.04	80,549.72	157,175.12	171,741.68	174,006.43
Capital Outlay	4,997,166.51	3,518,540.07	4,439,273.12	2,422,459.67	1,100,657.78
Intergovernmental	--	--	--	--	--
Debt Service:					
Principal Retirement	--	--	--	278,671.19	268,030.38
Interest and Fiscal Charges	--	--	--	11,063.25	21,704.05
<b>TOTAL EXPENDITURES</b>	<b>43,251,373.63</b>	<b>50,656,446.36</b>	<b>50,646,678.87</b>	<b>44,089,103.48</b>	<b>43,940,309.72</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,748,042.49</b>	<b>15,452,375.57</b>	<b>6,382,706.60</b>	<b>8,210,284.29</b>	<b>11,253,727.63</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers in	2,104,313.93	2,040,448.65	1,662,987.28	1,837,946.74	1,574,134.47
Other Sources	35,780.99	--	--	--	--
Sale of Capital Assets	--	12,174.54	5,154.45	167.48	18,053.00
Inception of Capital Lease	--	--	--	--	--
Operating transfers out	<u>(20,948,104.59)</u>	<u>(19,106,601.09)</u>	<u>(9,355,414.85)</u>	<u>(10,731,134.89)</u>	<u>(8,577,411.14)</u>
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(18,808,009.67)</b>	<b>(17,053,977.90)</b>	<b>(7,687,273.12)</b>	<b>(8,893,020.67)</b>	<b>(6,985,223.67)</b>
<b>Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures</b>	<b>3,940,032.82</b>	<b>(1,601,602.33)</b>	<b>(1,304,566.52)</b>	<b>(682,736.38)</b>	<b>4,268,503.96</b>
Fund Balance October 1	28,526,980.43	28,217,180.71	29,521,747.23	30,204,483.61	25,935,979.65
Changes in Fund Balances	--	(1,601,602.33)	(1,304,566.52)	(682,736.38)	4,268,503.96
Fund Balance October 1, as Restated (Note 16)	28,526,980.43	31,291,424.95	29,521,747.23	30,204,483.61	25,935,979.65
Fund Balance September 30	<u>\$32,467,013.25</u>	<u>\$29,689,822.62</u>	<u>\$28,217,180.71</u>	<u>\$29,521,747.23</u>	<u>\$30,204,483.61</u>

[1] Unaudited

## Special Revenue Funds

To account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes, the County has established, among others, the following funds:

(a) State Seven Cents Gasoline Tax Fund - The County's share of the State's seven cents gasoline tax is deposited in this fund and used for building and maintaining county roads and bridges. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Seven Cents Proceeds</u>
2011-12 (unaudited)	\$2,315,482
2010-11	2,060,490
2009-10	2,057,524
2008-09	2,029,612
2007-08	2,024,240

(b) State Four Cents Gasoline Tax Fund - The County's share of the State's four cents gasoline tax is deposited in this fund and used for resurfacing, restoring and rehabilitating of the County's existing paved roads and bridges. The proceeds of this tax for the last seven fiscal years have been as follows:

<u>Fiscal Year</u>	<u>Four Cents Proceeds</u>
2011-12 (unaudited)	\$1,375,089
2010-11	1,229,084
2009-10	1,222,995
2008-09	1,204,104
2007-08	1,209,962

(c) State Five Cents Gasoline Tax - The County's share of the State's five cents gasoline tax is deposited in the Four Cents Gasoline Tax Fund and used for resurfacing, restoring and rehabilitating the County's existing paved roads and bridges and for maintaining County roads. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Five Cents Proceeds</u>
2011-12 (unaudited)	\$661,452
2010-11	588,712
2009-10	587,643
2008-09	579,890
2007-08	578,353

(d) State Five Cents Gasoline Tax - The County receives the entire proceeds of a three cents per gallon countywide gasoline tax. The County was also authorized after January 1, 1995, pursuant to Act No. 91-159 adopted at the 1991 Regular Session of the Alabama Legislature, to levy two separate and distinct taxes each in the amount of one cent (\$0.01) per gallon on persons, corporations and others engaged in the business of selling, distributing, storing or withdrawing from storage, for any purpose whatsoever, gasoline and motor fuel and substitutes therefor in the County. The governing body of the County has adopted a resolution levying such taxes. The combined taxes have produced the following revenues:



<u>Fiscal Year</u>	<u>Five Cents Proceeds[1]</u>
2011-12 (unaudited)	\$6,949,389
2010-11	7,018,882
2009-10	6,945,982
2008-09	6,929,893
2007-08	6,925,428

[1] Such proceeds are deposited in the Seven Cents Gasoline Tax Fund

(e) Public Building, Road and Bridge Fund - The County's 2.5 mill ad valorem tax levied for the building and maintaining of public buildings, roads and bridges is deposited in this fund. The proceeds of this tax have been as follows for the last seven fiscal years:

<u>Fiscal Year</u>	<u>Road and Bridge Tax</u>
2011-12 (unaudited)	\$8,972,952
2010-11	9,626,725
2009-10	10,584,900
2008-09	10,822,413
2007-08	10,996,964

#### Ad Valorem Taxation

##### General

The Constitution of Alabama of 1901 provides for the levy and collection of ad valorem taxes in Alabama by establishing the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Constitution of Alabama of 1901 substantially changed ad valorem taxation in Alabama. Because of litigation, including litigation involving "current use" assessments and possible future changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, future collections of ad valorem taxes in Baldwin County cannot be predicted with certainty. Amendment No. 373 to the Constitution of Alabama of 1901, the second of the two amendments referred to above, sets forth the assessment ratios, millage rates and the maximum amount of taxes collectable in any year currently in effect.

##### The 1978 Tax Amendment

Amendment No. 373 to the Constitution of Alabama of 1901 (approved at a statewide election on November 7, 1978; the "1978 Tax Amendment") provides that all taxable property in Alabama be classified and assessed in the following classifications and at the following ratios of assessed value to fair and reasonable market value (or, with respect to certain Class III property, at current use value) for purposes of State of Alabama and local taxation:

Class I	Property of utilities used in their business*	30%
Class II	Property not otherwise classified (generally, business or commercial property)	20%

Class III	Agricultural; forest; single-family, owner-occupied residential property; and historic buildings and sites	10%
Class IV	Private passenger automobiles and small trucks (pickups) for personal use and not for hire, rent or compensation	15%

\* As a result of federal regulations, railroads are now assessed at 15% of the fair and reasonable market value of their property and as a result of litigation certain other utilities are now assessed at 22.5% of the fair and reasonable value of their property.

The 1978 Amendment provides that Class III property shall, upon application by the owner of such property, be assessed "at the ratio of assessed value to the current use value" of such property and not the fair and reasonable market value of such property. Act No. 82-302 adopted at the 1982 Regular Session of the Alabama Legislature, implementing the 1978 Tax Amendment, defined "current use value" as the value of such property based on the use being made of it on October 1 of the preceding year, without considering "the prospective value such property might have if it were put to some other possible use." Act No. 82-302 established a standard valuation formula for uniform use statewide by which the current use value of Class III properties could be ascertained and thereby provided for a different method of determining current use values than that used by revenue commissioners pursuant to directives issued by the State Department of Revenue prior to the passage of Act No. 82-302. The impact of Act No. 82-302 on assessed valuations of Class III properties in the County was and will continue to be negative and adverse.

#### Variation of Assessment Ratios

The 1978 Tax Amendment provides that the governing body of any local taxing authority (but not the State of Alabama) may adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or current use value provided that (1) said adjustment shall have been proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by majority vote of the qualified electors residing in the taxing authority; provided, however, that the adjusted assessment ratio applicable to each class of taxable property must be uniform within each local taxing authority, that no decrease in any assessment ratio may jeopardize the payment of any bonded indebtedness secured by any tax levied by the taxing authority decreasing said assessment ratio, and that no class of taxable property shall have an assessment ratio of less than 5% nor more than 35%. The State Legislature has no authority with respect to the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of the County has not sought to make any adjustment in the assessment ratio applicable to any class of taxable property in the County.

The Legislature has provided that no local taxing authority may adjust the assessment ratios of any class of taxable property except as follows:

(1) If the total assessed valuation of all property in one class exceeds 50% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential from the standard ratio of such class set forth above; (2) if the total assessed valuation of all property in one class is less than 20% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be increased up to a maximum of 5% differential from the standard

ratio for such class set forth above; or (3) if the total assessed valuation of all property in one class constitutes more than 75% of the assessed valuation of all taxable property in the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential, and the ratio of properties in other classes of taxable property may be increased up to a maximum of 5% differential.

#### Millage Rate Adjustments

The 1978 Tax Amendment provides that each local taxing authority may decrease any ad valorem tax rate at any time, provided such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax.

The 1978 Tax Amendment provides that each local taxing authority may increase the rate at which any ad valorem tax is levied by any such authority above the limit otherwise provided in the Constitution provided that the proposed increase shall have been (1) proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by a majority vote of the qualified electors residing in the taxing authority.

#### Limitation on Ad Valorem Taxation

The 1978 Tax Amendment limits the total amount of ad valorem taxes payable to the State and to all counties and municipalities and other taxing authorities, with respect to any item of taxable property, and in any one ad valorem tax year, to the following respective percentages of the fair and reasonable market value of such property:

Class I	2.00%
Class II	1.50%
Class III	1.00%
Class IV	1.25%

These limitations are not now exceeded as to any class of property in the County. In the event the total ad valorem tax otherwise payable by any taxpayer with respect to any item of taxable property exceeds the maximum tax limit set forth above, the county revenue commissioner is required by the 1978 Tax Amendment to reduce the rate of each separate tax in proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all taxing authorities.

#### Exemptions

The 1978 Tax Amendment exempts from all ad valorem taxation the real and personal property of the State, all counties and municipalities, and property devoted exclusively to religious, educational or charitable purposes, household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise.

#### Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the State Legislature increased the State ad valorem tax homestead exemption to \$4,000 and provided that local taxing authorities, including the County, are permitted to increase the current \$2,000 homestead exemption against county taxes to not more than \$4,000 of assessed value for any year and to extend the homestead exemption to school district

ad valorem taxes. The Baldwin County Commission has not elected to increase the homestead exemption from the current amount of \$2,000. An increase made in subsequent tax years would have the effect of decreasing the collection of the taxes for the year or years in which such increase was in effect.

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable property except motor vehicles, mobile homes and public utility properties are assessed and collected by the County Revenue Commissioner. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Judge of Probate of Baldwin County and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and the County Revenue Commissioner. Ad valorem taxes become due and payable on October 1 of each year following the October 1 as of which they are assessed and become delinquent after the next succeeding December 31.

Net Assessed Valuations

The net assessed valuations of taxable property in Baldwin County have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Real, Personal and Public Utility Property</u>	<u>Motor Vehicles</u>	<u>Total</u>
2011-12	\$3,399,511,400	\$334,184,020	\$3,733,695,420
2010-11	3,570,497,540	310,697,586	3,881,195,126
2009-10	3,810,638,920	284,265,436	4,094,904,356
2008-09	4,275,161,020	314,497,984	4,589,659,004
2007-08	4,664,597,260	331,613,012	4,996,210,272

Sources: Revenue Commissioner of Baldwin County; Judge of Probate of Baldwin County

Ad Valorem Taxes Levied in the County

The following ad valorem taxes are currently being levied on all taxable property in Baldwin County by the following taxing authorities at the following rates (in mills):

<u>State of Alabama:</u>	<u>Mills</u>
General	2.5
Soldier	1.0
School	<u>3.0</u>
<b>TOTAL - State Tax Rate</b>	<b>6.5</b>

Baldwin County:

General	5.0*
Road and Bridge	2.5
School - County - Special	9.0
School - District	3.0**
Hospital	2.0***
Health	0.5
Volunteer Fire Departments	<u>1.5</u>
TOTAL - County Tax Rate	23.5
TOTAL TAX RATE	30.0

\* The County levies a 5 mill ad valorem tax under the general ad valorem tax authority of Section 215 of the Alabama Constitution. Pursuant to Act No. 609 adopted in 1901 by the Alabama Legislature, 2 mills were remitted to the Baldwin County School Board. In consideration of the County levying a new one-half of one percent sales tax and a 1½% use tax for educational purposes, the County Board relinquished its rights to the two mill ad valorem tax. Act No. 89-482 provides that so long as the above-referenced sales and use tax proceeds are received by the Board of Education, the two mill ad valorem tax shall be deposited in the County's General Fund.

\*\* Applies to District Two only

\*\*\* Applicable to northern Precincts 1 through 7 for northern Baldwin Hospital Fund

Source: Revenue Commissioner of Baldwin County

Ad Valorem Taxes Levied by Municipalities

In addition to the state and county ad valorem taxes listed above, the following municipalities in Baldwin County currently levy ad valorem taxes on property within their corporate limits at the following rates (in mills):

<u>Municipality</u>	<u>Mills</u>
Bay Minette	12.5
Daphne	15.0
Elberta	5.0
Fairhope	15.0
Foley	5.0
Gulf Shores	5.0
Loxley	6.0
Magnolia Springs	5.0
Orange Beach	4.0
Perdido Beach	4.0
Robertsdale	5.0
Silverhill	10.0
Spanish Fort	5.0
Summerdale	5.0

Source: Revenue Commissioner of Baldwin County

### Largest Ad Valorem Taxpayers

The largest ad valorem taxpayers in the County (other than the Fairhope Single Tax Corporation) and the amount of ad valorem taxes paid by each during the 2012 tax years are shown below:

<u>Taxpayer</u>	<u>2012 Total Tax Due</u>	<u>2012 Total Assessed Value</u>
Baldwin County Electric Membership	\$882,836.08	\$31,529,860
Gulf Telephone Company	646,669.52	23,282,180
Florida Gas Transmission Co.	560,779.52	20,027,840
Alabama Power Company	395,811.92	14,150,060
Exxon Corporation	282,641.52	10,094,340
Red Mountain Timberco IV LLC	119,867.49	3,765,240
BellSouth Telecommunications, LLC D	113,699.60	4,060,700
Baldwin County Sewer Service, LLC	102,622.80	3,666,100
Powersouth Energy Cooperative	100,041.80	3,669,220
MEPUS	99,589.28	3,556,760
CSX Transportation Inc.	94,739.40	3,165,340
FST Wal-Mart Stores East LP	92,054.48	3,287,660
Gulf South Pipeline Company	91,294.20	3,043,140
Audubon Park Apartments LLC	78,136.80	2,790,600
Genesis Pipeline USA LP	53,989.04	1,928,180
D&E Investments LLC	53,532.64	1,912,220
Barber Marina Inc.	53,003.20	1,892,800
Thompson Tractor Co. Inc.	49,598.64	1,771,380
Seven States Timberlands LLC	42,302.33	1,313,580
Magnolia Properties LLC	40,246.08	1,437,360

Source: Revenue Commissioner of Baldwin County

### Fairhope Single Tax Colony

The Fairhope Single Tax Corporation is America's oldest and largest single tax colony. The intent of the settlers of Fairhope was to demonstrate the theories of taxation of Henry George, the 19<sup>th</sup> century American economist. George believed that only land should be taxed. The corporation holds title to all of its lands. The corporation owns approximately 20 percent of the land within the corporate limits of the City of Fairhope. The land is divided and leased at a rental rate equalizing the varying advantages of different tracts. The land is made available through leases to those who will use it and improve upon it. All assessed taxes on the land owned by the corporation and improvements owned by its lessees are paid by the corporation. The corporation also makes public improvements. Over the years the corporation has financed vital public projects and cultural efforts.

### Ad Valorem Tax Collections

The Baldwin County Tax Collector has collected not less than 95% of ad valorem taxes due during the last nine fiscal years.

## Economy

**Income Level.** Two basic measures of annual income include per capita income, which is the total income of all families and individuals in a given area divided by the total population of the area and median family income, above and below which are an equal number of family incomes.

### Per Capita Income

The following table sets forth certain information from the U.S. Department of Commerce, Bureau of Economic Analysis regarding comparative per capita personal income levels in the County and the State of Alabama.

<u>Area Measured</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Baldwin County	\$27,133	\$29,093	\$31,164	\$33,682	\$35,042	\$35,829	\$34,461
State of Alabama	26,380	28,019	29,843	31,421	32,773	33,928	33,411

Source: U.S. Department of Commerce; [cber.cba.ua.edu/edata](http://cber.cba.ua.edu/edata)

### Median Family Income

The median family income for Baldwin County and the State of Alabama has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2009</u>
Baldwin County	\$3,835	\$7,338	\$16,917	\$30,199	\$47,028	\$57,447
State of Alabama	3,937	7,266	16,353	28,688	41,657	\$51,989

Source: Alabama County Data Book; Alabama Department of Economic and Community Affairs; U.S. Census Bureau

### Poverty Level

The percentage of families in the County and in the State of Alabama with incomes below the federal poverty level has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u> <u>(income less</u> <u>than \$3,000)</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1999</u>	<u>2009</u>
Baldwin County	39.0%	17.9%	13.2%	10.4%	7.6%	8.8%
State of Alabama	39.1	20.7	14.8	14.3	12.5	12.9

Source: U.S. Bureau of the Census (2009 figures from [www.factfinder2.census.gov](http://www.factfinder2.census.gov))

## Unemployment Rates

Comparative average annual unemployment figures for Baldwin County, the State of Alabama, and U.S. national average are as follows:

<u>Calendar Year</u>	<u>Baldwin County</u>	<u>State of Alabama</u>	<u>U.S. National Average</u>
2012	6.1%	6.7%	7.4%
2011	7.2	7.5	8.3
2010	8.4	8.9	9.1
2009	10.2	10.6	9.7
2008	4.1	5.1	5.8
2007	2.7	3.5	4.6
2006	2.8	3.6	4.6

Source: Alabama Department of Industrial Relations

## Major Employers

The following table sets forth the most recent information with respect to the major employers in the County:

<u>Name of Employer</u>	<u>Product</u>	<u>Approximate Employees</u>
Baldwin County Board of Education	Education	3,141
Wal-Mart Super Centers (5 locations)	General retail	1,600
Tanger Outlet Mall	Outlet stores	1,500
Thomas Hospital	Medical care	1,048
Baldwin County Government	County government	857
Goodrich Aerospace & Aerostructure Group	Thrust reversers and nacelle components	805
South Baldwin Regional Medical Center	Health care	653
Marriott Grand Hotel	Hotel and country club	600
Brett/Robinson Gulf Corporation	Condo rental and management	550
Mercy Medical	Medical care	550
Standard Furniture	Bedroom and dining room tables	530
Columbia Southern University	Education	432
Meyer Real Estate	Sales and vacation rentals	264
City of Foley	Municipal government	260
Ace Hardware Support Center	Hardware distribution	250
Spectrum Resorts	Real estate	230
Riviera Utilities	Utilities	220
Vulcan, Inc.	Aluminum and steel products	200
LuLu's at Homeport	Restaurant	199
Baldwin EMC	Electric Utility	193
North Baldwin Infirmary	Medical care	189
Faulkner State Community College	Education	175
Bon Secour Fisheries	Seafood processing	152
International Paper	Shipping containers	150
Quincy Compressors	Rotary screw air compressors	149
Golden Living Center	Nursing home	147
Quality Filters	Air filters	102



Dental EZ Inc.	Dental equipment and supplies	100
Segers Aero	Aerospace MRO	91
Connexion	Call/support center	80

Source: Baldwin County Economic Development Alliance website: [baldwineda.com](http://baldwineda.com); updated April 30, 2012

### Educational Levels

According to the U.S. Census Bureau, Census 2000, approximately 82% of Baldwin County residents were high school graduates and approximately 23.1% of Baldwin County residents were college graduates. State averages were 75.3% and 19%, respectively. For the period 2006-2010, the U.S. Census Bureau estimates that approximately 87.6% of Baldwin County residents were high school graduates and approximately 26.8% of Baldwin County residents were college graduates. State averages were 82.1% and 21.9%, respectively.

### General Housing Characteristics

According to the U.S. Census Bureau, Census 2000, the median value of owner-occupied homes in Baldwin County was \$122,500. The state average was \$85,100. For 2009, the Census Bureau reports the figures as \$173,100 and \$111,900, respectively.

### Health Services

Presently, three hospitals, North Baldwin Infirmary, Thomas Hospital, and South Baldwin Regional Medical Center, are currently operated in Baldwin County. Approximately 240 hospital beds and 565 nursing home beds are maintained in the County.

### Utilities

Telephone service is provided throughout the County by several telephone systems including AT&T and Gulf Telephone Company. Natural gas is provided throughout the County at wholesale by United Gas Pipeline Company and at retail by municipal systems including Fairhope Utilities and Riviera Utilities of Foley. Electricity is provided by Alabama Power Company, Riviera Utilities of Foley and the Baldwin County Electric Membership Cooperative. Approximately 26 public/private water systems are in service in the County. Approximately seven sewage facilities are installed in the County. There is one "Subtitle D" secondary landfill and one transfer station in Baldwin County operated by the County.

### Tourism

Baldwin County has become a tourist destination center. There are two separate areas which attract two different types of tourists. The first area offers the beautiful white sand beaches on the Gulf of Mexico at Gulf Shores and Orange Beach. In the summer it attracts vacationing families who enjoy the gulf waters and beaches. More and more people, especially those from colder Midwestern states, are discovering this area for a cold weather retreat. The second area, commonly known as the Eastern Shore (Mobile Bay), attracts tourists who are interested in fine living at the Grand Hotel, coupled with an active artist community and many quaint shops. This area offers a pleasant, easygoing pace with a beautiful community.

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.

### Transportation

Highway. The major highway system in the County is comprised of the following: three U.S. Highways, U.S. 90, 98 and 31; two interstate highways, I-10 and I-65; and six major state highways, Alabama 225, 104, 59, 180 181 and 182.

Bus and Rail. Nationwide bus service is available. More than 55 common and specified carriers are authorized to serve the Baldwin and Mobile County areas. CSX Transportation connects Bay Minette and Mobile to the west, and Bay Minette and Escambia County to the east.

Water. The Port of Mobile is the largest and best equipped gulf port located close to deep water. The Port's major waterfront facilities are located along the lower five miles of the Mobile River at the head of Mobile Bay just across the Bay from Baldwin County. The harbor is situated about 30 miles north of the Bay entrance from the Gulf of Mexico. The present depth-controlling entrance to the inner harbor is 40 feet. The Port is authorized for 55 feet south of the I-10 tunnels. The State Docks have been providing all appropriate expansions south of the tunnels to take advantage of this future increased depth.

The Gulf Intercoastal Waterway traverses South Baldwin County. The channel is 12 feet deep and 125 feet wide. The waterway extends along the lower end of Mobile Bay and Gulf Coast for 1,100 miles. An extensive system of Alabama inland waterways, with docking facilities, is tributary to the Port of Mobile, permitting barge traffic as far north as Birmingham. The Alabama State Docks, which operates waterfront facilities at the Port of Mobile, has spent more than \$275 million over the past 15 years to upgrade and expand the available facilities for handling cargo.

Air Service. There are two air carrier facilities available to Baldwin County, one of which is the Mobile Municipal Airport, located approximately 30 to 40 miles from most locations in Baldwin County. Passenger service is provided by major air carriers and commuter services. There are three lighted runways. Major repairs, storage and transportation are also available.

The other air carrier facility available to residents of Baldwin County is the Pensacola, Florida Municipal Airport. Pensacola is served by major and commuter airlines. Charter flights, aircraft repair and hangar storage are made available by several independent flying services in Pensacola. Nine other municipal or private air fields in the County serve the needs of general aviation interests of the area (six are public and three are private).

### Education

Primary and Secondary. There are approximately 44 public schools being operated by the Baldwin County Board of Education with an enrollment of approximately 25,000. There are presently no public school systems operated by any municipality in the County, although the cities of Gulf Shores, Orange Beach, Daphne and Fairhope have each considered forming their own municipal school systems in the past. There are approximately 10 private and parochial schools operating in the County.

Vocational and Technical. Although Baldwin County does not have a trade school, a vocational curriculum is available to the high school students at the County's two area technology centers. These vocational schools are open to high school students during the day and to adults at night.

Higher Education. Although Baldwin County has one state community college (James H. Faulkner Community College with campuses in Bay Minette, Fairhope and Gulf Shores), many students are able to stay in the area and receive a higher education. The County Campus of the University of South Alabama is located in Fairhope. Mobile has become the major center of higher education between New Orleans and Tallahassee with four degree-granting institutions. They are the University of Mobile, Spring Hill College, University of South Alabama and Bishop State Community College. There are other post-secondary schools that are vocational and trade schools.

### **BOOK-ENTRY SYSTEM**

DTC will serve as initial Securities Depository under the Book-Entry System for the Warrants with no physical distribution of Warrants made to any owner of any Warrant or Warrants. The ownership of one fully registered Warrant for each maturity will be registered in the name of Cede & Co., as initial Securities Depository Nominee. Except as provided below, so long as the Securities Depository or the Securities Depository Nominee is the registered owner of the Warrants, references herein to the Holders, owners or registered owners of the Warrants shall mean the Securities Depository or the Securities Depository Nominee and shall not mean the Beneficial Owners of the Warrants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking corporation" under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "Direct Participants") and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among Direct Participants in such securities through electronic computerized book-entry changes in accounts of the Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Book-Entry System of DTC is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the Direct Participants are on file with the Securities and Exchange Commission.

Beneficial ownership interests in the Warrants may be purchased by or through Direct Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." Such Direct Participants and the persons for whom they acquire interests in the Warrants as nominees will not receive a warrant certificate, but each Direct Participant will receive a credit balance in the records of the Securities Depository in the amount of such Direct Participant's interest in the Warrants, which will be confirmed in accordance with standard procedures of the Securities Depository. Beneficial Owners of Warrants will not receive certificates representing their beneficial ownership interests in the Warrants, unless use of the Book-Entry System is discontinued as described below. Beneficial Owners will be treated in all respects as the owners of the Warrants. The deposit of Warrants with the Securities Depository and their registration in the name of the Securities Depository Nominee effect no change in beneficial ownership. The Securities Depository has no knowledge of the actual Beneficial Owners of the Warrants; the records of the Securities Depository reflect only the identity of the Direct Participants to whose accounts such Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers as Beneficial Owners.

Transfers of beneficial interests in the Warrants which are registered in the name of the Securities Depository Nominee will be accomplished by book entries made by the Securities Depository and in turn by the Direct Participants and Indirect Participants who act on behalf of the Beneficial Owners of the Warrants. For every transfer and exchange of beneficial ownership in the Warrants, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

During the period in which the Book-Entry System is in effect for the Warrants, the County and the Custodian shall treat the Securities Depository and the Securities Depository Nominee as the only registered owner of the Warrants for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Warrants, receipt of notices, and requesting or directing the Custodian to take or not to take, or consenting to, certain actions under the Resolution.

The Securities Depository may be expected to assign the consent or voting rights of the Securities Depository Nominee to those Direct Participants to whose accounts the Warrants are credited on the record date specified by the Securities Depository therefor. In the event of such assignment, the County and the Custodian shall treat the assignees as the only registered owners of the Warrants for purposes of exercising such rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Warrants. Under its usual procedures, DTC mails an Omnibus Proxy to the County, as soon as possible after the said record date, for purposes of assigning such consent and voting rights to the Direct Participants.

Conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Warrants, will be governed by arrangements among the Securities Depository, Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to the Securities Depository Nominee and redemption of Warrants shall be effected as provided in the Resolution and described herein.

Principal, redemption prices, and interest payments on the Warrants will be made by the County or the Custodian to the Securities Depository or the Securities Depository Nominee, as registered owner of the Warrants. Payment of interest due on each interest payment date will be made for the account of the persons who are Beneficial Owners on the Record Date for such interest payment date. Disbursement of such payments by the Securities Depository or the Securities Depository Nominee to Direct Participants shall be solely the responsibility of the Securities Depository and subsequent disbursements of such payments to the Beneficial Owners shall be solely the responsibility of the Direct Participants and, where appropriate, Indirect Participants. Upon receipt of moneys, the Securities Depository will credit immediately the accounts of the Direct Participants in accordance with their respective holdings shown on the records of the Securities Depository. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions of the Beneficial Owners and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Such payments to the Beneficial Owners will be the sole responsibility of such Direct Participant or Indirect Participant and not of the County or the Custodian, subject to any statutory and regulatory requirements as may be in effect from time to time.

The County, the Custodian and the Underwriter cannot and do not give any assurances that the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Warrants (1) payments of principal or redemption price, premium, if any, or interest on, the Warrants, (2) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in Warrants, or (3) redemption or other notices sent to the Securities Depository or the Securities Depository Nominee, as

the registered owner of the Warrants, or that they will do so on a timely basis or that the Securities Depository or the Securities Depository Nominee, the Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. All such payments to the Securities Depository or the Securities Depository Nominee of principal, interest, or redemption price on behalf of the County and Custodian shall be valid and effectual to satisfy and discharge the liability of the County and Custodian to the extent of the amounts so paid, and the County and Custodian shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or any Direct Participant or any Indirect Participant.

The County, the Custodian and the Underwriter will not have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant; (2) the payment by the Securities Depository, any Direct Participant or Indirect Participant, of any amount due to any Beneficial Owner in respect of the principal or redemption price, premium, if any, and interest on the Warrants; (3) the delivery or timeliness of delivery by the Securities Depository, any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository or the Securities Depository Nominee, as owner.

In Release No. 34-47978; File No. SR-DTC-2003-02, the SEC approved DTC's Rule change clarifying that only DTC Participants with a position in that issue can request withdrawal of those securities from DTC. Issuers have no legal or beneficial interest in securities held by Participants at DTC and therefore issuers, such as the County, have no basis to request the withdrawal of those securities.

DTC's Rule change provides that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer.

In the event that the Securities Depository determines not to continue to act as securities depository for the Warrants the County may appoint another qualified securities depository to administer the Book-Entry System. If the County appoints another securities depository to administer the Book-Entry System, the rules and procedures of such securities depository may differ from those described herein. If the County fails to identify another qualified securities depository, the County will cause the Custodian to authenticate and deliver fully registered Warrants to each Beneficial Owner. See "Discontinuation of Book-Entry System; Transfer, Exchange and Registration".

In the event of an insolvency of the Securities Depository or if the Securities Depository has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its Direct Participants or Indirect Participants with respect to deposited securities and is unable by application of (i) cash deposits and securities pledged to the Securities Depository to protect the Securities Depository against losses and liabilities; (ii) the proceeds of insurance maintained by the Securities Depository or its Direct Participants or Indirect Participants; or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that Direct Participants or Indirect Participants will be able to obtain all of their deposited securities.

The information in this section concerning the Securities Depository and the Book-Entry System has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

#### Discontinuation of Book-Entry System; Transfer, Exchange and Registration

The Securities Depository may determine to discontinue the Book-Entry System with respect to the Warrants at any time upon notice to the County and the Custodian and upon discharge of its responsibilities with respect thereto under applicable law. Upon such notice the Book-Entry System for the Warrants will be discontinued unless a successor securities depository is appointed by the County.

In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the following provisions with respect to registration, transfer and exchange of the Warrants by the registered owners thereof shall apply, subject to the further conditions set forth in the Resolution with respect thereto:

(a) The Warrants may be transferred by the registered owner in person or by authorized attorney, only on the Warrant Register maintained by the Custodian and only upon surrender of the Warrant to the Custodian for cancellation with a written instrument of transfer acceptable to the Custodian executed by the registered owner or his duly authorized attorney, and upon any such transfer, a new Warrant of like tenor shall be issued to the transferee in exchange therefor.

(b) The registered owner of any Warrant in a face amount of more than \$5,000 may surrender the same in exchange for more than one Warrant, each in the principal amount which is an integral multiple of \$5,000, having the same year of maturity as the Warrant so surrendered and the same aggregate principal amount. The registered owner of two or more Warrants having the same principal maturity may surrender the same in exchange for a single Warrant in the aggregate principal amount of the Warrants so surrendered.

(c) The Custodian shall not be required to transfer or exchange any Warrant during the period from the Record Date and the then next succeeding interest payment date; and in the event that any Warrant (or any part thereof) is duly called for redemption, the Custodian shall not be required to register or transfer any such Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer or exchange, but the registered owner of any Warrant requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The registered owner of any Warrant will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Warrant.

#### TORT LIABILITY

In past years, the Supreme Court of Alabama, in several related decisions, overruled a long-standing series of cases holding that political subdivisions of the State were not liable in tort for damages resulting from the performance by them of governmental functions. As a result of these decisions,

counties in Alabama may now be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the CODE OF ALABAMA 1975) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including counties. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence. The Act also limits recovery of damages to \$100,000 for damage or loss of property arising out of any single occurrence. The constitutionality and applicability of all parts of said Act have not been definitively determined, and the County can give no assurance that any recovery against the County would be limited by the amounts provided in said Act. Additionally, Act No. 673 has no applicability to causes of action under Section 1983 and 1985 of Title 42 of the United States Code. Local governments throughout the country have been increasingly subjected to lawsuits - many of which seek substantial damages - for alleged denials of civil rights under the provision of said Sections.

### **FEDERAL BANKRUPTCY CODE**

The rights and remedies of the registered owners of the Warrants are subject to the provisions of Chapter 9 of Title 11 of the United States Code (Bankruptcy) which permits under certain specific circumstances (but only after authorization by the legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision of a state, such as the County, to file a petition for relief in the U.S. District Court for the district in which the political subdivision is located if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts. Under the Bankruptcy Code, the filing of such a petition operates as an "automatic" stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant of the petitioner. Chapter 9 also permits a political subdivision that files such a petition to issue, with the approval of the Court, certificates of indebtedness having priority over pre-existing obligations.

Any political subdivision filing a petition for relief under Chapter 9 must in due course file a plan for the adjustment of its debts, and such plan may include provisions modifying or altering the rights of creditors generally, or any class of them, secured and unsecured. Such plan, when confirmed by the Court, binds all creditors who had timely notice or actual knowledge of the petition or plan and discharges all claims against the petitioning political subdivision provided for in the plan. No plan may, however, be confirmed by the Court unless certain conditions occur, which include either (1) that the plan has been accepted in writing by two-thirds (2/3) in the amount and more than fifty percent (50%) in number of the allowed claims of each class which is impaired by the plan, or (2) the Court finds that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims that is impaired under, and has not accepted, the plan.

Existing Alabama statutes authorize the County to file a petition for relief under Chapter 9 of Title 11 of the United States Code.

## EXHIBITS

Each Exhibit is an integral part of this Official Statement and should be read in its entirety. The Exhibits include the following:

- Exhibit A - Proposed Opinion of Bond Counsel
- Exhibit B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

## APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Warrants are subject to the approval of Jones Walker L.L.P. in Birmingham, Alabama, Bond Counsel, whose approving legal opinion will be delivered at the time of delivery of the Warrants. The proposed form of that opinion is included in this Official Statement as Exhibit A.

The various legal opinions to be delivered concurrently with the delivery of the Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX EXEMPTION

In the opinion of Bond Counsel, assuming the accuracy of certain representations and the compliance with certain covenants made by the County in the Authorizing Resolution with respect to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code, applicable regulations and rulings of the Commissioner of Internal Revenue, and court decisions heretofore rendered. Bond Counsel is also of the opinion that under existing statutes interest on the Warrants is exempt from income taxation by the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in the alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security and certain railroad retirement benefits required to be included in gross income, and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation. Furthermore, interest on the Warrants is required to be included in the calculation of the federal branch profits tax liability of foreign corporations.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on



the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Authorizing Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Authorizing Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

#### **NOT BANK QUALIFIED**

The County has not designated the Warrants as "qualified tax-exempt obligations." The Warrants are not "bank qualified."

#### **LITIGATION**

There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the proceedings and authority under which the Warrants are issued; or the validity of the Warrants. There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the creation, organization or existence of the County; or the title of the present members of the County Commission or other officers of the County to their respective offices.

The County does not believe that there are any legal proceedings pending or threatened against the County which may affect the County's financial condition or its ability to perform its obligations to the registered owners of the Warrants. The County is a defendant in several lawsuits involving claims for personal injuries and other claims in all of which the County's insurers have assumed the defense and in all of which the exposure, if any, is within the coverages provided by the insurance or are within amounts that the County feels that it could fund without materially affecting its ability to pay principal of and interest on the Warrants.

#### **UNDERWRITER**

The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter") has purchased the Warrants from the County for a purchase price of \$ \_\_\_\_\_ (which represents the par

amount of \$18,645,000 less an underwriter's discount of \$\_\_\_\_\_ and less a net original issue discount of \$\_\_\_\_\_), plus accrued interest thereon to the date of delivery.

### **WARRANTHOLDER RISKS**

An investment in the Warrants involves certain risks which should be carefully considered by investors. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Warrants are an appropriate investment for them. The sufficiency of taxes to pay debt service on the Warrants may be affected by events and conditions relating generally to, among other things, population trends and economic developments in the County. Additionally, there can be no assurance that the proceeds of taxes will be adequate to pay the principal of and interest on the Warrants as they mature and come due for the following, among other, reasons:

(a) The General Fund of the County depends, to a significant degree, on ad valorem tax collections. In the past, the system of ad valorem taxation in Alabama has been under revision by constitutional amendments, legislation and court orders relating to the reappraisal of taxable property, reclassification of taxable property, variation of assessment ratios, and limitations on the expected increase in ad valorem taxes resulting from reappraisal and proposals respecting current use valuations. Because of additional revisions that may be made to the system of ad valorem taxation in Alabama, the County cannot predict what effect said past or future revisions may have on the future collections of ad valorem taxes in the County.

(b) There can be no assurance that the total assessed value of taxable property in the County will remain at its present level. Adverse trends in the economy of the County could adversely affect property values and retail sales and the collection of ad valorem and sales tax revenues.

(c) The County's coastal location, sub-tropical climate and low elevation make weather events such as hurricanes, tropical storms, tropical depressions, low-pressure systems and the related damages caused thereby including storm surge, wind damage, flood damage and property damage, which may all occur immediately or even some time thereafter, virtual certainties. The County is also extremely susceptible to other natural disasters including tornados, water spouts, thunderstorms, heavy rain and flooding at all times of year.

(d) The County depends heavily on the tourist-oriented coastal cities of Gulf Shores, Orange Beach and Fairhope to generate sales and use taxes, lodging taxes and ad valorem taxes. Hurricanes Ivan, Dennis and Katrina severely damaged these and other cities and negatively impacted the County's tax revenues. Though the area has recovered from the hurricanes, future damage to the County and these cities from the next storm, which may likely occur prior to the maturity of the Warrants, could negatively and adversely affect the County's financial condition. Additionally, oil spills or other natural disasters and man-made disasters that adversely impact the use of the beaches or fishing in the Gulf of Mexico will negatively impact the County's financial condition, as was experienced following the April, 2010 BP oil spill. The County is vulnerable to other natural and man-made disasters in addition to hurricanes and oil spills.

(e) The severity of recent hurricanes has prompted speculation that the federal government and private insurance companies may permanently terminate existing property insurance at any time and no longer offer property insurance within the County. In fact, a number of private insurance carriers have already withdrawn from the State of Alabama entirely. The withdrawal of property insurance could

mean, following the next storm, that (1) the County, including existing residences and private businesses may not ever be rebuilt to its pre-storm condition, (2) displaced residents or businesses may not ever return to the County, (3) tax revenue may not ever return to present levels or (4) the federal government may not provide, as it did after Hurricanes Ivan, Dennis and Katrina funds necessary to rebuild the County. There are no assurances, commitments or guarantees that the County will ever receive any private, public, state, federal or other emergency funds for repairs, replacements or service restoration. Any of the foregoing events or consequences would negatively and adversely affect the County's financial condition.

(f) Neither the Warrants, the Authorizing Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the County has agreed in the Authorizing Resolution to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB,

(i) certain annual financial information and operating data, including audited financial information, generally consistent with the information contained herein under the caption "THE COUNTY."

(ii) the County's budget for the next fiscal year, and unaudited financial statements for the fiscal year ending on the preceding September 30, will be made available to the MSRB on or before March 31 in each calendar year.

(iii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Warrants: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, and (n) appointment of a successor or additional trustee or the change of name of a trustee.

(iv) the County's audited financial statement must be prepared by the Alabama Department of Examiners of Public Accounts and will be provided to MSRB when available, and in any event, within five business days after receipt by the County.

(v) in a timely manner, notice of any failure by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The County will reserve the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in

the judgment of the County, provided that any such modification may be done only in a manner consistent with the Rule. The County will reserve the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the County no longer remains an "obligated person" with respect to the Warrants, within the meaning of the Rule. The County will, in the Authorizing Resolution, acknowledge that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered owners of the Warrants and shall be enforceable by the holders of the Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the County's obligations under the Authorizing Resolution and any failure by the County to comply with the provisions of such undertaking shall not be an event of default with respect to the Warrants and shall not subject the County to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the County are as follows:

Kimberly Creech, or successor as County Clerk/Treasurer  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, Alabama 36507  
Telephone: (251) 937-0350  
Facsimile: (251) 937-0367  
[kcreech@baldwincounty.al.gov](mailto:kcreech@baldwincounty.al.gov)

Effective July 1, 2009, The Securities and Exchange Commission (SEC) made two procedural changes to the way in which these annual reports and event notices are filed. They are as follows: (1) the Municipal Securities Rulemaking Board (MSRB) must receive all continuing disclosure filings, and (2) continuing disclosure filings must also be submitted in electronic pdf format to the Electronic Municipal Market Asset (EMMA) system, which may be accessed at [emma.msrb.org](http://emma.msrb.org). Effective January 1, 2010, submissions to the EMMA System must be in word-searchable pdf format and must not be password protected for viewing, saving and printing. Rule 15c2-12 was recently amended by Release No. 34-62184 adopted on May 26, 2010 and MSRB Notice 2010-32 approved by the SEC on August 19, 2010. The County will comply with these changes and further agrees to comply with all future SEC regulations, several of which are presently under consideration, which may affect the County's continuing obligations hereunder.

#### **MISCELLANEOUS**

Any statements made in this Official Statement and indicated to involve matters of opinion or estimates are represented to be opinions or estimates made in good faith. Any such estimate or opinion is not to be construed as a representation that such estimate or opinion will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Warrants.

**CERTIFICATE**

I, the undersigned Chairman of the Baldwin County Commission, do hereby certify that, to the best of my knowledge, the County's Official Statement respecting the Warrants does not contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in light of the circumstances in which they are made, not misleading.

This Official Statement has been approved by the governing body of the County.

**BALDWIN COUNTY**



By /s/ J. Tucker Dorsey  
Chairman



**EXHIBIT A**

**[Proposed Opinion of Bond Counsel]**

JONES, WALKER L.L.P.  
ONE FEDERAL PLACE  
1819 FIFTH AVENUE NORTH, SUITE 1100  
BIRMINGHAM, ALABAMA 35203

[date]

Baldwin County Commission  
Bay Minette, Alabama

Regions Bank  
Birmingham, Alabama

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

Re: \$18,645,000 General Obligation Warrants, Series 2013, dated February 1, 2013, issued  
by Baldwin County, Alabama

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance of the above-referenced warrants (the "Warrants") by Baldwin County, Alabama (the "County"), a political subdivision organized under the laws of the State of Alabama. The Warrants are issued pursuant to a resolution and order duly adopted by the governing body of the County on September 18, 2012 (the "Warrant Resolution").

We have examined the following: the proceedings of the County for adoption of the Warrant Resolution; a certification on behalf of the County pursuant to the regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), relative to arbitrage bonds; and other certificates, documents and proofs considered by us to be pertinent. In rendering this opinion we have relied upon statements set forth in certificates executed by public officials and by officers of the County.

Based upon the foregoing and upon our examination of the aforesaid proceedings and other papers submitted to us, and in reliance on the aforesaid certificates and opinion and assuming compliance with the covenants and representations in the Warrant Resolution, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Warrants constitute and evidence the valid and binding general obligation indebtedness of the County payable from the special fund designated "Series 2013 General Obligation Warrants Fund" into which there has been ordered to be paid from the proceeds of the general revenues and taxes of the County amounts sufficient to pay the principal of and interest on the Warrants as the same respectively mature and become due.

(2) Interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code and applicable regulations and rulings of the Commissioner of Internal Revenue and court decisions heretofore rendered.

(3) Interest on the Warrants is exempt from present income taxation in the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted, however, that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in certain alternative minimum tax calculations for corporations, (2)

property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security benefits and certain railroad retirement benefits required to be included in gross income and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Authorizing Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Warrant Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

The rights of the registered owners of the Warrants and the enforceability thereof are subject to the exercise of judicial discretion, to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State of Alabama, and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted.

The opinion is (a) limited to matters stated herein and no opinion may be inferred beyond the matters expressly stated, (b) given as of the date hereof and with the express understanding that we have no obligation to advise you or any of your successors or assigns of any changes in law or fact subsequent to the date hereof, even though such changes may affect the opinions expressed herein, (c) rendered to you solely in connection with the subject transactions and may not be relied upon by you or by any other person for any other purpose, and (d) rendered as an expression of our professional judgment as to the legal issues explicitly addressed herein, by the rendering of which we do not become an insurer or guarantor of that expression of professional judgment or of the outcome of any legal dispute that may arise with respect to any of the matters herein contained.

Faithfully yours,



**EXHIBIT B**

**[Audited Financial Report for the Fiscal Year Ending September 30, 2011]**

## OFFICIAL STATEMENT

### New Issue--Book-Entry Only

**Ratings: Moody's: Aa1**  
**S & P: AA+ (Stable)**

*In the opinion of Jones Walker L.L.P., Bond Counsel, and assuming continuing compliance by the County with certain conditions imposed by the Internal Revenue Code of 1986, as amended, referred to herein under "TAX EXEMPTION," interest on the Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. Bond Counsel is also of the opinion that interest on the Warrants is exempt from Alabama income taxation. See "TAX EXEMPTION" herein.*

**\$18,840,000**  
**BALDWIN COUNTY**  
**GENERAL OBLIGATION WARRANTS**  
**SERIES 2013**

Dated February 1, 2013

Due January 1, as shown below

The General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") offered hereby constitute general obligations of Baldwin County, an Alabama political subdivision (the "County"), for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. Principal is payable on January 1 in amounts and years as shown below. Interest is payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The Warrants are subject to redemption as herein described.

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Yield</u>
2014	\$1,180,000	2.00%	0.45%	2021	\$1,485,000	4.00%	1.90%
2015	1,200,000	2.00	0.67	2022	1,545,000	4.00	2.13
2016	1,235,000	3.00	0.88	2023	1,595,000	2.25	2.31
2017	1,275,000	3.00	1.04	2024	1,655,000	5.00	2.26
2018	1,315,000	4.00	1.23	2025	1,740,000	5.00	2.35
2019	1,370,000	4.00	1.44	2026	1,815,000	4.00	2.58
2020	1,430,000	4.00	1.68				

(Plus Accrued Interest)

The Warrants are initially issuable as fully registered warrants without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a Book-Entry System (as hereafter defined) to be administered by The Depository Trust Company, New York, New York (the "Securities Depository") and, when issued, will be registered in the name of and held by Cede & Co., as nominee for the Securities Depository. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly described herein. The Warrants are offered when, as and if issued and received by The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter"), subject to prior sale, withdrawal or modification of the offer without notice and to the approval of the validity thereof by Jones Walker L.L.P., Bond Counsel, and certain other conditions. It is expected that the Warrants in definitive form will be available for delivery on or about February 21, 2013.

**THE FRAZER LANIER COMPANY**  
**INCORPORATED**

February 14, 2013

**BALDWIN COUNTY**

**County Commission**

J. Tucker Dorsey, Chairman  
Robert E. "Bob" James  
Frank Burt, Jr.  
Charles F. "Skip" Gruber

**County Administrator**

David A. Z. Brewer

**County Clerk-Treasurer**

Kimberly Creech

**UNDERWRITER**

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

**BOND COUNSEL**

Jones Walker L.L.P.  
Birmingham, Alabama

**CUSTODIAN**

Regions Bank  
Birmingham, Alabama

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM SOURCES WHICH ARE CONSIDERED DEPENDABLE AND WHICH ARE CUSTOMARILY RELIED UPON IN THE PREPARATION OF SIMILAR OFFICIAL STATEMENTS, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE COUNTY. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE RELIABLE BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED. NO PERSON, INCLUDING ANY BROKER, DEALER OR SALESMAN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHOULD THERE BE ANY SALE OF THE WARRANTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. ANY INFORMATION OR EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

Page

INTRODUCTION AND DEFINITIONS .....	1
THE WARRANTS.....	2
RATINGS.....	5
DEBT SERVICE REQUIREMENTS.....	5
SUMMARY OF AUTHORIZING RESOLUTION.....	7
THE COUNTY .....	8
BOOK-ENTRY SYSTEM.....	29
TORT LIABILITY.....	32
FEDERAL BANKRUPTCY CODE.....	33
EXHIBITS.....	34
APPROVAL OF LEGAL MATTERS.....	34
TAX EXEMPTION.....	34
ORIGINAL ISSUE DISCOUNT AND PREMIUM ON WARRANTS.....	35
NOT BANK QUALIFIED .....	36
LITIGATION .....	36
UNDERWRITERS.....	36
WARRANTHOLDER RISKS .....	36
CONTINUING DISCLOSURE UNDERTAKING .....	37
MISCELLANEOUS.....	39
CERTIFICATE .....	40

EXHIBIT A - Proposed Opinion of Bond Counsel

EXHIBIT B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

## INTRODUCTION AND DEFINITIONS

This Official Statement, including the cover page and exhibits, is furnished in connection with the offering of \$18,840,000 principal amount of General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") by Baldwin County, an Alabama political subdivision (the "County").

The Warrants are issued by the County under the authority of the Constitution and laws of the State of Alabama and pursuant to a resolution and order (the "Authorizing Resolution" or "Resolution") duly adopted by the Baldwin County Commission. The Warrants are issued for the purposes of (1) advance refunding and redeeming on January 1, 2016 the County's outstanding General Obligation Warrants, Series 2006-A, dated January 1, 2006 (the "Series 2006-A Warrants") and (2) paying issuance expenses.

The Warrants constitute general obligations of the County for the payment of which the full faith, credit and taxing power of the County are irrevocably pledged. See "THE WARRANTS;" "Security for Warrants; Source of Payment."

For purposes of this Official Statement the following terms have the following meanings:

Book-Entry System means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Warrants.

Business Day shall mean a day, other than a Saturday or a Sunday, on which commercial banking institutions are open for business in the state where the designated office of the Custodian is located and a day on which the payment system of the Federal Reserve System is operational.

Commission means the Baldwin County Commission, the governing body of the County.

County means Baldwin County, an Alabama political subdivision and any successor to its functions.

Custodian means Regions Bank with a designated corporate trust office in Birmingham, Alabama, as custodian, paying agent and registrar for the Warrants.

Direct Participant means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book Entry System.

Federal Securities shall mean direct general obligations of, or obligations the payment of which is unconditionally guaranteed by, the United States of America.

Fiscal Year shall mean the period beginning on October 1 of one calendar year and ending on September 30 of the next succeeding calendar year or such other fiscal year as may hereafter be adopted by the County.

Indirect Participant means a broker, dealer, bank or other financial institution for which the Securities Depository holds Warrants as securities depository through a Direct Participant.

Letter of Representation shall mean and include (i) the Letter of Representation by the County to the Securities Depository and (ii) any other or subsequent agreement with respect to the Warrants between such parties by whatever name or identification.

Qualified Investments shall mean:

(1) Federal Securities, or

(2) A certificate of deposit or time deposit issued by (i) the Custodian, or (ii) any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than \$50,000,000, provided in each case such deposit is insured by the Federal Deposit Insurance Corporation or such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation, or

(3) A trust or fund rated "AAm" or "AAm-G" or better by S&P and customarily utilized by the Custodian for the investment of public funds.

Record Date means, with respect to Warrants, that date which is 15 calendar days before any date on which interest is due and payable on Warrants.

Securities Depository means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Warrants.

Securities Depository Nominee means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Warrants to be delivered to such Securities Depository during the period in which the Warrants are held pursuant to the Book-Entry System.

Underwriter means The Frazer Lanier Company Incorporated and its successors and assigns.

Warrant Fund shall mean the fund by that name established for the Warrants pursuant to the Authorizing Resolution.

Warrants means the County's \$18,840,000 original principal amount General Obligation Warrants, Series 2013, dated February 1, 2013, offered hereby.

Warrant Register means the register for the registration and transfer of Warrants maintained by the Custodian for the County under the Authorizing Resolution.

## THE WARRANTS

### General Description

The Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners thereof, or registered assigns, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered for identification as determined by the Custodian hereinafter defined. The Warrants are dated February 1, 2013, and will bear interest from that date at the applicable per annum rates and will mature on January 1 in years and in amounts as set forth on the cover page of this Official Statement. Interest will be payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on the Warrants shall be payable in lawful money of the United States of America, without deduction for exchange, fees or expenses, by the County through Regions Bank at its

designated corporate trust office in Birmingham, Alabama, the custodian, paying agent and the registrar for the Warrants (the "Custodian"). The principal of the Warrants shall be payable only upon presentation and surrender of the Warrants at the designated office of the Custodian in Birmingham, Alabama. So long as the Book-Entry System is in effect, payment of principal and interest shall be made in accordance with the procedures and requirements of the Book-Entry System. If the Book-Entry System is not in effect, then interest on the Warrants shall be remitted by the Custodian to the then registered owners of the Warrants at the respective addresses thereof shown on the registration books of the Custodian pertaining to the Warrants. Such payments shall be deemed timely made if mailed on the interest payment date (or if such interest payment date is not a Business Day, then on the next succeeding Business Day). Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year with twelve months of thirty days each.

The Warrants will be initially issued pursuant to a Book-Entry System to be administered by The Depository Trust Company, New York, New York ("DTC") and registered in the name of and held by Cede & Co., as nominee of DTC. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Warrants will be made by Regions Bank at its designated corporate trust office in Birmingham, Alabama (the "Custodian") to Cede & Co. (as registered owner) for DTC for disbursement by DTC to the Direct Participants of DTC and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly provided in the Resolution and described herein under "BOOK-ENTRY SYSTEM." In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of the beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the Warrant Register, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the provisions of the Warrants and of the Resolution with respect to registration, transfer and exchange of Warrants by the registered owners thereof shall apply, as described herein under "Discontinuation of Book-Entry System; Transfer, Exchange and Registration."

#### Optional Redemption

The Warrants with stated maturities on January 1, 2024 and thereafter, shall be subject to optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities at the option of the County on any date on or after January 1, 2023 at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium or penalty.

#### Manner and Notice of Redemption

If less than all of the Warrants are to be optionally redeemed during a period in which the Book-Entry System is in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date. In accordance with the Letter of Representation, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all of the Warrants at the time outstanding are redeemed during a period in which the Book-Entry System is not in effect for the Warrants, any redemption shall be in such order and amount of maturities as the County shall determine in its sole discretion. In the event that less than all of the principal of the Warrants is to be redeemed, the Custodian shall assign a number to each \$5,000 principal portion of all the Warrants and shall, by process



of random selection based upon such numbers, select the principal portion of Warrants to be redeemed. Prior notice of such redemption shall be given by registered or certified mail to the Holder of each Warrant, all or a portion of which is to be redeemed, not more than sixty (60) days or less than thirty (30) days prior to the proposed redemption date.

Authority for Issuance

The Warrants are issued by the County under authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, as amended, and pursuant to the Authorizing Resolution. Pursuant to said Chapter 28, any county in the State of Alabama may issue, without an election, interest-bearing warrants for the purpose of financing the costs of acquiring, by construction, purchase or otherwise, any public facilities described in said Chapter 28, including without limitation, county jails, public buildings, public highways, capital equipment, roads and bridges or to refund any obligations theretofore issued for such purposes.

Security for Warrants; Source of Payment

The Warrants will be general obligations of the County for the punctual payment of principal of and interest on which the full faith, credit and taxing powers of the County are sacredly and irrevocably pledged. The County has represented and covenanted in the Authorizing Resolution that ad valorem taxes have been and will be levied and collected insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama, on all taxable property in the County and applied to the payment of the principal of and interest on the Warrants as they respectively mature and come due in amounts sufficient for such purpose. The County has further covenanted and agreed in the Authorizing Resolution that if the proceeds of ad valorem taxes are in any year insufficient to pay the principal of and interest on the Warrants coming due and payable in such year, it will provide the amount of such deficiency from other taxes, revenues and income of the County.

Sources and Uses of Warrant Proceeds

The sources and uses of Warrant proceeds are as follows:

Sources

Par Amount	\$18,840,000.00
Accrued Interest	38,163.19
Plus Net Original Issue Premium	2,271,125.15
Series 2006-A Warrant Fund	<u>162,220.63</u>
<b>TOTAL SOURCES</b>	<b><u>\$21,311,508.97</u></b>

Uses

Advance Refunding of Series 2006-A Warrants	\$21,046,371.77
Accrued Interest	38,163.19
Underwriter's Discount	146,010.00
Issuance Expenses	<u>80,964.01</u>
<b>TOTAL USES</b>	<b><u>\$21,311,508.97</u></b>

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of the McGraw-Hill Companies ("S&P"), have assigned respective underlying credit ratings of "Aa1" and "AA+" (Stable) to the Warrants. The ratings are independent and each rating reflects that individual rating agency's own assessment of the County's ability to pay the Warrants without municipal bond insurance or other form of supplemental credit enhancement. Any explanation as to the significance of either of the above ratings may be obtained only from the agency which made such rating. The above ratings are not recommendations to buy, sell or hold the Warrants. Each rating may be subject to revision or withdrawal at any time by the agency which made the particular rating. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Warrants. Any further explanation as to the significance of either of the above ratings may be obtained only from the agency which made the particular rating.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the County's principal and interest requirements on the Warrants plus all outstanding general obligation debt, other than its (1) \$4,428,923.66 General Obligation Warrant, Series 2008-C, dated September 30, 2008, (2) \$25,000,000 General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012, (3) \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012, (4) landfill costs and post-closure liability (not exceeding \$4,672,128.99), (5) compensated absences and accrued wages of \$285,542.79, (6) other post-employment benefits of \$1,234,111, (7) annual pension liability cost of \$2,901,378.63; and (8) other miscellaneous obligations of not more than \$500,000. The proceeds of the Series 2012-B Warrant described above were used to acquire approximately 2,107.8 acres for future economic development. The Series 2012-B Warrant matures on June 15, 2015 and is expected to be refinanced on a long term basis prior to maturity.

GENERAL OBLIGATION INDEBTEDNESS[1][2][3]

Period Ending Sept. 30					Series 2010		Series 2012		Series 2013		Total
	Series 2004	Series 2007-A	Series 2008-A	Series 2008-B	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$1,291,875	\$553,794	\$1,736,862	\$1,169,648	\$1,450,000	\$715,150	\$480,000	\$309,263		\$286,224	\$7,992,816
2014	1,296,125	553,794	1,127,831	1,169,648	1,480,000	685,850	595,000	402,750	\$1,180,000	675,138	9,166,136
2015	1,287,625	1,031,544	1,127,831	1,169,648	1,510,000	648,400	605,000	390,850	1,200,000	651,338	9,622,236
2016	1,286,375	1,031,419	1,127,831	1,169,648	1,555,000	586,875	620,000	372,700	1,235,000	620,813	9,605,661
2017	0	1,034,919	1,127,831	2,154,648	1,635,000	507,125	645,000	347,900	1,275,000	583,163	9,310,586
2018	0	1,029,994	563,915	2,154,188	1,720,000	431,850	670,000	322,100	1,315,000	537,738	8,744,785
2019	0	1,031,894	0	2,153,388	1,795,000	352,575	700,000	295,300	1,370,000	484,038	8,182,195
2020	0	1,032,794	0	2,155,388	1,890,000	260,450	730,000	267,300	1,430,000	428,038	8,193,970
2021	0	1,032,694	0	2,154,638	1,830,000	176,600	755,000	238,100	1,485,000	369,738	8,041,770
2022	0	1,031,594	0	2,156,138	1,905,000	101,900	795,000	200,350	1,545,000	309,138	8,044,120
2023	0	1,034,394	0	2,154,638	505,000	53,700	835,000	160,600	1,595,000	260,294	6,598,626
2024	0	1,030,644	0	2,155,138	535,000	32,900	875,000	118,850	1,655,000	200,975	6,603,507
2025	0	1,030,325	0	2,155,775	555,000	11,100	920,000	75,100	1,740,000	116,100	6,603,400
2026	0	1,033,666	0	2,153,325	0	0	970,000	29,100	1,815,000	36,300	6,037,391
2027	0	1,030,156	0	2,157,788	0	0	0	0	0	0	3,187,944
2028	0	1,034,669	0	2,153,688	0	0	0	0	0	0	3,188,357
2029	0	1,032,588	0	2,156,263	0	0	0	0	0	0	3,188,851
2030	0	1,033,913	0	2,155,038	0	0	0	0	0	0	3,188,951
2031	0	1,033,538	0	2,155,013	0	0	0	0	0	0	3,188,551
2032	0	1,031,463	0	2,155,950	0	0	0	0	0	0	3,187,413
2033	0	0	0	2,152,613	0	0	0	0	0	0	2,152,613
<b>TOTAL</b>	<b>\$5,162,000</b>	<b>\$19,689,796</b>	<b>\$6,812,101</b>	<b>\$41,312,209</b>	<b>\$18,365,000</b>	<b>\$4,564,475</b>	<b>\$10,195,000</b>	<b>\$3,530,263</b>	<b>\$18,840,000</b>	<b>\$5,559,035</b>	<b>\$134,029,879</b>

- [1] Does not include the General Obligation Warrant, Series 2008-C, dated September 30, 2008, outstanding in the principal amount of \$4,428,923.66.
- [2] Does not include the following estimated liabilities; compensated absences and accrued wages (\$285,542.79); other post-employment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost of \$2,901,378.63; and other miscellaneous obligations not exceeding \$500,000.
- [3] Does not include the \$25,000,000 General Obligation Warrant, Series 2012-B, dated June 6, 2012, issued in conjunction with the acquisition of approximately 2,107.8 acres for economic development or the \$875,000 General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012.

## SUMMARY OF AUTHORIZING RESOLUTION

A brief description of the Authorizing Resolution is included hereafter in this Official Statement. Such description does not purport to be comprehensive or definitive; all references herein to the Authorizing Resolution are qualified in their entirety by reference to such document, copies of which are available at the office of the Baldwin County Commission; and all references to the Warrants are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Authorizing Resolution.

### Warrant Fund

In the Authorizing Resolution, the County will establish a special fund to provide for the payment of the Warrants (the "Warrant Fund"), which shall be held in trust by the Custodian, as paying agent for the Warrants, until the principal of and interest on the Warrants are paid in full. The County shall pay or cause to be paid into the Warrant Fund, from the revenues and taxes of the County, the following amounts on or before the following dates:

- (a) Immediately following the delivery of and payment for the Warrants, the amount received as accrued interest (if any) on the Warrants; and
- (b) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including June, 2013, an amount equal to one-fifth (1/5<sup>th</sup>) of the interest coming due on the Warrants on July 1, 2013; and
- (c) On or before July 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-sixth (1/6<sup>th</sup>) of the interest coming due on the Warrants on the next succeeding interest payment date; and
- (d) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2013, an amount equal to one-eleventh (1/11<sup>th</sup>) of the principal maturing on January 1, 2014; and
- (e) On or before January 25, 2014 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-twelfth of the principal coming due on the next ensuing principal payment date.

### Investment of and Security for Warrant Fund

The County may cause any money on deposit in the Warrant Fund not then needed for the payment of principal of and interest on the Warrants to be invested or reinvested by the Custodian in Qualified Investments and which mature or are subject to redemption by the holder, at the option of the holder, on or prior to the respective date or dates when cash funds will be required. All investments shall be held by or under control of the Custodian for the credit of the Warrant Fund, and all interest accruing thereon and any profits realized therefrom shall be credited to such Fund, and any losses resulting from liquidation of investments shall be charged to such Fund. The Custodian shall sell and reduce to cash a sufficient portion of the investments whenever the cash balance in the Warrant Fund is insufficient to pay the current interest and principal requirements on the Warrants.

The Custodian shall at all times keep the moneys on deposit in the Warrant Fund which are not invested as aforesaid continuously secured for the benefit of the County and the registered owners of the Warrants, either (a) by holding on deposit as collateral security direct general obligations of the United

States of America, having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Warrant Fund or (b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and Federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Custodian so to secure any portion of the moneys on deposit in the Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions.

#### Provisions of the Authorizing Resolution a Contract

The terms, provisions and conditions set forth in the Authorizing Resolution constitute a contract between the County and the registered owners of the Warrants and shall remain in effect until the principal of and interest on the Warrants shall have been paid in full.

### **THE COUNTY**

#### General Information

Baldwin County was created and established by the Alabama Legislature as a political subdivision of the State. The County is located in the extreme southern section of the State of Alabama, and has an area of approximately 1,613 square miles. The County is bordered by Mobile Bay and Mobile County to the west, Clarke County and Monroe County to the north, Escambia County, Alabama, and the State of Florida to the east, and the Gulf of Mexico to the south.

The City of Bay Minette, which is the county seat of the County, is located within thirty miles of Mobile, Alabama and within fifty miles of Pensacola, Florida. Baldwin County is traversed by two Interstate Highways, I-10 and I-65; three U.S. Highways, U.S. 98, 31 and 90; and Alabama Highways 180, 181, 182, 59, 225 and 104. The County is served by Greyhound Bus Lines as well as by the CSX Transportation System. The Mobile municipal airport is approximately twenty-five miles from the boundary of Baldwin County.

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 calves, and to a lesser degree, soybeans, fruits, vegetables and nuts. The major mineral products in Baldwin County are oil and gas.

## Population

The following sets forth certain historical population statistics from the U.S. Census Bureau relating to the County and the municipalities located therein:

<u>Census Year</u>	<u>County Population</u>
2010	182,265
2000	140,415
1990	98,280
1980	78,556
1970	59,382

Source: U.S. Census Bureau

## Municipal Populations

<u>Municipality</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Bay Minette	6,727	7,455	7,168	7,820	8,044
Daphne	2,382	3,406	11,290	16,581	21,570
Elberta	395	491	458	552	1,498 [1]
Fairhope	5,720	7,286	8,485	12,480	15,326
Foley	3,368	4,003	4,937	7,590	14,618
Gulf Shores	909	1,349	3,261	5,044	9,741
Loxley	859	804	1,161	1,348	1,632
Orange Beach	-	192	2,253	3,784	5,441
Magnolia Springs	--	--	--	--	723
Perdido Beach	--	--	--	--	581
Robertsdale	2,078	2,306	2,401	3,782	5,276
Silverhill	552	624	556	616	706
Spanish Fort	--	--	3,663	5,423	6,798
Summerdale	550	546	559	655	862

Source: United States Census, 2010 figures were obtained from [www.cubitplanning.com](http://www.cubitplanning.com)

[1] The increase was primarily attributed to Elberta's annexation of the previously unincorporated community of Mifflin shortly after the 2000 Census was taken.

## Governmental Organization and Administration

The County is governed by the Baldwin County Commission, consisting of four commissioners elected at-large. The County Commission is responsible for the direction, control and maintenance of the property of the County, for setting policies of the County, including the appropriation and expenditure of County funds and the settlement of claims against the County, the levy of certain taxes as provided by law, and the creation and investment of funds for the payment of long term indebtedness.

### Members of the Baldwin County Commission

<u>Name</u>	<u>Occupation</u>
Charles F. "Skip" Gruber	County Highway Department, retired
Robert E. "Bob" James	Road and utility contractor
J. Tucker Dorsey	Land development/real estate
Frank Burt, Jr.	Pharmacist, retired

The County Commission is assisted by numerous professional staff members. The County Administrator is David A. Z. Brewer. Mr. Brewer's primary responsibility is to prepare the agendas for the general business meetings of the Baldwin County Commission. He is appointed by and serves at the pleasure of the County Commission. Mr. Brewer earned his B.A. Degree (1993) and M.P.A. Degree (1995), respectively, from the University of Alabama, serves as a Special Legislative Aide to State Representative Joe Faust [(R)-Baldwin County], remains a former Interim Secretary of the Baldwin County Historic Development Commission, former member of the Board of Directors of the Mental Retardation/Developmental Disabilities Board, Inc. (of Baldwin County, Alabama, & Clarke County, Alabama), and a former member of the Board of Commissioners of the Housing Authority of the City of Bay Minette, Alabama.

The County Clerk-Treasurer is Kimberly Creech. She serves as the Director of the Finance and Accounting Department of the Baldwin County Commission. Additionally, she is responsible for all records and reports that relate to the finances of the County Commission and assists the Alabama Department of Examiners of Public Accounts during audits. She is appointed by and serves at the pleasure of the County Commission. Ms. Creech is a 1993 graduate of Auburn University of Montgomery where she earned a Degree in Accounting.

### Personnel

The County employs approximately 857 people in its various departments. Of this total number 575 are within departments of the County Commission and 282 are within the Baldwin County Sheriff's office. No employees of the County are represented by labor unions or similar employee organizations. The County does not bargain collectively with any labor union or employee organization. The County has enjoyed good relations with all County employees and the County believes that good relations will continue.

### Employee Pension Plan and Liability

The Employees' Retirement System of Alabama was created in 1945 pursuant to an act of the Alabama Legislature. The Employees' Retirement System is administered on behalf of the State of Alabama and certain local governmental units in Alabama by Retirement Systems of Alabama, an agency of the State of Alabama. More than 40,000 employees of the State of Alabama and certain local governmental units in Alabama are active members of the Employees' Retirement System. See Note 6, Page 36 to the Financial Statement attached hereto as Exhibit B for a description of the plan.

The County has participated in the Employees' Retirement System for over ten years. The plan covers substantially all salaried and hourly employees of the County.

Contributions by the County are made on the basis of certain actuarial calculations of amounts which, together with the employees' contributions, are projected to provide at the time of retirement the

benefits contemplated by the retirement program. The independent actuary employed by Retirement Systems of Alabama calculates total employer contributions to liquidate any unfunded accrued liability over a period of not more than 20 years. The next actuarial evaluation of the accrued liability respecting the County will be prepared on the basis of revised actuarial assumptions. See Part D of Note 6 to the Financial Statement attached hereto as Exhibit B for a statement of the funding status of the plan.

The Employees' Retirement System does not undertake to fund the retirement plans of participating local governmental units. The Employees' Retirement System acts only in an administrative capacity, and then only upon the election of the local governmental units. The statute permitting such election provides that "The retirement system shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefit." The statute further provides that the agreement of a local government to contribute to the Employees' Retirement System on account of its employees is irrevocable, but should it become financially unable to make the normal contribution, administrative charge and accrued liability contribution, the County would be deemed to be in default under the Employees' Retirement System.

In the event any participating local government elects to withdraw from the Employees' Retirement System by mutual agreement with employees, the statute provides that the rights and privileges of existing beneficiaries shall not, as a result of such withdrawal, be diminished or impaired. Upon any such withdrawal, the statute requires the Actuary to certify to the local government the actuarial determination of the reserves necessary to provide existing benefits and provides that the local government shall agree to appropriate such amounts as may be necessary to maintain existing benefits.

#### Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave. See Note 8 (page 28) to the Financial Statement attached hereto as Exhibit B.

#### 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. See Note 10 (page 46) to the Financial Statement attached hereto as Exhibit B for a description of such requirements.

#### Other Postemployment Benefits and Contingent Liabilities

The Commission allows retired employees and officials to continue to participate in the County's health insurance plan. See Note 7 (page 39) to the Financial Statement attached hereto as Exhibit B for a description of such plan. The funded status and funding progress of the plan is set forth on Part D of the aforesaid Note 7 on page 40 thereof.

#### Contingent Liabilities

The Central Regional Office, Office of Disaster Assistance Oversight, DHS Office of the Inspector General (OIG) issued Audit Report DD-09-03 in December 2008 after auditing 26 approved projects totaling almost \$39.6 million. The OIG questioned approximately \$10.5 million in Public Assistance funding for costs the County incurred in Hurricanes Ivan, Dennis and Katrina related to tipping fees, interest cost earned on these fees, stump removal costs, duplicate charges and insurance



claims. Of these five issues the County concurred on two: duplicate charges and insurance claims. The County challenged three of the five issues.

The Regional Administrator concurred with the OIG findings and disallowed approximately \$5.8 million of the questioned \$10.5 million from Hurricanes Ivan, Dennis and Katrina in a letter dated August 11, 2009.

#### *First Appeal*

On October 13, 2009, the County submitted a first appeal and the State submitted the appeal to FEMA on November 16, 2009. The County appealed FEMA's disallowance of \$5,753,619 in funding for tipping fees, stump removal charges and interest earned on tipping fees based on the OIG audit findings. The County claimed that the costs questioned in the OIG audit were eligible under FEMA policy and debris monitoring procedures.

#### *Second Appeal*

On June 9, 2010, the County submitted a second appeal which was submitted to FEMA by the State on July 21, 2010. The County claims that \$5.8 million disallowed by FEMA based on the OIG audit is eligible under FEMA policy and guidance in place at the time of the disasters.

On July 20, 2010 the County submitted an additional letter withdrawing the second appeal for FEMA-1605-DR-AL for Hurricane Katrina. The issue with regard to funding under FEMA-1605-DR-AL was submitted to the U.S. Civilian Board of Contract Appeals as part of the arbitration process for Hurricanes Katrina and Rita, and was no longer contested as part of the second appeal. The County was successful in the arbitration regarding Hurricane Katrina.

The findings of the second appeal determined that the County's requested funding for tipping fees were eligible for Public Assistance funding, and the interest earned on these fees should be returned to the County. Therefore, the second appeal in the amount of \$3,597,283 was approved. The County has paid the remaining total exposure to FEMA of \$763,795.97 and the matter is finally resolved.

#### Tax Sale Litigation

Several counties in the State of Alabama, including Baldwin County, are presently litigating the application and constitutionality of Alabama's so-called "Excess Funds Statute" (Ala. Code § 40-10-28 (1975)). Under Alabama law, counties may recover delinquent property taxes by "selling" the subject property at public auction for a minimum bid of the amount of tax owed. It is however customary in Alabama for bidders to bid in excess of the amount of tax owed because, in order to redeem the delinquent property, property owners (or other redeeming parties) must pay interest on the winning bid at a rate of 12%. The issue raised in litigation is that counties have historically, after receiving a winning bid and subtracting the amount of tax owed, either retained the excess funds until the delinquent owner redeems the property or deposited them in the county treasury pursuant to the Excess Funds Statute.

Class-action plaintiffs have alleged that counties have misapplied the Excess Funds Statute in violation of their due process and equal protection rights by failing to notify owners that counties will accept bid amounts that exceed the amount of tax owed, retain the excess funds until the owners seek to recover them through redemption, earn interest on the excess funds and require owners to pay 12% interest in order to redeem their property.

The Jefferson County Circuit Court, in the first such case of *Winston v. Jefferson County* (CV-09-2297), which is still ongoing, issued a preliminary order in favor, in part, of the plaintiffs holding that county retention of excess funds was impermissible and a violation of due process because delinquent property owners have no notice as to the actual amount of the excess that may be allowed and that charging them interest on the excess is essentially an "involuntary loan" encumbering their right of redemption.

Two companion cases were filed in Baldwin County alleging similar facts and circumstances: *Cleveland v. Baldwin County* (CV-09-900202) and *Barbee v. Baldwin County* (CV-09-900549). The Baldwin County Circuit Court, directly contrary to the Jefferson County Circuit Court, dismissed *Cleveland* without prejudice because the plaintiffs failed to satisfy certain prerequisite constitutional conditions and likewise dismissed the *Barbee* case on similar grounds. The *Barbee* plaintiffs have appealed to the Alabama Supreme Court. A similar lawsuit entitled *Mary E. Morgan et al. v. Baldwin County* (05-CV-2011-901062) was also dismissed on May 24, 2012 on the grounds that the plaintiffs had no standing to bring the lawsuit.

The County cannot make any predictions as to the outcome of this litigation or the financial impact a negative ruling would have on the County. The County has not spent the principal amount of any excess funds (\$13,335,290 as of September 30, 2010 and \$21,100,746 as of June 20, 2011) but has spent the interest earned thereon. The County has earned \$905,093 in interest earnings which has been transferred to the County's General Fund since 2008. It is possible that a negative ruling would require the County to release all excess funds currently held (approximately \$21,100,746) and to repay the interest earnings on such excess funds previously spent by the County.

#### General Financial Information

The County's Fiscal Year begins each October 1. The financial statements of the County are required to be audited by the Department of Examiners of Public Accounts of the State of Alabama not less often than every two years. The most recent audit available is for the fiscal year October 1, 2010-September 30, 2011 and is attached hereto as Exhibit B. There is no statutory authorization for the County to employ independent accountants to conduct an audit.

#### Limited Taxing Authority

Governing bodies of counties in the State of Alabama generally have no authority to raise taxes without first having a bill passed by the state legislature authorizing the levy of a new tax or the increase in an existing tax. Additionally, with respect to ad valorem taxes, no increase may be authorized even with the approval of the state legislature unless the qualified voters in the county also approve the levy of the proposed ad valorem tax.

#### Long Term Indebtedness

The long-term indebtedness of the County, after issuance of the Warrants will be as follows:

	<u>Principal Outstanding</u>	<u>Final Maturity</u>
General Obligation Warrants, Series 2013, dated February 1, 2013	\$18,840,000	January 1, 2026

General Obligation Warrants, Series 2012, dated September 1, 2012	\$10,195,000	June 1, 2026
General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012	\$25,000,000	June 15, 2015
General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012	\$875,000	June 1, 2014
General Obligation Warrants, Series 2010, dated January 1, 2010	\$16,915,000	January 1, 2025
General Obligation Warrants, Series 2008-B, dated May 1, 2008	\$24,715,000	May 1, 2033
General Obligation Warrant, Series 2008-C, dated September 30, 2008	\$4,428,923.66	September 15, 2028
General Obligation Warrant, Series 2008-A, dated December 4, 2007	\$5,096,582.13	November 30, 2017
General Obligation Warrants, Series 2007-A, dated March 1, 2007	\$13,045,000	February 1, 2032
General Obligation Warrants, Series 2004, dated April 1, 2004	\$3,595,000	February 1, 2016
<b>TOTAL</b>	<b>\$122,705,505.79</b>	

The long-term indebtedness set forth above and under the aforescribed section does not include certain lease and other miscellaneous obligations such as landfill closure and post-closure liability and compensated absences. The County has the following estimated liabilities: compensated absences (\$285,542.79); other postemployment benefits (\$1,234,111); landfill closure and post-closure liability (\$4,672,128.99); annual pension liability cost (\$2,901,378.63); and other miscellaneous obligations not exceeding \$500,000. The aggregate of all such amounts is approximately \$9,593,161.41 in principal amount. These obligations do not necessarily count against the County's constitutional debt limit but are shown here and under the "Constitutional Debt Limitation" section solely in the interest of full disclosure.

#### Short Term Debt

The County has no outstanding short-term notes or other obligations except as noted above.

#### Constitutional Debt Limitation

Section 224 of the Constitution of Alabama, as amended by Amendment 342, provides that no county shall become indebted in an amount, including present indebtedness, greater than five percent (5%) of the assessed value of the property therein. The net assessed valuation of the taxable property situated in the County (including motor vehicles) for the fiscal year which ended September 30, 2012 (for which taxes became due and payable on October 1, 2012 is not less than \$3,733,695,420. The corresponding constitutional debt limit of the County is therefore not less than \$186,684,771. The County has incurred general obligation indebtedness chargeable against its constitutional debt limit in the

aggregate amount of \$132,298,667.20. The County has a debt margin of \$54,581,103.80. The constitutional debt limit of the County and its relation to certain demographic data is as follows:

Debt Ratios

Assessed Value	\$3,733,695,420.00
Debt Limit (5%)	\$186,684,771.00
G.O. Chargeable Debt [1][2]	\$132,298,667.20
Debt Margin	\$54,386,103.80
Ratio of G.O. Chargeable Debt to Assessed Value	3.54%
2010 County Population	182,265
G.O. Chargeable Debt per capita	\$724.86

- [1] Includes the Long Term Indebtedness hereinabove described and the other miscellaneous obligations of approximately \$9,593,161.41.
- [2] The Public Building Authority of Baldwin County issued its \$6,405,000 Building Revenue Warrants, Series 2007-A, dated June 1, 2007 in order to finance the cost of acquiring, constructing and equipping an office building for lease on a year-to-year basis to the County and a sublease, on a year-to-year basis to the Alabama Department of Human Resources. The County is obligated to pay rent solely from amounts received under the sublease from the Alabama Department of Human Resources. The County is not obligated to pay any amounts from its general revenues and such lease obligation is not a constitutional debt of the County.

General Fund Revenues and Expenditures and Summary of Operations

The County's General Fund (unaudited for 2012) has primarily depended on the following sources of revenue:

A. Five Mill County-Wide Ad Valorem Tax. The County's five mill ad valorem tax is levied under the authority of Section 215 of the Constitution of Alabama of 1901, as amended by Amendment No. 208, and is one of the two largest sources of revenue for the County's General Fund. Proceeds of the five mill county-wide tax have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Five Mill General Fund</u>
2011-12 (unaudited)	\$18,492,388
2010-11	19,692,368
2009-10	21,559,368
2008-09	22,102,021
2007-08	22,360,831

B. 1983 County Sales Tax. Pursuant to Act No. 83-532 adopted at the 1983 Regular Session of the Legislature of Alabama, as amended by Act No. 84-523 adopted at the 1984 Regular Session of the Legislature of Alabama, the County levies a County-wide sales tax. In general, the rate is 1% of the gross proceeds of the sales or receipts of persons engaged in the business of selling at retail in the County any tangible personal property or in the business of conducting or operating places of amusement or entertainment in the County. Such 1983 Sales Tax must be added to the sales price or admission fee and collected from the purchaser or person paying an admission fee. Through September 30, 1995, the 1983 Sales Tax was collected by the State Department of Revenue along with the collection of the state sales

tax. Effective with the 1995-96 fiscal year, the County entered into a two-year agreement with a private firm to collect the County's sales tax. After payment of the costs of collection to said firm, 2% of the sales tax was paid to the Baldwin County Juvenile Court. Of the remaining 98% of the 1983 Sales Tax proceeds, 55% was paid to the Baldwin County Board of Education, 5% was paid to James H. Faulkner Community College and 40% was paid into the General Fund. From October 1, 1997 through February 28, 2001, the County again employed the Alabama Department of Revenue to collect its 1983 Sales Tax. Effective March 1, 2001, the County established its own department to collect the 1983 Sales Tax. The distribution of the 1983 Sales Tax remains as noted above after payment of collection costs. Proceeds of the 1983 Sales Tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds <u>of the Sales Tax</u>
2011-12 (unaudited)	\$9,955,607
2010-11	9,558,725
2009-10	8,853,228
2008-09	8,702,394
2007-08	9,135,871

C. Lease Tax. Pursuant to Act No. 2007-377, as amended by Act No. 2010-588, the County levies a County-wide lease tax. Seventy-five percent (75%) of the tax is distributed to the County general fund. Proceeds of the lease tax received by the County's General Fund have been as follows for the periods indicated:

<u>Fiscal Year</u>	County's General Fund Share of Proceeds <u>of the Lease Tax</u>
2011-12 (unaudited)	\$2,259,566
2010-11	2,331,609
2009-10	1,873,465
2008-09	2,028,241
2007-08	1,756,175

D. State Funding. The County's General Fund also receives from the State of Alabama certain taxes, licenses and other moneys levied and collected by the State. The largest sources of State revenues are from state franchise taxes and state excise taxes. Although such moneys have been made available to the County by the State, the continued availability of such moneys is dependent upon the ability and willingness of the Alabama Legislature to continue to provide such moneys.

#### General Fund Operations

The following comparative statements of General Fund revenues and expenditures have been extracted from audited financial records of the County for the fiscal years ended September 30, 2008 through September 30, 2011 and unaudited figures for 2012:

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND – FISCAL YEARS 2008-2012**

	<u>2012[1]</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>					
Taxes	\$42,642,205.61	\$44,729,686.31	\$34,311,655.60	\$35,468,203.67	\$36,557,514.90
Licenses and Permits	736,917.59	2,369,699.26	1,815,462.56	1,900,145.31	2,248,155.40
Intergovernmental	3,269,485.30	8,656,114.85	9,553,715.93	3,397,082.90	3,384,148.54
Charges for Services	9,569,684.96	8,053,527.60	8,221,609.50	8,384,281.61	8,947,893.12
Fines and forfeitures	40,198.39	40,978.86	59,403.60	65,500.87	76,156.58
Miscellaneous	<u>9,740,924.27</u>	<u>2,258,815.05</u>	<u>3,067,538.28</u>	<u>3,084,173.41</u>	<u>3,980,168.81</u>
<b>TOTAL REVENUES</b>	<b>65,999,416.12</b>	<b>66,108,821.93</b>	<b>57,029,385.47</b>	<b>52,299,387.77</b>	<b>55,194,037.35</b>
<b>EXPENDITURES</b>					
General Government	16,670,659.25	22,960,321.53	19,060,257.72	18,676,399.64	20,155,733.57
Public Safety	20,466,283.76	20,846,762.12	25,720,415.02	21,405,431.33	20,903,293.14
Highways and Roads	--	501,064.48	154,865.78	--	623.70
Health	888,153.95	944,735.21	893,325.42	921,122.34	954,390.88
Welfare	1,500.00	659,994.20	4,000.00	4,000.00	2,500.00
Culture and Recreation	154,915.12	1,144,479.03	217,366.69	198,214.38	359,369.79
Education	72,695.04	80,549.72	157,175.12	171,741.68	174,006.43
Capital Outlay	4,997,166.51	3,518,540.07	4,439,273.12	2,422,459.67	1,100,657.78
Intergovernmental	--	--	--	--	--
Debt Service:					
Principal Retirement	--	--	--	278,671.19	268,030.38
Interest and Fiscal Charges	--	--	--	<u>11,063.25</u>	<u>21,704.05</u>
<b>TOTAL EXPENDITURES</b>	<b>43,251,373.63</b>	<b>50,656,446.36</b>	<b>50,646,678.87</b>	<b>44,089,103.48</b>	<b>43,940,309.72</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,748,042.49</b>	<b>15,452,375.57</b>	<b>6,382,706.60</b>	<b>8,210,284.29</b>	<b>11,253,727.63</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers in	2,104,313.93	2,040,448.65	1,662,987.28	1,837,946.74	1,574,134.47
Other Sources	35,780.99	--	--	--	--
Sale of Capital Assets	--	12,174.54	5,154.45	167.48	18,053.00
Inception of Capital Lease	--	--	--	--	--
Operating transfers out	<u>(20,948,104.59)</u>	<u>(19,106,601.09)</u>	<u>(9,355,414.85)</u>	<u>(10,731,134.89)</u>	<u>(8,577,411.14)</u>
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(18,808,009.67)</b>	<b>(17,053,977.90)</b>	<b>(7,687,273.12)</b>	<b>(8,893,020.67)</b>	<b>(6,985,223.67)</b>
<b>Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures</b>	<b>3,940,032.82</b>	<b>(1,601,602.33)</b>	<b>(1,304,566.52)</b>	<b>(682,736.38)</b>	<b>4,268,503.96</b>
Fund Balance October 1	28,526,980.43	28,217,180.71	29,521,747.23	30,204,483.61	25,935,979.65
Changes in Fund Balances	--	(1,601,602.33)	(1,304,566.52)	(682,736.38)	4,268,503.96
Fund Balance October 1, as Restated (Note 16)	28,526,980.43	31,291,424.95	29,521,747.23	30,204,483.61	25,935,979.65
Fund Balance September 30	<u>\$32,467,013.25</u>	<u>\$29,689,822.62</u>	<u>\$28,217,180.71</u>	<u>\$29,521,747.23</u>	<u>\$30,204,483.61</u>

[1] Unaudited

Special Revenue Funds

To account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes, the County has established, among others, the following funds:

(a) State Seven Cents Gasoline Tax Fund - The County's share of the State's seven cents gasoline tax is deposited in this fund and used for building and maintaining county roads and bridges. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Seven Cents Proceeds</u>
2011-12 (unaudited)	\$2,315,482
2010-11	2,060,490
2009-10	2,057,524
2008-09	2,029,612
2007-08	2,024,240

(b) State Four Cents Gasoline Tax Fund - The County's share of the State's four cents gasoline tax is deposited in this fund and used for resurfacing, restoring and rehabilitating of the County's existing paved roads and bridges. The proceeds of this tax for the last seven fiscal years have been as follows:

<u>Fiscal Year</u>	<u>Four Cents Proceeds</u>
2011-12 (unaudited)	\$1,375,089
2010-11	1,229,084
2009-10	1,222,995
2008-09	1,204,104
2007-08	1,209,962

(c) State Five Cents Gasoline Tax - The County's share of the State's five cents gasoline tax is deposited in the Four Cents Gasoline Tax Fund and used for resurfacing, restoring and rehabilitating the County's existing paved roads and bridges and for maintaining County roads. The proceeds of this tax for the last seven years have been as follows:

<u>Fiscal Year</u>	<u>Five Cents Proceeds</u>
2011-12 (unaudited)	\$661,452
2010-11	588,712
2009-10	587,643
2008-09	579,890
2007-08	578,353

(d) State Five Cents Gasoline Tax - The County receives the entire proceeds of a three cents per gallon countywide gasoline tax. The County was also authorized after January 1, 1995, pursuant to Act No. 91-159 adopted at the 1991 Regular Session of the Alabama Legislature, to levy two separate and distinct taxes each in the amount of one cent (\$0.01) per gallon on persons, corporations and others engaged in the business of selling, distributing, storing or withdrawing from storage, for any purpose whatsoever, gasoline and motor fuel and substitutes therefor in the County. The governing body of the County has adopted a resolution levying such taxes. The combined taxes have produced the following revenues:

<u>Fiscal Year</u>	<u>Five Cents Proceeds[1]</u>
2011-12 (unaudited)	\$6,949,389
2010-11	7,018,882
2009-10	6,945,982
2008-09	6,929,893
2007-08	6,925,428

[1] Such proceeds are deposited in the Seven Cents Gasoline Tax Fund

(e) Public Building, Road and Bridge Fund - The County's 2.5 mill ad valorem tax levied for the building and maintaining of public buildings, roads and bridges is deposited in this fund. The proceeds of this tax have been as follows for the last seven fiscal years:

<u>Fiscal Year</u>	<u>Road and Bridge Tax</u>
2011-12 (unaudited)	\$8,972,952
2010-11	9,626,725
2009-10	10,584,900
2008-09	10,822,413
2007-08	10,996,964

#### Ad Valorem Taxation

##### General

The Constitution of Alabama of 1901 provides for the levy and collection of ad valorem taxes in Alabama by establishing the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Constitution of Alabama of 1901 substantially changed ad valorem taxation in Alabama. Because of litigation, including litigation involving "current use" assessments and possible future changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, future collections of ad valorem taxes in Baldwin County cannot be predicted with certainty. Amendment No. 373 to the Constitution of Alabama of 1901, the second of the two amendments referred to above, sets forth the assessment ratios, millage rates and the maximum amount of taxes collectable in any year currently in effect.

##### The 1978 Tax Amendment

Amendment No. 373 to the Constitution of Alabama of 1901 (approved at a statewide election on November 7, 1978; the "1978 Tax Amendment") provides that all taxable property in Alabama be classified and assessed in the following classifications and at the following ratios of assessed value to fair and reasonable market value (or, with respect to certain Class III property, at current use value) for purposes of State of Alabama and local taxation:

Class I	Property of utilities used in their business*	30%
Class II	Property not otherwise classified (generally, business or commercial property)	20%



Class III	Agricultural; forest; single-family, owner-occupied residential property; and historic buildings and sites	10%
Class IV	Private passenger automobiles and small trucks (pickups) for personal use and not for hire, rent or compensation	15%

\* As a result of federal regulations, railroads are now assessed at 15% of the fair and reasonable market value of their property and as a result of litigation certain other utilities are now assessed at 22.5% of the fair and reasonable value of their property.

The 1978 Amendment provides that Class III property shall, upon application by the owner of such property, be assessed "at the ratio of assessed value to the current use value" of such property and not the fair and reasonable market value of such property. Act No. 82-302 adopted at the 1982 Regular Session of the Alabama Legislature, implementing the 1978 Tax Amendment, defined "current use value" as the value of such property based on the use being made of it on October 1 of the preceding year, without considering "the prospective value such property might have if it were put to some other possible use." Act No. 82-302 established a standard valuation formula for uniform use statewide by which the current use value of Class III properties could be ascertained and thereby provided for a different method of determining current use values than that used by revenue commissioners pursuant to directives issued by the State Department of Revenue prior to the passage of Act No. 82-302. The impact of Act No. 82-302 on assessed valuations of Class III properties in the County was and will continue to be negative and adverse.

#### Variation of Assessment Ratios

The 1978 Tax Amendment provides that the governing body of any local taxing authority (but not the State of Alabama) may adjust (by increasing or decreasing) the ratio of assessed value of any class of taxable property to its fair and reasonable market value or current use value provided that (1) said adjustment shall have been proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by majority vote of the qualified electors residing in the taxing authority; provided, however, that the adjusted assessment ratio applicable to each class of taxable property must be uniform within each local taxing authority, that no decrease in any assessment ratio may jeopardize the payment of any bonded indebtedness secured by any tax levied by the taxing authority decreasing said assessment ratio, and that no class of taxable property shall have an assessment ratio of less than 5% nor more than 35%. The State Legislature has no authority with respect to the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of the County has not sought to make any adjustment in the assessment ratio applicable to any class of taxable property in the County.

The Legislature has provided that no local taxing authority may adjust the assessment ratios of any class of taxable property except as follows:

(1) If the total assessed valuation of all property in one class exceeds 50% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential from the standard ratio of such class set forth above; (2) if the total assessed valuation of all property in one class is less than 20% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be increased up to a maximum of 5% differential from the standard

ratio for such class set forth above; or (3) if the total assessed valuation of all property in one class constitutes more than 75% of the assessed valuation of all taxable property in the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential, and the ratio of properties in other classes of taxable property may be increased up to a maximum of 5% differential.

#### Millage Rate Adjustments

The 1978 Tax Amendment provides that each local taxing authority may decrease any ad valorem tax rate at any time, provided such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax.

The 1978 Tax Amendment provides that each local taxing authority may increase the rate at which any ad valorem tax is levied by any such authority above the limit otherwise provided in the Constitution provided that the proposed increase shall have been (1) proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by a majority vote of the qualified electors residing in the taxing authority.

#### Limitation on Ad Valorem Taxation

The 1978 Tax Amendment limits the total amount of ad valorem taxes payable to the State and to all counties and municipalities and other taxing authorities, with respect to any item of taxable property, and in any one ad valorem tax year, to the following respective percentages of the fair and reasonable market value of such property:

Class I	2.00%
Class II	1.50%
Class III	1.00%
Class IV	1.25%

These limitations are not now exceeded as to any class of property in the County. In the event the total ad valorem tax otherwise payable by any taxpayer with respect to any item of taxable property exceeds the maximum tax limit set forth above, the county revenue commissioner is required by the 1978 Tax Amendment to reduce the rate of each separate tax in proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all taxing authorities.

#### Exemptions

The 1978 Tax Amendment exempts from all ad valorem taxation the real and personal property of the State, all counties and municipalities, and property devoted exclusively to religious, educational or charitable purposes, household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise.

#### Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the State Legislature increased the State ad valorem tax homestead exemption to \$4,000 and provided that local taxing authorities, including the County, are permitted to increase the current \$2,000 homestead exemption against county taxes to not more than \$4,000 of assessed value for any year and to extend the homestead exemption to school district

ad valorem taxes. The Baldwin County Commission has not elected to increase the homestead exemption from the current amount of \$2,000. An increase made in subsequent tax years would have the effect of decreasing the collection of the taxes for the year or years in which such increase was in effect.

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable property except motor vehicles, mobile homes and public utility properties are assessed and collected by the County Revenue Commissioner. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Judge of Probate of Baldwin County and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and the County Revenue Commissioner. Ad valorem taxes become due and payable on October 1 of each year following the October 1 as of which they are assessed and become delinquent after the next succeeding December 31.

Net Assessed Valuations

The net assessed valuations of taxable property in Baldwin County have been as follows for the periods indicated:

<u>Fiscal Year</u>	<u>Real, Personal and Public Utility Property</u>	<u>Motor Vehicles</u>	<u>Total</u>
2011-12	\$3,399,511,400	\$334,184,020	\$3,733,695,420
2010-11	3,570,497,540	310,697,586	3,881,195,126
2009-10	3,810,638,920	284,265,436	4,094,904,356
2008-09	4,275,161,020	314,497,984	4,589,659,004
2007-08	4,664,597,260	331,613,012	4,996,210,272

Sources: Revenue Commissioner of Baldwin County; Judge of Probate of Baldwin County

Ad Valorem Taxes Levied in the County

The following ad valorem taxes are currently being levied on all taxable property in Baldwin County by the following taxing authorities at the following rates (in mills):

<u>State of Alabama:</u>	<u>Mills</u>
General	2.5
Soldier	1.0
School	<u>3.0</u>
<b>TOTAL - State Tax Rate</b>	<b>6.5</b>

Baldwin County:

General	5.0*
Road and Bridge	2.5
School - County - Special	9.0
School - District	3.0**
Hospital	2.0***
Health	0.5
Volunteer Fire Departments	<u>1.5</u>
TOTAL - County Tax Rate	23.5
TOTAL TAX RATE	30.0

\* The County levies a 5 mill ad valorem tax under the general ad valorem tax authority of Section 215 of the Alabama Constitution. Pursuant to Act No. 609 adopted in 1901 by the Alabama Legislature, 2 mills were remitted to the Baldwin County School Board. In consideration of the County levying a new one-half of one percent sales tax and a 1½% use tax for educational purposes, the County Board relinquished its rights to the two mill ad valorem tax. Act No. 89-482 provides that so long as the above-referenced sales and use tax proceeds are received by the Board of Education, the two mill ad valorem tax shall be deposited in the County's General Fund.

\*\* Applies to District Two only

\*\*\* Applicable to northern Precincts 1 through 7 for northern Baldwin Hospital Fund

Source: Revenue Commissioner of Baldwin County

Ad Valorem Taxes Levied by Municipalities

In addition to the state and county ad valorem taxes listed above, the following municipalities in Baldwin County currently levy ad valorem taxes on property within their corporate limits at the following rates (in mills):

<u>Municipality</u>	<u>Mills</u>
Bay Minette	12.5
Daphne	15.0
Elberta	5.0
Fairhope	15.0
Foley	5.0
Gulf Shores	5.0
Loxley	6.0
Magnolia Springs	5.0
Orange Beach	4.0
Perdido Beach	4.0
Robertsdale	5.0
Silverhill	10.0
Spanish Fort	5.0
Summerdale	5.0

Source: Revenue Commissioner of Baldwin County

### Largest Ad Valorem Taxpayers

The largest ad valorem taxpayers in the County (other than the Fairhope Single Tax Corporation) and the amount of ad valorem taxes paid by each during the 2012 tax years are shown below:

<u>Taxpayer</u>	<u>2012 Total Tax Due</u>	<u>2012 Total Assessed Value</u>
Baldwin County Electric Membership	\$882,836.08	\$31,529,860
Gulf Telephone Company	646,669.52	23,282,180
Florida Gas Transmission Co.	560,779.52	20,027,840
Alabama Power Company	395,811.92	14,150,060
Exxon Corporation	282,641.52	10,094,340
Red Mountain Timberco IV LLC	119,867.49	3,765,240
BellSouth Telecommunications, LLC D	113,699.60	4,060,700
Baldwin County Sewer Service, LLC	102,622.80	3,666,100
Powersouth Energy Cooperative MEPUS	100,041.80	3,669,220
CSX Transportation Inc.	99,589.28	3,556,760
FST Wal-Mart Stores East LP	94,739.40	3,165,340
Gulf South Pipeline Company	92,054.48	3,287,660
Audubon Park Apartments LLC	91,294.20	3,043,140
Genesis Pipeline USA LP	78,136.80	2,790,600
D&E Investments LLC	53,989.04	1,928,180
Barber Marina Inc.	53,532.64	1,912,220
Thompson Tractor Co. Inc.	53,003.20	1,892,800
Seven States Timberlands LLC	49,598.64	1,771,380
Magnolia Properties LLC	42,302.33	1,313,580
	40,246.08	1,437,360

Source: Revenue Commissioner of Baldwin County

### Fairhope Single Tax Colony

The Fairhope Single Tax Corporation is America's oldest and largest single tax colony. The intent of the settlers of Fairhope was to demonstrate the theories of taxation of Henry George, the 19<sup>th</sup> century American economist. George believed that only land should be taxed. The corporation holds title to all of its lands. The corporation owns approximately 20 percent of the land within the corporate limits of the City of Fairhope. The land is divided and leased at a rental rate equalizing the varying advantages of different tracts. The land is made available through leases to those who will use it and improve upon it. All assessed taxes on the land owned by the corporation and improvements owned by its lessees are paid by the corporation. The corporation also makes public improvements. Over the years the corporation has financed vital public projects and cultural efforts.

### Ad Valorem Tax Collections

The Baldwin County Tax Collector has collected not less than 95% of ad valorem taxes due during the last nine fiscal years.

## Economy

**Income Level.** Two basic measures of annual income include per capita income, which is the total income of all families and individuals in a given area divided by the total population of the area and median family income, above and below which are an equal number of family incomes.

### Per Capita Income

The following table sets forth certain information from the U.S. Department of Commerce, Bureau of Economic Analysis regarding comparative per capita personal income levels in the County and the State of Alabama.

<u>Area Measured</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Baldwin County	\$27,133	\$29,093	\$31,164	\$33,682	\$35,042	\$35,829	\$34,461
State of Alabama	26,380	28,019	29,843	31,421	32,773	33,928	33,411

Source: U.S. Department of Commerce; [cber.cba.ua.edu/edata](http://cber.cba.ua.edu/edata)

### Median Family Income

The median family income for Baldwin County and the State of Alabama has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2009</u>
Baldwin County	\$3,835	\$7,338	\$16,917	\$30,199	\$47,028	\$57,447
State of Alabama	3,937	7,266	16,353	28,688	41,657	\$51,989

Source: Alabama County Data Book; Alabama Department of Economic and Community Affairs; U.S. Census Bureau

### Poverty Level

The percentage of families in the County and in the State of Alabama with incomes below the federal poverty level has been as follows for the periods indicated:

<u>Area Measured</u>	<u>1960</u> <u>(income less</u> <u>than \$3,000)</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1999</u>	<u>2009</u>
Baldwin County	39.0%	17.9%	13.2%	10.4%	7.6%	8.8%
State of Alabama	39.1	20.7	14.8	14.3	12.5	12.9

Source: U.S. Bureau of the Census (2009 figures from [www.factfinder2.census.gov](http://www.factfinder2.census.gov))

### Unemployment Rates

Comparative average annual unemployment figures for Baldwin County, the State of Alabama, and U.S. national average are as follows:

<u>Calendar Year</u>	<u>Baldwin County</u>	<u>State of Alabama</u>	<u>U.S. National Average</u>
2012	6.1%	6.7%	7.4%
2011	7.2	7.5	8.3
2010	8.4	8.9	9.1
2009	10.2	10.6	9.7
2008	4.1	5.1	5.8
2007	2.7	3.5	4.6
2006	2.8	3.6	4.6

Source: Alabama Department of Industrial Relations

### Major Employers

The following table sets forth the most recent information with respect to the major employers in the County:

<u>Name of Employer</u>	<u>Product</u>	<u>Approximate Employees</u>
Baldwin County Board of Education	Education	3,141
Wal-Mart Super Centers (5 locations)	General retail	1,600
Tanger Outlet Mall	Outlet stores	1,500
Thomas Hospital	Medical care	1,048
Baldwin County Government	County government	857
Goodrich Aerospace & Aerostructure Group	Thrust reversers and nacelle components	805
South Baldwin Regional Medical Center	Health care	653
Marriott Grand Hotel	Hotel and country club	600
Brett/Robinson Gulf Corporation	Condo rental and management	550
Mercy Medical	Medical care	550
Standard Furniture	Bedroom and dining room tables	530
Columbia Southern University	Education	432
Meyer Real Estate	Sales and vacation rentals	264
City of Foley	Municipal government	260
Ace Hardware Support Center	Hardware distribution	250
Spectrum Resorts	Real estate	230
Riviera Utilities	Utilities	220
Vulcan, Inc.	Aluminum and steel products	200
LuLu's at Homeport	Restaurant	199
Baldwin EMC	Electric Utility	193
North Baldwin Infirmary	Medical care	189
Faulkner State Community College	Education	175
Bon Secour Fisheries	Seafood processing	152
International Paper	Shipping containers	150
Quincy Compressors	Rotary screw air compressors	149
Golden Living Center	Nursing home	147
Quality Filters	Air filters	102

Dental EZ Inc.	Dental equipment and supplies	100
Segers Aero	Aerospace MRO	91
Connexion	Call/support center	80

Source: Baldwin County Economic Development Alliance website: [baldwineda.com](http://baldwineda.com); updated April 30, 2012

### Educational Levels

According to the U.S. Census Bureau, Census 2000, approximately 82% of Baldwin County residents were high school graduates and approximately 23.1% of Baldwin County residents were college graduates. State averages were 75.3% and 19%, respectively. For the period 2006-2010, the U.S. Census Bureau estimates that approximately 87.6% of Baldwin County residents were high school graduates and approximately 26.8% of Baldwin County residents were college graduates. State averages were 82.1% and 21.9%, respectively.

### General Housing Characteristics

According to the U.S. Census Bureau, Census 2000, the median value of owner-occupied homes in Baldwin County was \$122,500. The state average was \$85,100. For 2009, the Census Bureau reports the figures as \$173,100 and \$111,900, respectively.

### Health Services

Presently, three hospitals, North Baldwin Infirmary, Thomas Hospital, and South Baldwin Regional Medical Center, are currently operated in Baldwin County. Approximately 240 hospital beds and 565 nursing home beds are maintained in the County.

### Utilities

Telephone service is provided throughout the County by several telephone systems including AT&T and Gulf Telephone Company. Natural gas is provided throughout the County at wholesale by United Gas Pipeline Company and at retail by municipal systems including Fairhope Utilities and Riviera Utilities of Foley. Electricity is provided by Alabama Power Company, Riviera Utilities of Foley and the Baldwin County Electric Membership Cooperative. Approximately 26 public/private water systems are in service in the County. Approximately seven sewage facilities are installed in the County. There is one "Subtitle D" secondary landfill and one transfer station in Baldwin County operated by the County.

### Tourism

Baldwin County has become a tourist destination center. There are two separate areas which attract two different types of tourists. The first area offers the beautiful white sand beaches on the Gulf of Mexico at Gulf Shores and Orange Beach. In the summer it attracts vacationing families who enjoy the gulf waters and beaches. More and more people, especially those from colder Midwestern states, are discovering this area for a cold weather retreat. The second area, commonly known as the Eastern Shore (Mobile Bay), attracts tourists who are interested in fine living at the Grand Hotel, coupled with an active artist community and many quaint shops. This area offers a pleasant, easygoing pace with a beautiful community.



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.

### Transportation

Highway. The major highway system in the County is comprised of the following: three U.S. Highways, U.S. 90, 98 and 31; two interstate highways, I-10 and I-65; and six major state highways, Alabama 225, 104, 59, 180 181 and 182.

Bus and Rail. Nationwide bus service is available. More than 55 common and specified carriers are authorized to serve the Baldwin and Mobile County areas. CSX Transportation connects Bay Minette and Mobile to the west, and Bay Minette and Escambia County to the east.

Water. The Port of Mobile is the largest and best equipped gulf port located close to deep water. The Port's major waterfront facilities are located along the lower five miles of the Mobile River at the head of Mobile Bay just across the Bay from Baldwin County. The harbor is situated about 30 miles north of the Bay entrance from the Gulf of Mexico. The present depth-controlling entrance to the inner harbor is 40 feet. The Port is authorized for 55 feet south of the I-10 tunnels. The State Docks have been providing all appropriate expansions south of the tunnels to take advantage of this future increased depth.

The Gulf Intercoastal Waterway traverses South Baldwin County. The channel is 12 feet deep and 125 feet wide. The waterway extends along the lower end of Mobile Bay and Gulf Coast for 1,100 miles. An extensive system of Alabama inland waterways, with docking facilities, is tributary to the Port of Mobile, permitting barge traffic as far north as Birmingham. The Alabama State Docks, which operates waterfront facilities at the Port of Mobile, has spent more than \$275 million over the past 15 years to upgrade and expand the available facilities for handling cargo.

Air Service. There are two air carrier facilities available to Baldwin County, one of which is the Mobile Municipal Airport, located approximately 30 to 40 miles from most locations in Baldwin County. Passenger service is provided by major air carriers and commuter services. There are three lighted runways. Major repairs, storage and transportation are also available.

The other air carrier facility available to residents of Baldwin County is the Pensacola, Florida Municipal Airport. Pensacola is served by major and commuter airlines. Charter flights, aircraft repair and hangar storage are made available by several independent flying services in Pensacola. Nine other municipal or private air fields in the County serve the needs of general aviation interests of the area (six are public and three are private).

### Education

Primary and Secondary. There are approximately 44 public schools being operated by the Baldwin County Board of Education with an enrollment of approximately 25,000. There are presently no public school systems operated by any municipality in the County, although the cities of Gulf Shores, Orange Beach, Daphne and Fairhope have each considered forming their own municipal school systems in the past. There are approximately 10 private and parochial schools operating in the County.

Vocational and Technical. Although Baldwin County does not have a trade school, a vocational curriculum is available to the high school students at the County's two area technology centers. These vocational schools are open to high school students during the day and to adults at night.

Higher Education. Although Baldwin County has one state community college (James H. Faulkner Community College with campuses in Bay Minette, Fairhope and Gulf Shores), many students are able to stay in the area and receive a higher education. The County Campus of the University of South Alabama is located in Fairhope. Mobile has become the major center of higher education between New Orleans and Tallahassee with four degree-granting institutions. They are the University of Mobile, Spring Hill College, University of South Alabama and Bishop State Community College. There are other post-secondary schools that are vocational and trade schools.

### **BOOK-ENTRY SYSTEM**

DTC will serve as initial Securities Depository under the Book-Entry System for the Warrants with no physical distribution of Warrants made to any owner of any Warrant or Warrants. The ownership of one fully registered Warrant for each maturity will be registered in the name of Cede & Co., as initial Securities Depository Nominee. Except as provided below, so long as the Securities Depository or the Securities Depository Nominee is the registered owner of the Warrants, references herein to the Holders, owners or registered owners of the Warrants shall mean the Securities Depository or the Securities Depository Nominee and shall not mean the Beneficial Owners of the Warrants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking corporation" under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "Direct Participants") and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among Direct Participants in such securities through electronic computerized book-entry changes in accounts of the Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Book-Entry System of DTC is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the Direct Participants are on file with the Securities and Exchange Commission.

Beneficial ownership interests in the Warrants may be purchased by or through Direct Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." Such Direct Participants and the persons for whom they acquire interests in the Warrants as nominees will not receive a warrant certificate, but each Direct Participant will receive a credit balance in the records of the Securities Depository in the amount of such Direct Participant's interest in the Warrants, which will be confirmed in accordance with standard procedures of the Securities Depository. Beneficial Owners of Warrants will not receive certificates representing their beneficial ownership interests in the Warrants, unless use of the Book-Entry System is discontinued as described below. Beneficial Owners will be treated in all respects as the owners of the Warrants. The deposit of Warrants with the Securities Depository and their registration in the name of the Securities Depository Nominee effect no change in beneficial ownership. The Securities Depository has no knowledge of the actual Beneficial Owners of the Warrants; the records of the Securities Depository reflect only the identity of the Direct Participants to whose accounts such Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers as Beneficial Owners.

Transfers of beneficial interests in the Warrants which are registered in the name of the Securities Depository Nominee will be accomplished by book entries made by the Securities Depository and in turn by the Direct Participants and Indirect Participants who act on behalf of the Beneficial Owners of the Warrants. For every transfer and exchange of beneficial ownership in the Warrants, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

During the period in which the Book-Entry System is in effect for the Warrants, the County and the Custodian shall treat the Securities Depository and the Securities Depository Nominee as the only registered owner of the Warrants for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Warrants, receipt of notices, and requesting or directing the Custodian to take or not to take, or consenting to, certain actions under the Resolution.

The Securities Depository may be expected to assign the consent or voting rights of the Securities Depository Nominee to those Direct Participants to whose accounts the Warrants are credited on the record date specified by the Securities Depository therefor. In the event of such assignment, the County and the Custodian shall treat the assignees as the only registered owners of the Warrants for purposes of exercising such rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Warrants. Under its usual procedures, DTC mails an Omnibus Proxy to the County, as soon as possible after the said record date, for purposes of assigning such consent and voting rights to the Direct Participants.

Conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Warrants, will be governed by arrangements among the Securities Depository, Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to the Securities Depository Nominee and redemption of Warrants shall be effected as provided in the Resolution and described herein.

Principal, redemption prices, and interest payments on, the Warrants will be made by the County or the Custodian to the Securities Depository or the Securities Depository Nominee, as registered owner of the Warrants. Payment of interest due on each interest payment date will be made for the account of the persons who are Beneficial Owners on the Record Date for such interest payment date. Disbursement of such payments by the Securities Depository or the Securities Depository Nominee to Direct Participants shall be solely the responsibility of the Securities Depository and subsequent disbursements of such payments to the Beneficial Owners shall be solely the responsibility of the Direct Participants and, where appropriate, Indirect Participants. Upon receipt of moneys, the Securities Depository will credit immediately the accounts of the Direct Participants in accordance with their respective holdings shown on the records of the Securities Depository. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions of the Beneficial Owners and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Such payments to the Beneficial Owners will be the sole responsibility of such Direct Participant or Indirect Participant and not of the County or the Custodian, subject to any statutory and regulatory requirements as may be in effect from time to time.

The County, the Custodian and the Underwriter cannot and do not give any assurances that the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Warrants (1) payments of principal or redemption price, premium, if any, or interest on, the Warrants, (2) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in Warrants, or (3) redemption or other notices sent to the Securities Depository or the Securities Depository Nominee, as

the registered owner of the Warrants, or that they will do so on a timely basis or that the Securities Depository or the Securities Depository Nominee, the Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. All such payments to the Securities Depository or the Securities Depository Nominee of principal, interest, or redemption price on behalf of the County and Custodian shall be valid and effectual to satisfy and discharge the liability of the County and Custodian to the extent of the amounts so paid, and the County and Custodian shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or any Direct Participant or any Indirect Participant.

The County, the Custodian and the Underwriter will not have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant; (2) the payment by the Securities Depository, any Direct Participant or Indirect Participant, of any amount due to any Beneficial Owner in respect of the principal or redemption price, premium, if any, and interest on the Warrants; (3) the delivery or timeliness of delivery by the Securities Depository, any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository or the Securities Depository Nominee, as owner.

In Release No. 34-47978; File No. SR-DTC-2003-02, the SEC approved DTC's Rule change clarifying that only DTC Participants with a position in that issue can request withdrawal of those securities from DTC. Issuers have no legal or beneficial interest in securities held by Participants at DTC and therefore issuers, such as the County, have no basis to request the withdrawal of those securities.

DTC's Rule change provides that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer.

In the event that the Securities Depository determines not to continue to act as securities depository for the Warrants the County may appoint another qualified securities depository to administer the Book-Entry System. If the County appoints another securities depository to administer the Book-Entry System, the rules and procedures of such securities depository may differ from those described herein. If the County fails to identify another qualified securities depository, the County will cause the Custodian to authenticate and deliver fully registered Warrants to each Beneficial Owner. See "Discontinuation of Book-Entry System; Transfer, Exchange and Registration".

In the event of an insolvency of the Securities Depository or if the Securities Depository has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its Direct Participants or Indirect Participants with respect to deposited securities and is unable by application of (i) cash deposits and securities pledged to the Securities Depository to protect the Securities Depository against losses and liabilities; (ii) the proceeds of insurance maintained by the Securities Depository or its Direct Participants or Indirect Participants; or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that Direct Participants or Indirect Participants will be able to obtain all of their deposited securities.

The information in this section concerning the Securities Depository and the Book-Entry System has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

#### Discontinuation of Book-Entry System; Transfer, Exchange and Registration

The Securities Depository may determine to discontinue the Book-Entry System with respect to the Warrants at any time upon notice to the County and the Custodian and upon discharge of its responsibilities with respect thereto under applicable law. Upon such notice the Book-Entry System for the Warrants will be discontinued unless a successor securities depository is appointed by the County.

In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of beneficial interests in the Warrants, the Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Resolution, and the following provisions with respect to registration, transfer and exchange of the Warrants by the registered owners thereof shall apply, subject to the further conditions set forth in the Resolution with respect thereto:

(a) The Warrants may be transferred by the registered owner in person or by authorized attorney, only on the Warrant Register maintained by the Custodian and only upon surrender of the Warrant to the Custodian for cancellation with a written instrument of transfer acceptable to the Custodian executed by the registered owner or his duly authorized attorney, and upon any such transfer, a new Warrant of like tenor shall be issued to the transferee in exchange therefor.

(b) The registered owner of any Warrant in a face amount of more than \$5,000 may surrender the same in exchange for more than one Warrant, each in the principal amount which is an integral multiple of \$5,000, having the same year of maturity as the Warrant so surrendered and the same aggregate principal amount. The registered owner of two or more Warrants having the same principal maturity may surrender the same in exchange for a single Warrant in the aggregate principal amount of the Warrants so surrendered.

(c) The Custodian shall not be required to transfer or exchange any Warrant during the period from the Record Date and the then next succeeding interest payment date; and in the event that any Warrant (or any part thereof) is duly called for redemption, the Custodian shall not be required to register or transfer any such Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer or exchange, but the registered owner of any Warrant requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The registered owner of any Warrant will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Warrant.

#### TORT LIABILITY

In past years, the Supreme Court of Alabama, in several related decisions, overruled a long-standing series of cases holding that political subdivisions of the State were not liable in tort for damages resulting from the performance by them of governmental functions. As a result of these decisions,

counties in Alabama may now be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the CODE OF ALABAMA 1975) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including counties. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence. The Act also limits recovery of damages to \$100,000 for damage or loss of property arising out of any single occurrence. The constitutionality and applicability of all parts of said Act have not been definitively determined, and the County can give no assurance that any recovery against the County would be limited by the amounts provided in said Act. Additionally, Act No. 673 has no applicability to causes of action under Section 1983 and 1985 of Title 42 of the United States Code. Local governments throughout the country have been increasingly subjected to lawsuits - many of which seek substantial damages - for alleged denials of civil rights under the provision of said Sections.

### **FEDERAL BANKRUPTCY CODE**

The rights and remedies of the registered owners of the Warrants are subject to the provisions of Chapter 9 of Title 11 of the United States Code (Bankruptcy) which permits under certain specific circumstances (but only after authorization by the legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision of a state, such as the County, to file a petition for relief in the U.S. District Court for the district in which the political subdivision is located if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts. Under the Bankruptcy Code, the filing of such a petition operates as an "automatic" stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant of the petitioner. Chapter 9 also permits a political subdivision that files such a petition to issue, with the approval of the Court, certificates of indebtedness having priority over pre-existing obligations.

Any political subdivision filing a petition for relief under Chapter 9 must in due course file a plan for the adjustment of its debts, and such plan may include provisions modifying or altering the rights of creditors generally, or any class of them, secured and unsecured. Such plan, when confirmed by the Court, binds all creditors who had timely notice or actual knowledge of the petition or plan and discharges all claims against the petitioning political subdivision provided for in the plan. No plan may, however, be confirmed by the Court unless certain conditions occur, which include either (1) that the plan has been accepted in writing by two-thirds (2/3) in the amount and more than fifty percent (50%) in number of the allowed claims of each class which is impaired by the plan, or (2) the Court finds that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims that is impaired under, and has not accepted, the plan.

Existing Alabama statutes authorize the County to file a petition for relief under Chapter 9 of Title 11 of the United States Code.

## EXHIBITS

Each Exhibit is an integral part of this Official Statement and should be read in its entirety. The Exhibits include the following:

- Exhibit A - Proposed Opinion of Bond Counsel
- Exhibit B - Audited Financial Report for the Fiscal Year Ending September 30, 2011

## APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Warrants are subject to the approval of Jones Walker L.L.P. in Birmingham, Alabama, Bond Counsel, whose approving legal opinion will be delivered at the time of delivery of the Warrants. The proposed form of that opinion is included in this Official Statement as Exhibit A.

The various legal opinions to be delivered concurrently with the delivery of the Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX EXEMPTION

In the opinion of Bond Counsel, assuming the accuracy of certain representations and the compliance with certain covenants made by the County in the Authorizing Resolution with respect to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code, applicable regulations and rulings of the Commissioner of Internal Revenue, and court decisions heretofore rendered. Bond Counsel is also of the opinion that under existing statutes interest on the Warrants is exempt from income taxation by the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in the alternative minimum tax calculations for corporations, (2) property and casualty insurance companies are required to include a portion of the tax exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security and certain railroad retirement benefits required to be included in gross income, and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation. Furthermore, interest on the Warrants is required to be included in the calculation of the federal branch profits tax liability of foreign corporations.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on

the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Authorizing Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Authorizing Resolution, nor any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

#### **ORIGINAL ISSUE DISCOUNT AND PREMIUM ON WARRANTS**

Certain of the Warrants (or those of the Warrants having certain stated maturities) may initially be sold to the public at an "original issue discount." As that term is effectively defined in the Tax Code and applicable regulations thereunder, the "original issue discount" referable to a Warrant is the excess (if any) of (i) the stated redemption price of such Warrant at maturity, over (ii) the initial offering price to the public, or (in other words) the first price, at which a substantial amount of the Warrants of the "issue" of which such Warrant is a part, was sold for money (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Original issue discount is treated as interest excluded from gross income for Federal income tax purposes.

An amount equal to the excess of the purchase price of the Warrants over its stated redemption price at maturity constitutes premium on such Warrant. A purchaser of a Warrant must amortize any premium over such Warrant's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Warrant is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

The holder of any Warrant or Warrants should consult his own tax advisors with respect to (a) the determination, for Federal income tax purposes, of the amount of original issue discount or premium (if any) accrued with respect to each Warrant held by him as of any date, including the date of disposition of such Warrant, and (b) the treatment of such original issue discount or premium for purposes of state or local taxation.



### **NOT BANK QUALIFIED**

The County has not designated the Warrants as "qualified tax-exempt obligations." The Warrants are not "bank qualified."

### **LITIGATION**

There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the proceedings and authority under which the Warrants are issued; or the validity of the Warrants. There is not now pending or threatened any litigation restraining, enjoining or in any matter questioning or affecting the creation, organization or existence of the County; or the title of the present members of the County Commission or other officers of the County to their respective offices.

The County does not believe that there are any legal proceedings pending or threatened against the County which may affect the County's financial condition or its ability to perform its obligations to the registered owners of the Warrants. The County is a defendant in several lawsuits involving claims for personal injuries and other claims in all of which the County's insurers have assumed the defense and in all of which the exposure, if any, is within the coverages provided by the insurance or are within amounts that the County feels that it could fund without materially affecting its ability to pay principal of and interest on the Warrants.

### **UNDERWRITER**

The Frazer Lanier Company Incorporated in Montgomery, Alabama (the "Underwriter") has purchased the Warrants from the County for a purchase price of \$20,965,115.15 (which represents the par amount of \$18,840,000 less an underwriter's discount of \$146,010.00 and plus a net original issue premium of \$2,271,125.15), plus accrued interest thereon to the date of delivery.

### **WARRANTHOLDER RISKS**

An investment in the Warrants involves certain risks which should be carefully considered by investors. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Warrants are an appropriate investment for them. The sufficiency of taxes to pay debt service on the Warrants may be affected by events and conditions relating generally to, among other things, population trends and economic developments in the County. Additionally, there can be no assurance that the proceeds of taxes will be adequate to pay the principal of and interest on the Warrants as they mature and come due for the following, among other, reasons:

(a) The General Fund of the County depends, to a significant degree, on ad valorem tax collections. In the past, the system of ad valorem taxation in Alabama has been under revision by constitutional amendments, legislation and court orders relating to the reappraisal of taxable property, reclassification of taxable property, variation of assessment ratios, and limitations on the expected increase in ad valorem taxes resulting from reappraisal and proposals respecting current use valuations. Because of additional revisions that may be made to the system of ad valorem taxation in Alabama, the County cannot predict what effect said past or future revisions may have on the future collections of ad valorem taxes in the County.

(b) There can be no assurance that the total assessed value of taxable property in the County will remain at its present level. Adverse trends in the economy of the County could adversely affect property values and retail sales and the collection of ad valorem and sales tax revenues.

(c) The County's coastal location, sub-tropical climate and low elevation make weather events such as hurricanes, tropical storms, tropical depressions, low-pressure systems and the related damages caused thereby including storm surge, wind damage, flood damage and property damage, which may all occur immediately or even some time thereafter, virtual certainties. The County is also extremely susceptible to other natural disasters including tornados, water spouts, thunderstorms, heavy rain and flooding at all times of year.

(d) The County depends heavily on the tourist-oriented coastal cities of Gulf Shores, Orange Beach and Fairhope to generate sales and use taxes, lodging taxes and ad valorem taxes. Hurricanes Ivan, Dennis and Katrina severely damaged these and other cities and negatively impacted the County's tax revenues. Though the area has recovered from the hurricanes, future damage to the County and these cities from the next storm, which may likely occur prior to the maturity of the Warrants, could negatively and adversely affect the County's financial condition. Additionally, oil spills or other natural disasters and man-made disasters that adversely impact the use of the beaches or fishing in the Gulf of Mexico will negatively impact the County's financial condition, as was experienced following the April, 2010 BP oil spill. The County is vulnerable to other natural and man-made disasters in addition to hurricanes and oil spills.

(e) The severity of recent hurricanes has prompted speculation that the federal government and private insurance companies may permanently terminate existing property insurance at any time and no longer offer property insurance within the County. In fact, a number of private insurance carriers have already withdrawn from the State of Alabama entirely. The withdrawal of property insurance could mean, following the next storm, that (1) the County, including existing residences and private businesses may not ever be rebuilt to its pre-storm condition, (2) displaced residents or businesses may not ever return to the County, (3) tax revenue may not ever return to present levels or (4) the federal government may not provide, as it did after Hurrricanes Ivan, Dennis and Katrina funds necessary to rebuild the County. There are no assurances, commitments or guarantees that the County will ever receive any private, public, state, federal or other emergency funds for repairs, replacements or service restoration. Any of the foregoing events or consequences would negatively and adversely affect the County's financial condition.

(f) Neither the Warrants, the Authorizing Resolution, nor any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

#### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the County has agreed in the Authorizing Resolution to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB,

(i) certain annual financial information and operating data, including audited financial information, generally consistent with the information contained herein under the caption "THE COUNTY."

(ii) the County's budget for the next fiscal year, and unaudited financial statements for the fiscal year ending on the preceding September 30, will be made available to the MSRB on or before March 31 in each calendar year.

(iii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Warrants: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, and (n) appointment of a successor or additional trustee or the change of name of a trustee.

(iv) the County's audited financial statement must be prepared by the Alabama Department of Examiners of Public Accounts and will be provided to MSRB when available, and in any event, within five business days after receipt by the County.

(v) in a timely manner, notice of any failure by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The County will reserve the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, provided that any such modification may be done only in a manner consistent with the Rule. The County will reserve the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the County no longer remains an "obligated person" with respect to the Warrants, within the meaning of the Rule. The County will, in the Authorizing Resolution, acknowledge that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered owners of the Warrants and shall be enforceable by the holders of the Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the County's obligations under the Authorizing Resolution and any failure by the County to comply with the provisions of such undertaking shall not be an event of default with respect to the Warrants and shall not subject the County to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the County are as follows:

Kimberly Creech, or successor as County Clerk/Treasurer  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, Alabama 36507  
Telephone: (251) 937-0350  
Facsimile: (251) 937-0367  
Email: [kcreech@baldwincounty.al.gov](mailto:kcreech@baldwincounty.al.gov)

Effective July 1, 2009, The Securities and Exchange Commission (SEC) made two procedural changes to the way in which these annual reports and event notices are filed. They are as follows: (1) the Municipal Securities Rulemaking Board (MSRB) must receive all continuing disclosure filings, and (2) continuing disclosure filings must also be submitted in electronic pdf format to the Electronic Municipal

Market Asset (EMMA) system, which may be accessed at [emma.msrb.org](http://emma.msrb.org). Effective January 1, 2010, submissions to the EMMA System must be in word-searchable pdf format and must not be password protected for viewing, saving and printing. Rule 15c2-12 was recently amended by Release No. 34-62184 adopted on May 26, 2010 and MSRB Notice 2010-32 approved by the SEC on August 19, 2010. The County will comply with these changes and further agrees to comply with all future SEC regulations, several of which are presently under consideration, which may affect the County's continuing obligations hereunder.

#### **MISCELLANEOUS**

Any statements made in this Official Statement and indicated to involve matters of opinion or estimates are represented to be opinions or estimates made in good faith. Any such estimate or opinion is not to be construed as a representation that such estimate or opinion will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Warrants.

**CERTIFICATE**

I, the undersigned Chairman of the Baldwin County Commission, do hereby certify that, to the best of my knowledge, the County's Official Statement respecting the Warrants does not contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in light of the circumstances in which they are made, not misleading.

This Official Statement has been approved by the governing body of the County.

**BALDWIN COUNTY**

By /s/ J. Tucker Dorsey  
Chairman

**EXHIBIT A**

**[Proposed Opinion of Bond Counsel]**

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

JONES WALKER L.L.P.  
ONE FEDERAL PLACE  
1819 FIFTH AVENUE NORTH, SUITE 1100  
BIRMINGHAM, ALABAMA 35203

[date]

Baldwin County Commission  
Bay Minette, Alabama

Regions Bank  
Birmingham, Alabama

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

Re: \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013, issued  
by Baldwin County, Alabama

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance of the above-referenced warrants (the "Warrants") by Baldwin County, Alabama (the "County"), a political subdivision organized under the laws of the State of Alabama. The Warrants are issued pursuant to a resolution and order duly adopted by the governing body of the County on February 19, 2013 (the "Warrant Resolution").

We have examined the following: the proceedings of the County for adoption of the Warrant Resolution; a certification on behalf of the County pursuant to the regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), relative to arbitrage bonds; and other certificates, documents and proofs considered by us to be pertinent. In rendering this opinion we have relied upon statements set forth in certificates executed by public officials and by officers of the County.

Based upon the foregoing and upon our examination of the aforesaid proceedings and other papers submitted to us, and in reliance on the aforesaid certificates and opinion and assuming compliance with the covenants and representations in the Warrant Resolution, we are of the opinion, as of the date hereof and under existing law, that:

(1) The Warrants constitute and evidence the valid and binding general obligation indebtedness of the County payable from the special fund designated "Series 2013 General Obligation Warrants Fund" into which there has been ordered to be paid from the proceeds of the general revenues and taxes of the County amounts sufficient to pay the principal of and interest on the Warrants as the same respectively mature and become due.

(2) Interest on the Warrants is presently excludable from gross income for federal income taxation pursuant to Section 103 of the Code and applicable regulations and rulings of the Commissioner of Internal Revenue and court decisions heretofore rendered.

(3) Interest on the Warrants is exempt from present income taxation in the State of Alabama.

No opinion is expressed with respect to the tax treatment of any taxpayer under any provision or section of the Code other than the aforesaid Section 103 as a result of the receipt of interest on the Warrants. It should be noted, however, that, in computing federal income tax liability, (1) interest on the Warrants is required to be included in certain alternative minimum tax calculations for corporations, (2)



property and casualty insurance companies are required to include a portion of the tax-exempt interest on the Warrants to offset the loan loss reserve, (3) interest on the Warrants is required to be included in the calculation of the amount, if any, of social security benefits and certain railroad retirement benefits required to be included in gross income and (4) interest on the Warrants is required to be included in the calculation of the amount, if any, of passive investment income of Subchapter S corporations subject to taxation.

No assurances can be given that federal legislation will not be introduced and enacted which could adversely affect the exclusion of interest on the Warrants from gross income for federal income taxation or the tax treatment of certain owners of the Warrants as a result of the receipt of such interest. Neither the Warrants nor the Warrant Resolution contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Legislation has been introduced in Congress during recent years, which among other things, if passed, could limit the value to certain individual taxpayers of certain deductions and exclusions, including the exclusion from gross income of interest on tax-exempt obligations. It is unknown whether such legislation or similar legislation incorporating similar provisions will become law. Regardless, the introduction of such legislation may have an adverse effect on the initial offering or secondary market prices for tax-exempt obligations. Prospective purchasers should consult their personal tax advisors with regard to the possible consequences of receipt of interest on tax-exempt obligations.

Neither the Warrants, the Warrant Resolution, or any other contract relative to any of the foregoing, contains any mechanism for extraordinary mandatory redemption or provision for an automatic increase in the applicable interest rates should federal legislation adversely affecting the federally tax-exempt status of the Warrants become law.

The County has covenanted that the applicable requirements of the Code will be met as long as the Warrants are outstanding. The exclusion from gross income for federal income tax purposes of the interest on the Warrants depends on and is subject to the accuracy of the certifications with respect to the applicable requirements of the Code. A failure to comply with these requirements could cause interest on the Warrants to be deemed not excludable from gross income for federal income tax purposes as of the date of issuance of the Warrants or as of some later date.

The rights of the registered owners of the Warrants and the enforceability thereof are subject to the exercise of judicial discretion, to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State of Alabama, and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted.

The opinion is (a) limited to matters stated herein and no opinion may be inferred beyond the matters expressly stated, (b) given as of the date hereof and with the express understanding that we have no obligation to advise you or any of your successors or assigns of any changes in law or fact subsequent to the date hereof, even though such changes may affect the opinions expressed herein, (c) rendered to you solely in connection with the subject transactions and may not be relied upon by you or by any other person for any other purpose, and (d) rendered as an expression of our professional judgment as to the legal issues explicitly addressed herein, by the rendering of which we do not become an insurer or guarantor of that expression of professional judgment or of the outcome of any legal dispute that may arise with respect to any of the matters herein contained.

Faithfully yours,

**EXHIBIT B**

**[Audited Financial Report for the Fiscal Year Ending September 30, 2011]**

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

Report on the

# **Baldwin County Commission**

**Baldwin County, Alabama**

**October 1, 2010 through September 30, 2011**

**Filed: November 30, 2012**



## **Department of Examiners of Public Accounts**

**50 North Ripley Street, Room 3201**

**P.O. Box 302251**

**Montgomery, Alabama 36130-2251**

**Website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov)**

*Ronald L. Jones, Chief Examiner*

***[THIS PAGE INTENTIONALLY LEFT BLANK]***



Ronald L. Jones  
Chief Examiner

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

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

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Baldwin County Commission, Baldwin County, Alabama, for the period October 1, 2010 through September 30, 2011.

Sworn to and subscribed before me this  
the 3<sup>rd</sup> day of November, 2012.

Marjorie Louisa Jefferson  
Notary Public

Sworn to and subscribed before me this  
the 7<sup>th</sup> day of November, 2012.

Marjorie Louisa Jefferson  
Notary Public

rb

Respectfully submitted,

Whitney B. Atchison

Whitney B. Atchison  
Examiner of Public Accounts

M. Lynn Benson

M. Lynn Benson  
Examiner of Public Accounts

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

---

---

## *Table of Contents*

---

---

		<i>Page</i>
<b>Summary</b>		A
Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.		
<b>Independent Auditor's Report</b>		B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).		
<b>Management's Discussion and Analysis</b>		E
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.		
<b><u>Basic Financial Statements</u></b>		1
Provides the minimum combination of financial statements and notes to the financial statements that are required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.		
Exhibit #1	Statement of Net Assets	2
Exhibit #2	Statement of Activities	4
Exhibit #3	Balance Sheet – Governmental Funds	6
Exhibit #4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Exhibit #5	Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	9
Exhibit #6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit #7	Statement of Net Assets – Proprietary Funds	12



---

---

## *Table of Contents*

---

---

	<i>Page</i>
Exhibit #8 Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds	14
Exhibit #9 Statement of Cash Flows – Proprietary Funds	15
Exhibit #10 Statement of Fiduciary Net Assets	19
Exhibit #11 Statement of Changes in Fiduciary Net Assets	20
<b>Notes to the Financial Statements</b>	21
<b><u>Required Supplementary Information</u></b>	51
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	51
Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	58
Exhibit #14 Schedule of Funding Progress – Defined Benefit Pension Plan	62
Exhibit #15 Schedule of Funding Progress – Other Postemployment Benefits	63
<b><u>Supplementary Information</u></b>	64
Contains financial information and notes relative to federal financial assistance.	
Exhibit #16 Schedule of Expenditures of Federal Awards	65
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	75

---

---

## *Table of Contents*

---

---

		<i>Page</i>
<b><u>Additional Information</u></b>		76
<p>Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.</p>		
Exhibit #17	<b>Commission Members and Administrative Personnel</b> – a listing of the Commission members and administrative personnel.	77
Exhibit #18	<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	78
Exhibit #19	<b>Report on Compliance With Requirements That Could Have a Direct and Material Effect on Major Programs and on Internal Control Over Compliance in Accordance With OMB Circular A-133</b> – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	80
Exhibit #20	<b>Schedule of Findings and Questioned Costs</b> – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	83

---

***[THIS PAGE INTENTIONALLY LEFT BLANK]***



Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Baldwin County Commission  
October 1, 2010 through September 30, 2011**

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, 2011.

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: Administrators of the County Commission: Michael L. Thompson and David A. Z. Brewer; County Commissioners: Frank Burt, Jr., Charles F. Gruber, David Ed Bishop, Wayne Gruenloh, 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 Tucker Dorsey; and Clerk/Treasurer: Kimberly W. Creech. Also in attendance were representatives from the Department of Examiners of Public Accounts: Christina Smith, Audit Manager, Whitney Atchison, Examiner and Lynn Benson, Examiner.

---

*This Page Intentionally Blank*

---

---

*Independent Auditor's Report*

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

## **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, 2011, 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, 2011, 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.

The Baldwin County Commission implemented GASB Statement Number 54, **Fund Balance Reporting and Governmental Fund Type Definitions**, during the fiscal year ended September 30, 2011. This resulted in a change in the format and method of reporting fund balance in the basic financial statements.

In accordance with **Government Auditing Standards**, we have also issued our report dated November 2, 2012 on our consideration of the Baldwin County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.



The accompanying Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and the Schedules of Funding Progress (Exhibits 12 through 15) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 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. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

November 2, 2012

---

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

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

## **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, 2011. 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, 2011, by \$289,581,514.47 in Governmental Activities and \$24,772,370.14 in Business-Type Activities for a total of \$314,353,884.61. Of these amounts \$48,239,947.76 and \$11,017,336.76 respectively were available to be used to meet the County's ongoing obligations to its citizens and creditors.

The County's net assets increased by \$27,632,848.94 or 10.5% for Governmental Activities and decreased by \$42,851.65 or 0.2% for Business-Type Activities. The total net assets increased by \$27,589,997.29 or 9.6%.

As of the end of the current fiscal year Baldwin County's Governmental Funds reported combined ending fund balances of \$79,750,813.13 which reflects a decrease of \$7,804,312.72 or 8.9% below the prior year.

Total long-term liabilities for the Baldwin County Commission for governmental activities decreased by a net of \$7,161,748.73 or 5.8%, during the current fiscal year and total long-term liabilities for business-type activities increased by a net of \$92,391.78 or 1.7%, 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, 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. This affects the presentation of Exhibit 3 (Balance Sheet Governmental Funds). Although the "Total Governmental Funds" column will have the same amount totals, two major differences in presentation need to be noted. First, the categorization and grouping of the general ledger funds is different in the current fiscal year 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 the current year compared to previous years.

### **Government-wide Financial Analysis**

The County governmental net assets increased by \$27,632,848.94 and the business-type net assets decreased by \$42,851.65 for a total net increase of \$27,589,997.29. The change in net assets is a useful indicator of the County's financial position. Baldwin County's total assets exceeded total liabilities by \$314,353,884.61 as of the fiscal year ending September 30, 2011.

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</b>	<b>As Of</b>	<b>Amount Of</b>	<b>Percent Of</b>
	<b>9/30/2011</b>	<b>9/30/2010</b>	<b>Change</b>	<b>Change</b>
Current Assets	\$99,118,780.81	\$100,621,041.73	(\$1,502,260.92)	-1.5%
Noncurrent Assets	354,143,768.14	334,925,635.28	19,218,132.86	5.7%
<b>Total Assets</b>	<b>\$453,262,548.95</b>	<b>\$435,546,677.01</b>	<b>\$17,715,871.94</b>	<b>4.1%</b>
Current Liabilities	\$57,594,000.41	\$60,193,053.20	(\$2,599,052.79)	-4.3%
Noncurrent Liabilities	106,087,034.07	113,404,958.28	(7,317,924.21)	-6.5%
<b>Total Liabilities</b>	<b>163,681,034.48</b>	<b>173,598,011.48</b>	<b>(9,916,977.00)</b>	<b>-5.7%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	219,349,432.50	197,915,871.08	21,433,561.42	10.8%
Restricted	21,992,134.21	33,466,058.50	(11,473,924.29)	-34.3%
Unrestricted	48,239,947.76	30,566,735.95	17,673,211.81	57.8%
<b>Total Net Assets</b>	<b>289,581,514.47</b>	<b>261,948,665.53</b>	<b>27,632,848.94</b>	<b>10.5%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$453,262,548.95</b>	<b>\$435,546,677.01</b>	<b>\$17,715,871.94</b>	<b>4.1%</b>

	<b>Business Type Activities</b>			
	<b>As Of</b>	<b>As Of</b>	<b>Amount Of</b>	<b>Percent Of</b>
	<b>09/30/11</b>	<b>9/30/10</b>	<b>Change</b>	<b>Change</b>
Current Assets	\$16,898,475.09	\$16,028,582.15	\$869,892.94	5.4%
Noncurrent Assets	13,755,033.38	14,906,073.04	(1,151,039.66)	-7.7%
<b>Total Assets</b>	<b>\$30,653,508.47</b>	<b>\$30,934,655.19</b>	<b>(\$281,146.72)</b>	<b>-0.9%</b>
Current Liabilities	\$1,456,690.45	\$2,009,507.27	(\$552,816.82)	-27.5%
Noncurrent Liabilities	4,424,447.88	4,109,926.13	314,521.75	7.7%
<b>Total Liabilities</b>	<b>5,881,138.33</b>	<b>6,119,433.40</b>	<b>(238,295.07)</b>	<b>-3.9%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	11,593,479.89	12,723,680.48	(1,130,200.59)	-8.9%
Restricted	2,161,553.49	2,007,987.42	153,566.07	7.6%
Unrestricted	11,017,336.76	10,083,553.89	933,782.87	9.3%
<b>Total Net Assets</b>	<b>24,772,370.14</b>	<b>24,815,221.79</b>	<b>(42,851.65)</b>	<b>-0.2%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$30,653,508.47</b>	<b>\$30,934,655.19</b>	<b>(\$281,146.72)</b>	<b>-0.9%</b>

	<b>Total Activities</b>			
	<b>As Of 09/30/11</b>	<b>As Of 9/30/10</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
Current Assets	\$116,017,255.90	\$116,649,623.88	(\$632,367.98)	-0.5%
Noncurrent Assets	367,898,801.52	349,831,708.32	18,067,093.20	5.2%
<b>Total Assets</b>	<b>\$483,916,057.42</b>	<b>\$466,481,332.20</b>	<b>\$17,434,725.22</b>	<b>3.7%</b>
Current Liabilities	\$59,050,690.86	\$62,202,560.47	(\$3,151,869.61)	-5.1%
Noncurrent Liabilities	110,511,481.95	117,514,884.41	(7,003,402.46)	-6.0%
<b>Total Liabilities</b>	<b>169,562,172.81</b>	<b>179,717,444.88</b>	<b>(10,155,272.07)</b>	<b>-5.7%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	230,942,912.39	210,639,551.56	20,303,360.83	9.6%
Restricted	24,153,687.70	35,474,045.92	(11,320,358.22)	-31.9%
Unrestricted	59,257,284.52	40,650,289.84	18,606,994.68	45.8%
<b>Total Net Assets</b>	<b>314,353,884.61</b>	<b>286,763,887.32</b>	<b>27,589,997.29</b>	<b>9.6%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$483,916,057.42</b>	<b>\$466,481,332.20</b>	<b>\$17,434,725.22</b>	<b>3.7%</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 \$27,632,848.94 and Business-Type Activities decreased net assets by \$42,851.65 for an overall increase of \$27,589,997.29. Property Taxes, Charges for Services, and Capital Grants & Contributions account for the major portion of revenues. Operating Grants and Contributions, Sales Taxes 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**

	<b>Governmental Activities</b>			
	<b>As Of 9/30/2011</b>	<b>As Of 9/30/2010</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	11,874,692.65	11,209,064.12	665,628.53	5.9%
Operating Grants & Contributions	16,885,928.35	24,268,469.47	(7,382,541.12)	-30.4%
Capital Grants & Contributions	21,805,688.10	6,471,984.20	15,333,703.90	236.9%
General Revenues				
Property Taxes	35,508,615.53	37,668,010.34	(2,159,394.81)	-5.7%
General Sales Tax	10,105,124.86	8,421,362.48	1,683,762.38	20.0%
Special Sales Tax	485,128.74	431,865.35	53,263.39	12.3%
County Gasoline Sales Tax	7,018,882.19	6,945,981.81	72,900.38	1.0%
Miscellaneous Taxes	4,938,941.68	4,440,437.15	498,504.53	11.2%
Grants and Contributions not Restricted for Specific Purposes	1,217,307.91	1,258,568.70	(41,260.79)	-3.3%
Unrestricted Investment Earnings	1,190,472.19	1,964,783.21	(774,311.02)	-39.4%
Miscellaneous	2,846,290.22	3,427,025.07	(580,734.85)	-16.9%
Gain on Disposition of Capital Assets	413,257.24	50,693.81	362,563.43	715.2%
Transfers & Contributions	1,152,653.88	462,797.27	689,856.61	149.1%
<b>Total Revenues</b>	<b>115,442,983.54</b>	<b>107,021,042.98</b>	<b>8,421,940.56</b>	<b>7.9%</b>
<b>EXPENSES</b>				
Program Activities				
General Government	34,118,365.12	29,405,545.12	4,712,820.00	16.0%
Public Safety	26,548,377.90	31,358,784.44	(4,810,406.54)	-15.3%
Highways & Roads	17,360,248.41	18,754,791.58	(1,394,543.17)	-7.4%
Sanitation	17,587.23	2,584.68	15,002.55	580.4%
Health	2,736,241.65	2,909,104.07	(172,862.42)	-5.9%
Welfare	669,012.61	471,320.50	197,692.11	41.9%
Culture & Recreation	1,249,647.40	1,197,907.88	51,739.52	4.3%
Education	105,374.70	181,966.28	(76,591.58)	-42.1%
Interest on Long Term Debt	5,005,279.58	5,114,439.72	(109,160.14)	-2.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	0.00	0.00	0.00	0.0%
<b>Total Expenses</b>	<b>87,810,134.60</b>	<b>89,396,444.27</b>	<b>(1,586,309.67)</b>	<b>-1.8%</b>
Increase (Decrease) in Net Assets	27,632,848.94	17,624,598.71	10,008,250.23	56.8%
Net Assets Beg. of Year	261,948,665.53	244,324,066.82	17,624,598.71	7.2%
Net Assets End of Year	289,581,514.47	261,948,665.53	27,632,848.94	10.5%

	<b>Business Type Activities</b>			
	<b>As Of 9/30/2011</b>	<b>As Of 9/30/2010</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	11,450,688.25	11,909,927.68	(459,239.43)	-3.9%
Operating Grants & Contributions	293.08	727,026.00	(726,732.92)	-100.0%
General Revenues				
Unrestricted Investment Earnings	187,707.64	269,046.50	(81,338.86)	-30.2%
Miscellaneous	335,202.84	108,240.91	226,961.93	209.7%
Gain on Disposition of Capital Assets	15,451.70	188,335.57	(172,883.87)	-91.8%
Transfers & Contributions	(1,152,653.88)	(462,797.27)	(689,856.61)	149.1%
Total Revenues	<u>10,836,689.63</u>	<u>12,739,779.39</u>	<u>(1,903,089.76)</u>	-14.9%
<b>EXPENSES</b>				
Landfill	10,879,541.28	11,121,755.40	(242,214.12)	-2.2%
Total Expenses	<u>10,879,541.28</u>	<u>11,121,755.40</u>	<u>(242,214.12)</u>	-2.2%
Increase (Decrease) in Net Assets	(42,851.65)	1,618,023.99	(1,660,875.64)	-102.6%
Net Assets Beg. of Year	<u>24,815,221.79</u>	<u>23,197,197.80</u>	<u>1,618,023.99</u>	7.0%
Net Assets End of Year	<u>24,772,370.14</u>	<u>24,815,221.79</u>	<u>(42,851.65)</u>	-0.2%

	Total Activities			
	As Of 9/30/2011	As Of 9/30/2010	Amount Of Change	Percent Of Change
<b>REVENUES</b>				
<b>Program Revenues</b>				
Charges for Services	23,325,380.90	23,118,991.80	206,389.10	0.9%
Operating Grants & Contributions	16,886,221.43	24,995,495.47	(8,109,274.04)	-32.4%
Capital Grants & Contributions	21,805,688.10	6,471,984.20	15,333,703.90	236.9%
<b>General Revenues</b>				
Property Taxes	35,508,615.53	37,668,010.34	(2,159,394.81)	-5.7%
General Sales Tax	10,105,124.86	8,421,362.48	1,683,762.38	20.0%
Special Sales Tax	485,128.74	431,865.35	53,263.39	12.3%
County Gasoline Sales Tax	7,018,882.19	6,945,981.81	72,900.38	1.0%
Miscellaneous Taxes	4,938,941.68	4,440,437.15	498,504.53	11.2%
<b>Grants and Contributions not Restricted f</b>				
Specific Purposes	1,217,307.91	1,258,568.70	(41,260.79)	-3.3%
Unrestricted Investment Earnings	1,378,179.83	2,233,829.71	(855,649.88)	-38.3%
Miscellaneous	3,181,493.06	3,535,265.98	(353,772.92)	-10.0%
Gain on Disposition of Capital Assets	428,708.94	239,029.38	189,679.56	79.4%
Transfers & Contributions	0.00	0.00	0.00	0.0%
<b>Total Revenues</b>	<b>126,279,673.17</b>	<b>119,760,822.37</b>	<b>6,518,850.80</b>	<b>5.4%</b>
<b>EXPENSES</b>				
<b>Program Activities</b>				
General Government	34,118,365.12	29,405,545.12	4,712,820.00	16.0%
Public Safety	26,548,377.90	31,358,784.44	(4,810,406.54)	-15.3%
Highways & Roads	17,360,248.41	18,754,791.58	(1,394,543.17)	-7.4%
Sanitation	17,587.23	2,584.68	15,002.55	580.4%
Health	2,736,241.65	2,909,104.07	(172,862.42)	-5.9%
Welfare	669,012.61	471,320.50	197,692.11	41.9%
Culture & Recreation	1,249,647.40	1,197,907.88	51,739.52	4.3%
Education	105,374.70	181,966.28	(76,591.58)	-42.1%
Interest on Long Term Debt	5,005,279.58	5,114,439.72	(109,160.14)	-2.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	10,879,541.28	11,121,755.40	(242,214.12)	-2.2%
<b>Total Expenses</b>	<b>98,689,675.88</b>	<b>100,518,199.67</b>	<b>(1,828,523.79)</b>	<b>-1.8%</b>
Increase (Decrease) in Net Assets	27,589,997.29	19,242,622.70	8,347,374.59	43.4%
Net Assets Beg. of Year	286,763,887.32	267,521,264.62	19,242,622.70	7.2%
Net Assets End of Year	314,353,884.61	286,763,887.32	27,589,997.29	9.6%

Charges for Services account for 18.5% and Property Taxes account for 28.1% of total County revenues of \$126,279,673.17 for the fiscal year ended September 30, 2011. Property Taxes were less than the previous year by 5.7% for the fiscal year ended September 30, 2011. Total expenses for the County were \$98,689,675.88. Of this amount 34.6% went towards General Government, 26.9% towards Public Safety, and 17.6% 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. General Sales Tax:**

The year ended September 30, 2011 was the first year after the BP Oil Spill and the first tourist season after the oil cleanup at sea and on the beaches. Therefore the surge in tourist activity accounts for the majority of this increase.

**3. Unrestricted Investment Earnings:**

This decrease was primarily the result of decreases in interest rates which lowered the return on investments and cash balances.

**4. 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. The percentage change in Governmental Activities is less significant than the percentage change in the Business Type Activities. The primary source was an insurance recovery for an expensive equipment item that was damaged by fire.

**5. 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 current year than last year and this accounts for the increase in Governmental Activities.

In the Business Type Activities the decrease was more a factor of fewer assets with a smaller market value being disposed in the current year compared to the previous year.

**6. 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. Sanitation:**

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

**2. Welfare:**

The County obtained a Youth Advocate Program Grant related to welfare and this accounts for the increased expenditures in this category.

**3. Education:**

An appropriation to the Extension Service made in the prior year was not made in the current year and this accounts for the majority of the decrease in this expenditure category.

For the fiscal years ended September 30, 2011 and September 30, 2010, 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**

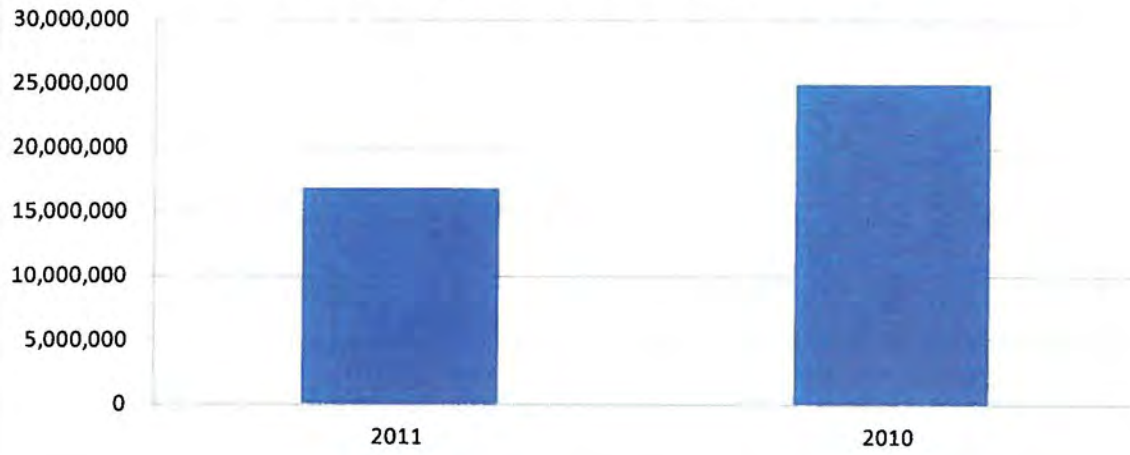
	<b>As Of 9/30/2011</b>	<b>As Of 9/30/2010</b>
Charges for Services	23,325,381	23,118,992
Operating Grants & Contributions	16,886,221	24,995,495
Capital Grants & Contributions	21,805,688	6,471,984
Property Taxes	35,508,616	37,668,010
General Sales Tax	10,105,125	8,421,362
Special Sales Tax	485,129	431,865
County Gasoline Sales Tax	7,018,882	6,945,982
Miscellaneous Taxes	4,938,942	4,440,437
Grants and Contributions not Restricted	1,217,308	1,258,569
Unrestricted Investment Earnings	1,378,180	2,233,830
Miscellaneous	3,181,493	3,535,266
Gain on Disposition of Capital Assets	428,709	239,029
<b>Total Revenues</b>	<b>\$126,279,673</b>	<b>\$119,760,822</b>

**Charges for Services**

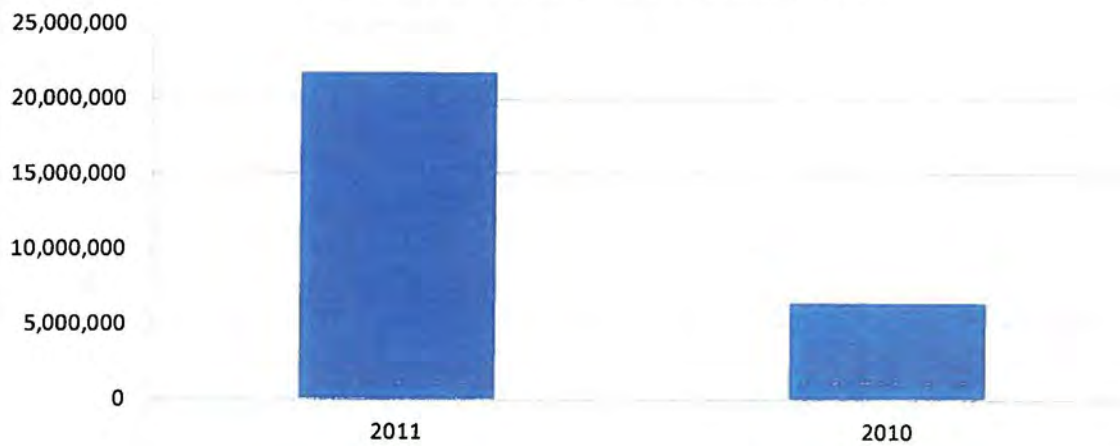


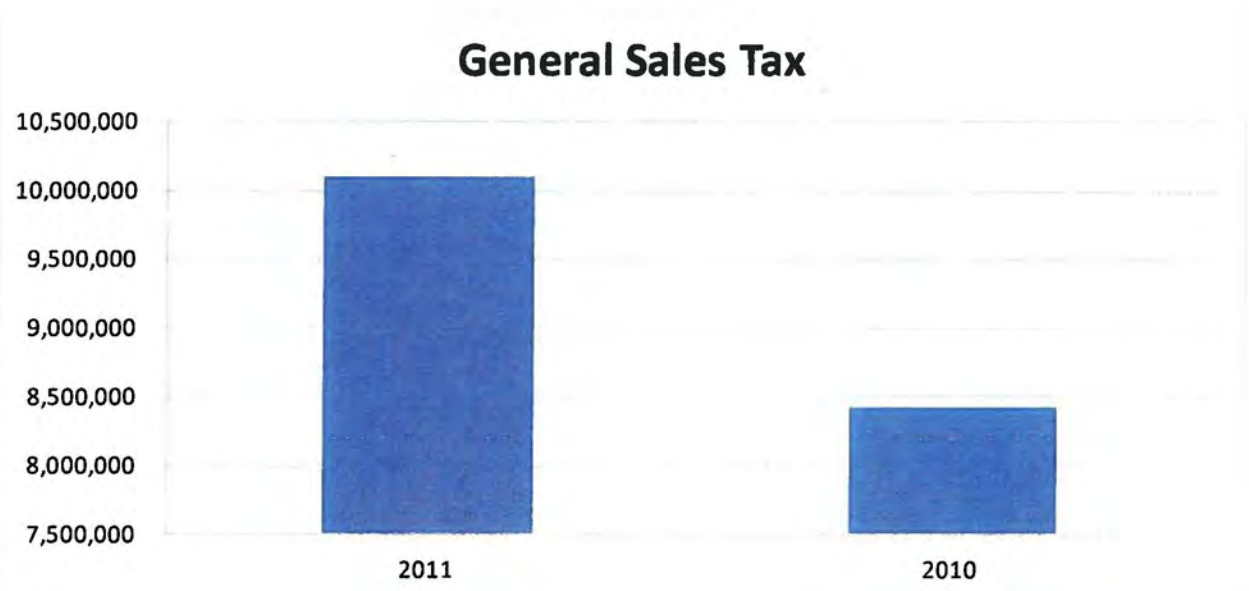
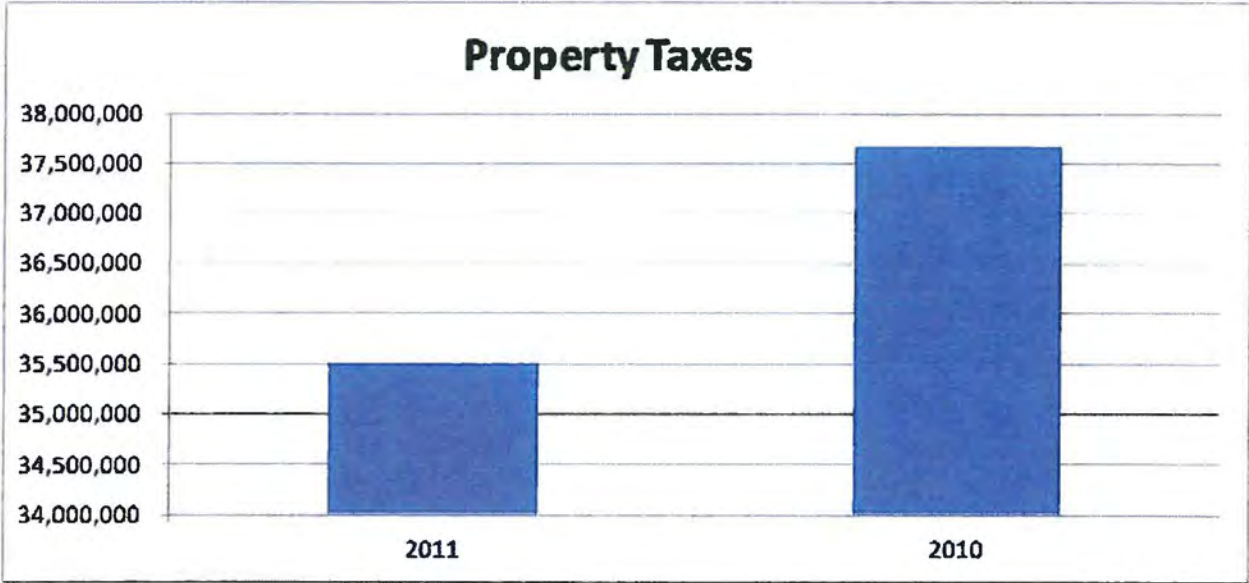


### Operating Grants & Contributions

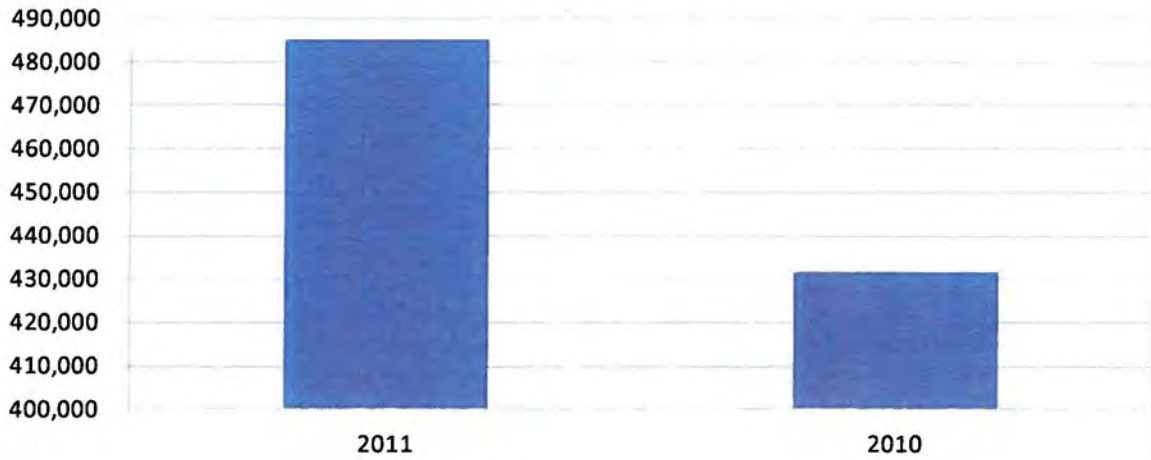


### Capital Grants & Contributions

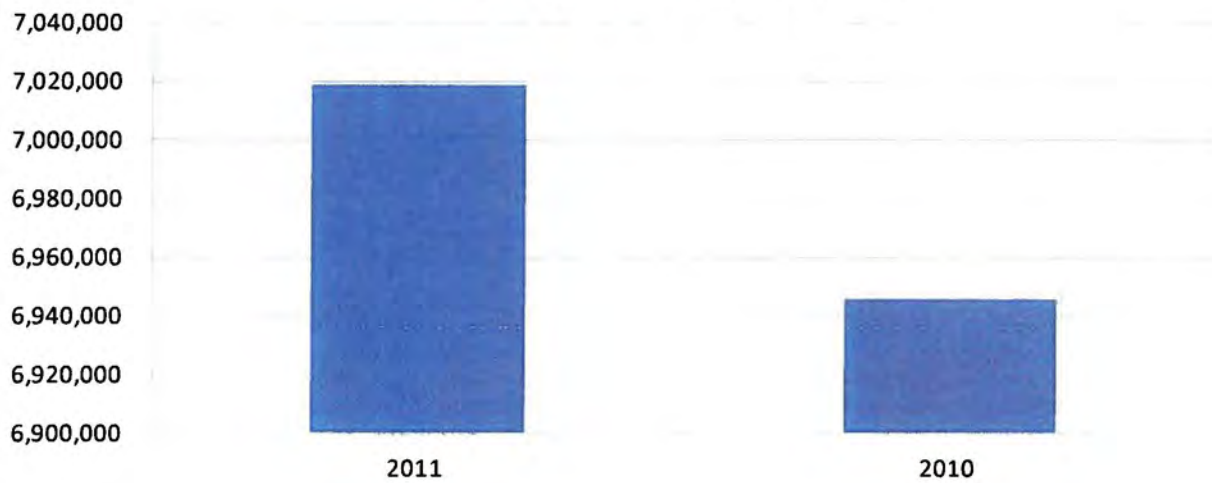




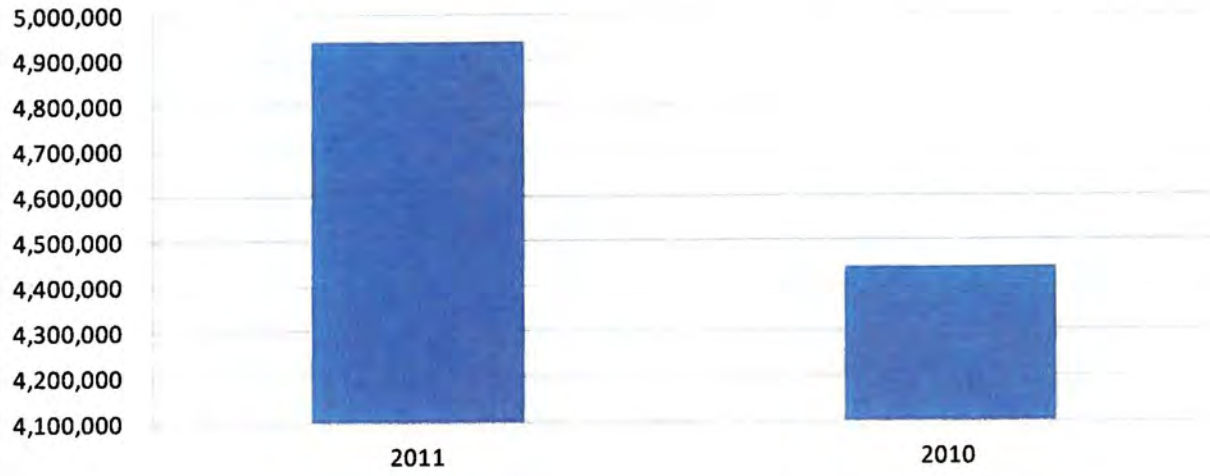
## Special Sales Tax



## County Gasoline Sales Tax



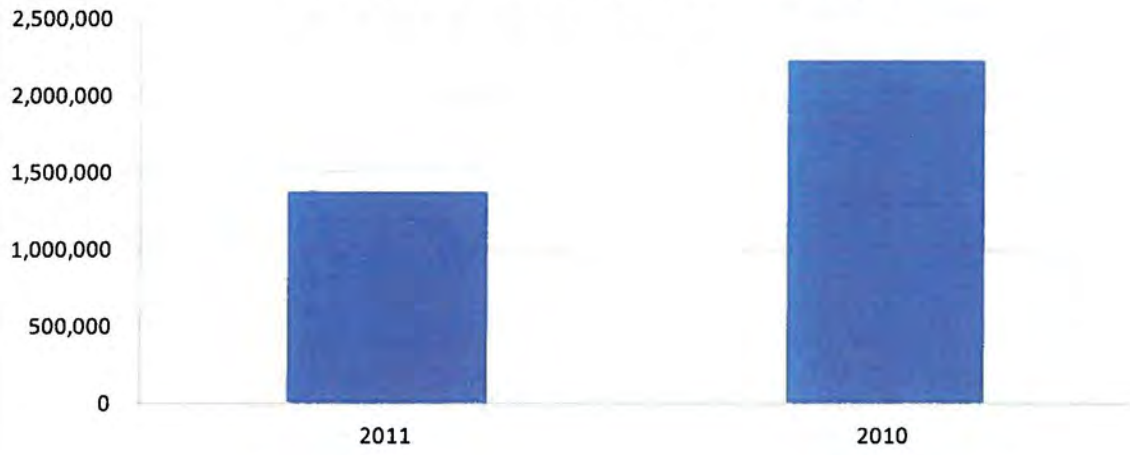
### Miscellaneous Taxes



### Grants and Contributions not Restricted



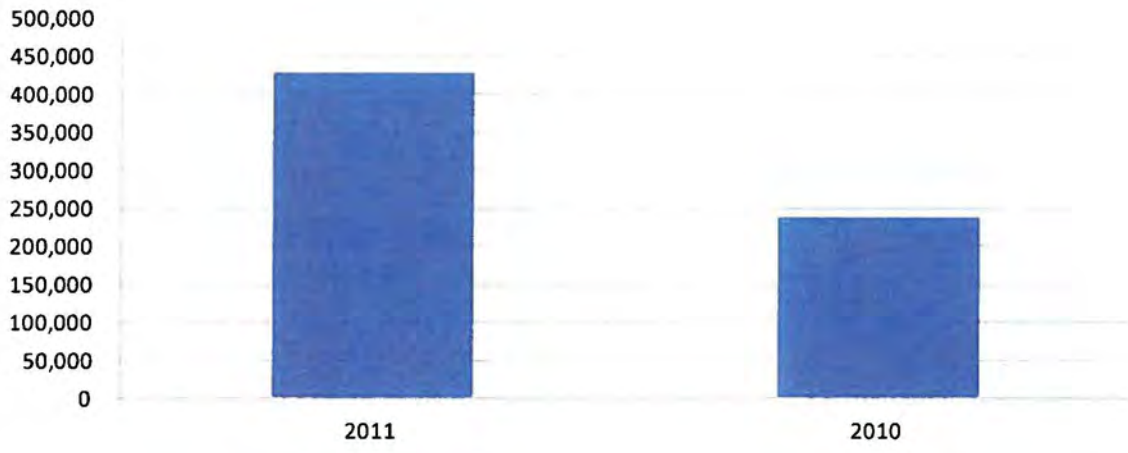
## Unrestricted Investment Earnings



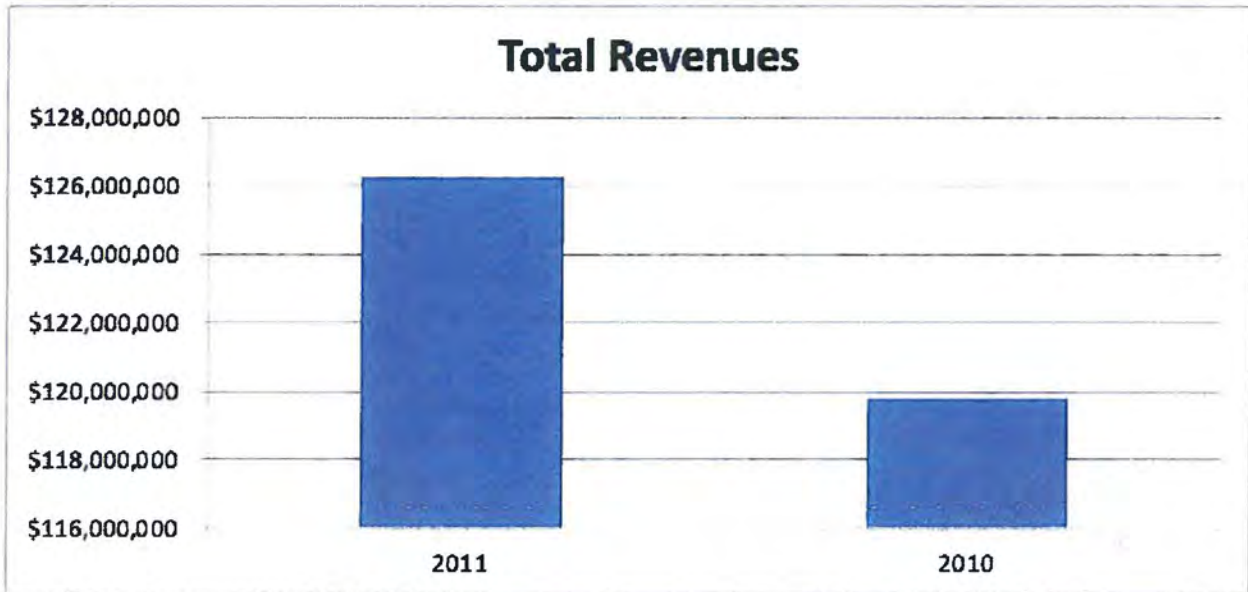
## Miscellaneous



### Gain on Disposition of Capital Assets



### Total Revenues

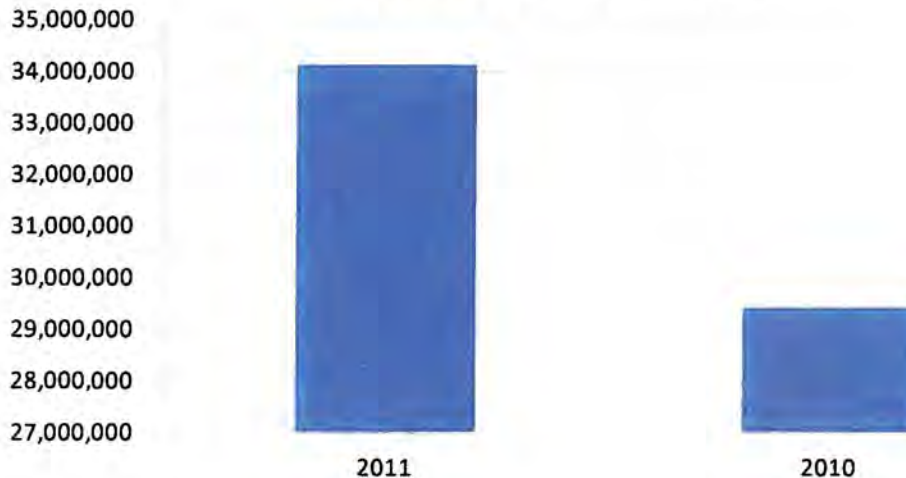


## ATTACHMENT B

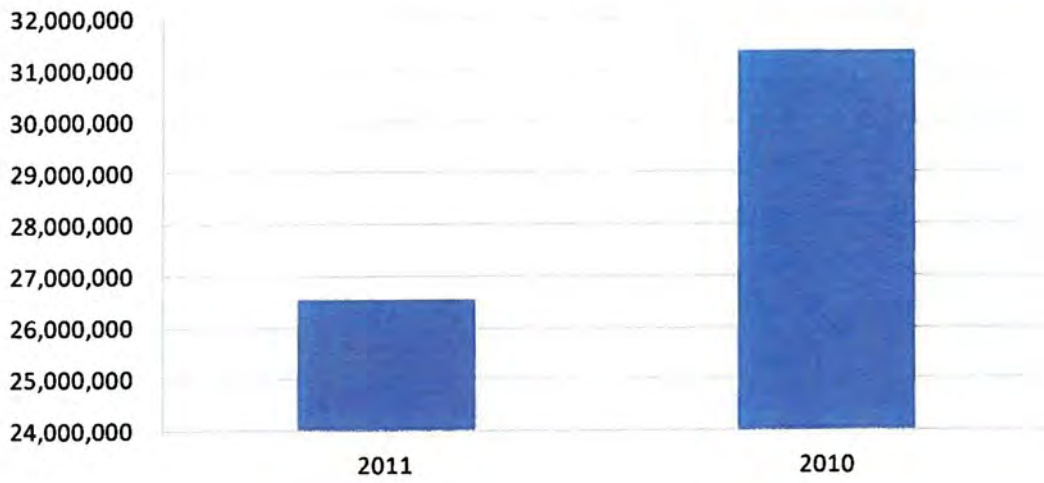
### BALDWIN COUNTY COMMISSION EXPENDITURES BY ACTIVITY YEAR COMPARISON

	AS OF 9/30/2011	AS OF 9/30/2010
General Government	34,118,365	29,405,545
Public Safety	26,548,378	31,358,784
Highways & Roads	17,360,248	18,754,792
Sanitation	17,587	2,585
Health	2,736,242	2,909,104
Welfare	669,013	471,321
Culture & Recreation	1,249,647	1,197,908
Education	105,375	181,966
Interest on Long-Term Debt	5,005,280	5,114,440
Intergovernmental	0	0
Landfill	10,879,541	11,121,755
<b>Total Expenditures</b>	<b>\$ 98,689,676</b>	<b>\$ 100,518,200</b>

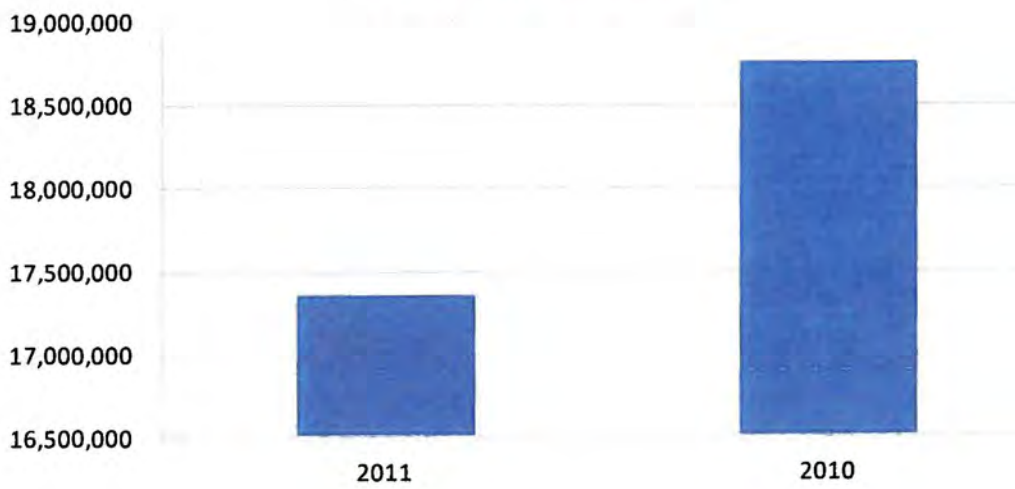
### General Government



## Public Safety

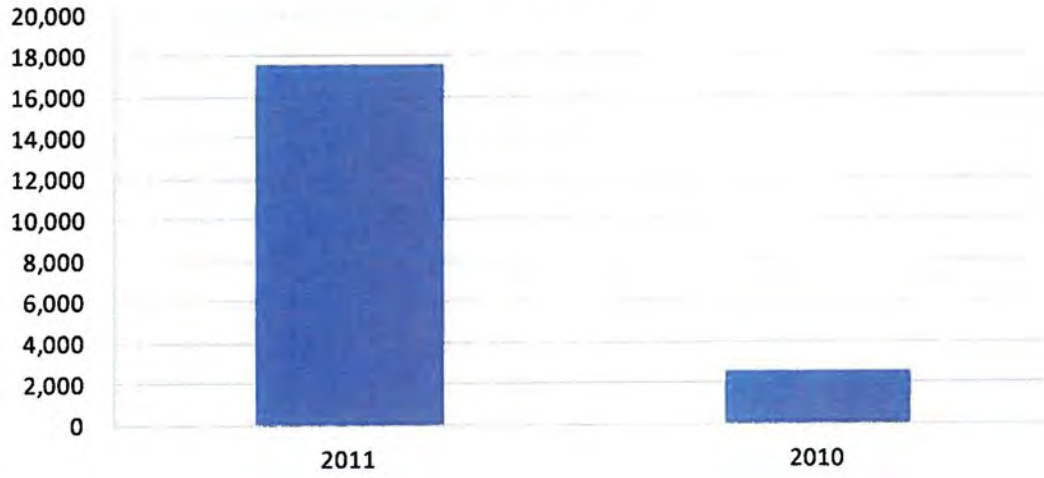


## Highways & Roads

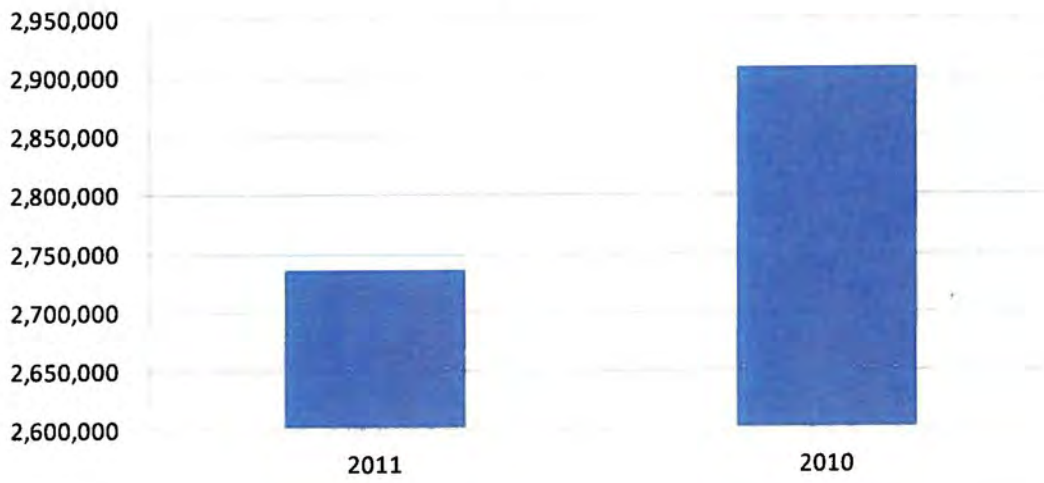




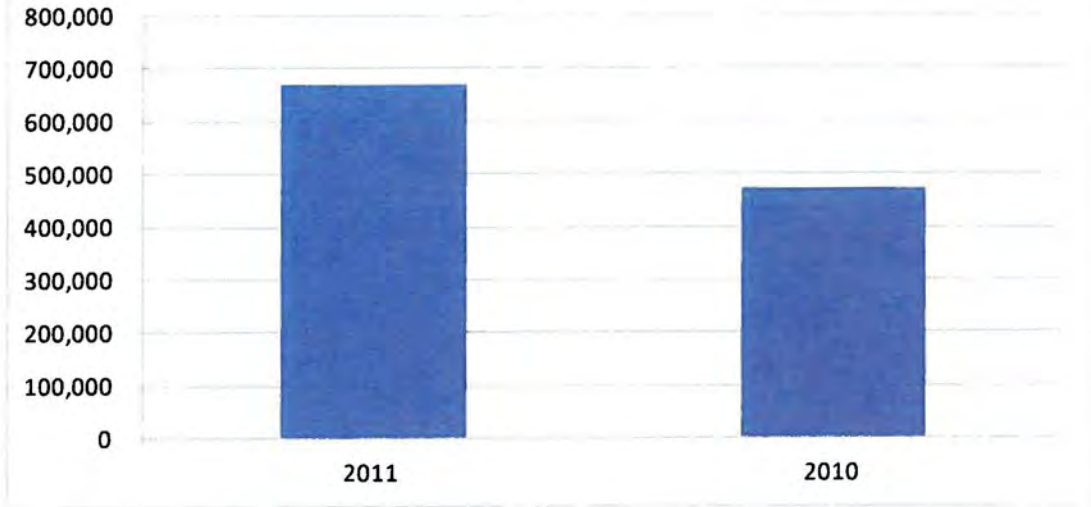
## Sanitation



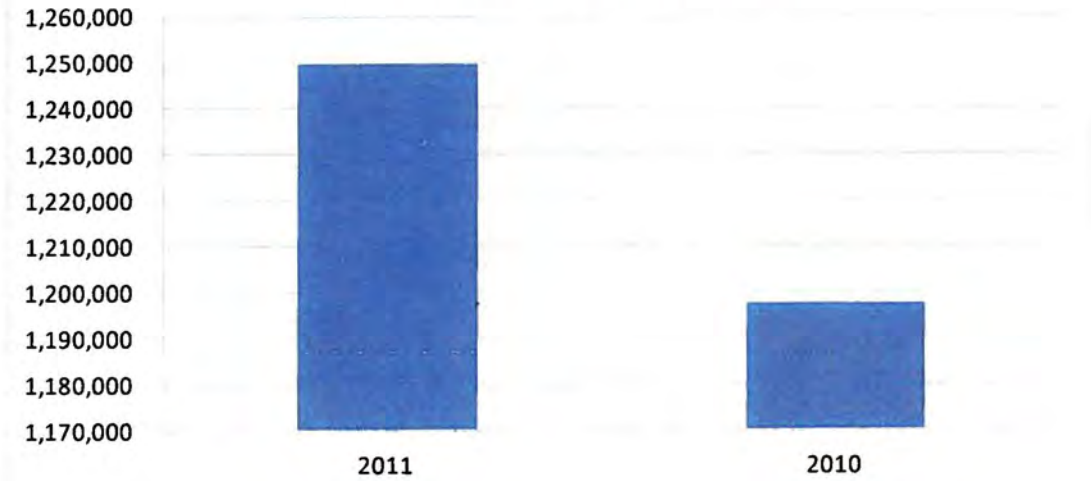
## Health



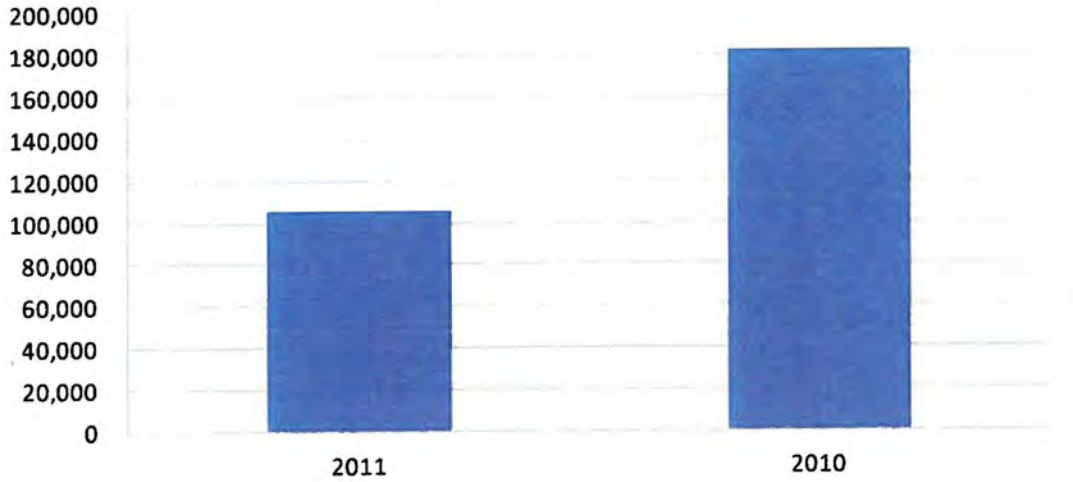
## Welfare



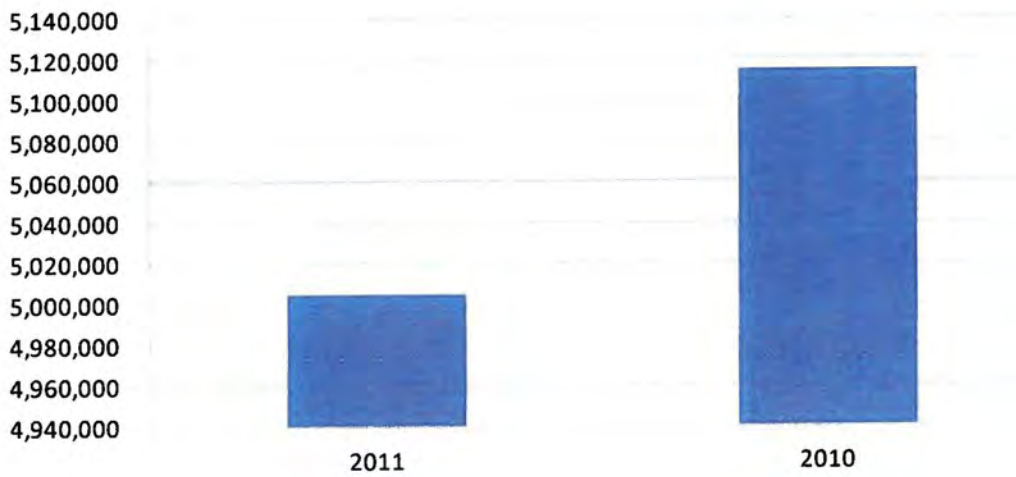
## Culture & Recreation



## Education



## Interest on Long-Term Debt



## Intergovernmental



## Landfill



### 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 \$98,689,675.88 and the combined charges for services plus operating and capital grants received were \$62,017,290.43 leaving a net cost to the County of \$36,672,385.45.

Charges for services amounted to \$23,325,380.90 and combined grants and contributions totaled \$38,691,909.53. 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 9/30/2011</b>	<b>As Of 9/30/2010</b>	<b>Amount Of Change</b>	<b>Percent Of Change</b>
General Government	\$13,621,223.79	\$2,771,891.79	\$10,849,332.00	391.4%
Public Safety	22,879,050.50	27,808,589.38	(4,929,538.88)	-17.7%
Highways and Roads	(8,872,096.43)	7,105,531.39	(15,977,627.82)	-224.9%
Sanitation	17,587.23	2,584.68	15,002.55	580.4%
Health	2,686,580.12	2,909,104.07	(222,523.95)	-7.6%
Welfare	551,178.61	354,911.29	196,267.32	55.3%
Culture and Recreation	1,249,647.40	1,197,907.88	51,739.52	4.3%
Education	105,374.70	181,966.28	(76,591.58)	-42.1%
Interest on Long-Term Debt	5,005,279.58	5,114,439.72	(109,160.14)	-2.1%
Intergovernmental	0.00	0.00	0.00	0.0%
Landfill	(571,440.05)	(1,515,198.28)	943,758.23	-62.3%
<b>Total</b>	<b>\$36,672,385.45</b>	<b>\$45,931,728.20</b>	<b>(\$9,259,342.75)</b>	<b>-20.2%</b>

**Financial Analysis of Fund Balances**

The financial performance of the County as a whole is reflected in its Governmental Funds. Total Governmental Fund balances at the end of the fiscal year decreased from \$87,555,125.85 to \$79,750,813.13. This decrease of \$7,804,312.72, or 8.9%, was primarily due to decreases in the Capital Projects Fund (a part of Other Governmental Funds). 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 \$42,851.65, 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. Please note that the “Beginning Fund Balance” column has been adjusted to comply with GASB 54 categorization, thus except for the Oil & Gas Severance Tax Fund and the total amount, the beginning fund balances do not match the amounts in last year’s presentation of this comparison. The Proprietary (Business) Funds are not affected by GASB 54.

<b>Fund</b>	<b>Beginning Fund Balance</b>	<b>Net Increase (Decrease)</b>	<b>Ending Fund Balance</b>
General Fund	\$ 31,291,424.95	\$ (1,601,602.33)	\$ 29,689,822.62
Gasoline Tax Fund	14,210,686.19	\$ 2,821,234.44	17,031,920.63
Oil & Gas Severance Tax Fund	15,590,977.59	\$ 17,578.43	15,608,556.02
Other Governmental Funds	26,462,037.12	\$ (9,041,523.26)	17,420,513.86
<b>Totals</b>	<b>\$ 87,555,125.85</b>	<b>\$ (7,804,312.72)</b>	<b>\$ 79,750,813.13</b>
Proprietary (Business) Funds	\$ 24,815,221.79	\$ (42,851.65)	\$ 24,772,370.14

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 FY11 the Commission decided to pay a substantial purchase option on the purchase of property known as the Megasite and loan the Board of Education a substantial amount related to the potential BP Oil Spill settlement with the County and Board Of Education. These amounts were funded from fund balance and this accounts for the decrease in fund balance.

## **2. Gasoline Tax Fund:**

During FY11 there was a substantial decrease in state grant revenue, however with major decreases in expenditures such as professional services and right of way acquisitions the deficiency was amply overcome. Also contributing to the increase in fund balance was an increase in other financing sources (transfers in) and a decrease in other financing uses (transfers out).

## **3. 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.

## **4. Other Governmental Funds**

This is a grouping of numerous funds of which increases and decreases in fund balance occur. The major contributor to the decrease in fund balance is the Capital Project Funds (Warrant Funds). The Capital Project Funds only realize substantial revenue when warrant proceeds are received and since no warrants were issued this fiscal year there was only interest income and it was not substantial. The expenditures however are large as they represent major construction projects or land purchases. The expenditures created a substantial decrease in fund balance which accounts for the major portion of the decrease in this fund balance category.

## **Budgetary Highlights – General Fund**

Exhibit #12 shows the changes made in the original budget for the fiscal year ended September 30, 2011. The major budgetary revenue change was an increase in Intergovernmental Revenue, which was primarily from increases from Federal and State Grants. Actual revenues were less than final budgeted revenues by \$1,308,652.50 (2.4%), which was from local taxes, intergovernmental revenue, and charges for services, being less than expected. The major change in budgeted expenses was in General Government and Capital Outlay. Actual total expenditures were less than the final budgeted amount by \$1,802,544.41 (3.6%).

Actual Total Other Financing Sources (Uses) were less than the final budgeted amount by \$145,863.83 (2.2%).

The net result of budgeted revenues and expenses to actual revenues and expenses was that the actual Net Change in Fund Balance decreased less than what was budgeted.

## Capital Assets and Debt Administration

### Capital Assets

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

At the end of fiscal year 2011, the County had invested over \$337 million in a broad range of capital assets. (See the following table). This amount represents a net increase (including additions and deductions) of over \$26 million, or 8.7 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>2011</b>	<b>2010</b>		
Land	\$21,195,620.91	\$18,133,048.71	\$3,062,572.20	16.9%
Infrastructure in Progress	27,316,005.43	9,001,394.81	18,314,610.62	203.5%
Construction in Progress	5,250,607.17	4,259,194.62	991,412.55	23.3%
Infrastructure	202,484,474.40	197,115,756.26	5,368,718.14	2.7%
Buildings	58,297,226.41	56,368,861.93	1,928,364.48	3.4%
Improvements Other than Bldg	4,545,457.40	4,177,878.10	367,579.30	8.8%
Computer and Communication Equipment	1,869,496.05	1,941,550.56	(72,054.51)	-3.7%
Equipment and Furniture	654,269.89	336,056.35	318,213.54	94.7%
Motor Vehicles and Heavy Equipment	4,096,667.71	5,127,469.12	(1,030,801.41)	-20.1%
Capital Assets Under Capital Lease	0.00	966,286.88	(966,286.88)	-100.0%
	<u>\$325,709,825.37</u>	<u>\$297,427,497.34</u>	<u>\$28,282,328.03</u>	9.5%



	BUSINESS-TYPE		AMOUNT OF CHANGE	PERCENT OF CHANGE
	ACTIVITIES			
	2011	2010		
Land	\$3,784,097.97	\$3,440,612.97	\$343,485.00	10.0%
Infrastructure in Progress	0.00	0.00	0.00	0.0%
Construction in Progress	137,866.48	137,866.48	0.00	0.0%
Infrastructure	0.00	0.00	0.00	0.0%
Buildings	1,252,744.82	1,318,086.83	(65,342.01)	-5.0%
Improvements Other than Blc	4,164,179.09	4,406,139.70	(241,960.61)	-5.5%
Computer and Communication				
Equipment	0.00	0.00	0.00	0.0%
Motor Vehicles and				
Heavy Equipment	2,169,855.63	3,160,795.33	(990,939.70)	-31.4%
Equipment and Furniture	84,735.90	117,125.59	(32,389.69)	-27.7%
Capital Assets Under				
Capital Lease	0.00	317,458.72	(317,458.72)	-100.0%
	<u>\$11,593,479.89</u>	<u>\$12,898,085.62</u>	<u>(\$1,304,605.73)</u>	<u>-10.1%</u>

	TOTAL		AMOUNT OF CHANGE	PERCENT OF CHANGE
	ACTIVITIES			
	2011	2010		
Land	\$24,979,718.88	\$21,573,661.68	\$3,406,057.20	15.8%
Infrastructure in Progress	27,316,005.43	9,001,394.81	18,314,610.62	203.5%
Construction in Progress	5,388,473.65	4,397,061.10	991,412.55	22.5%
Infrastructure	202,484,474.40	197,115,756.26	5,368,718.14	2.7%
Buildings	59,549,971.23	57,686,948.76	1,863,022.47	3.2%
Improvements Other than Blc	8,709,636.49	8,584,017.80	125,618.69	1.5%
Computer and Communicatio				
Equipment	1,869,496.05	1,941,550.56	(72,054.51)	-3.7%
Equipment and Furniture	739,005.79	453,181.94	285,823.85	63.1%
Motor Vehicles and				
Construction Equipment	6,266,523.34	8,288,264.45	(2,021,741.11)	-24.4%
Capital Assets Under				
Capital Lease	0.00	1,283,745.60	(1,283,745.60)	-100.0%
	<u>\$337,303,305.26</u>	<u>\$310,325,582.96</u>	<u>\$26,977,722.30</u>	<u>8.7%</u>

### **Debt Outstanding**

At October 1, 2010, the County's long-term bonded indebtedness and notes payable totaled \$117,084,987.61. At September 30, 2011, the County's long-term bonded indebtedness and notes payable decreased to \$110,485,294.05. During the fiscal year the County issued no warrants and repaid/decreased warrants and notes in the total amount of \$6,599,693.56.

At October 1, 2010, the County's capital lease debt was \$759,751.34. At September 30, 2011, the County's capital lease debt was zero. The County entered into no additional capital leases during the year and made capital lease payments of \$759,751.34.

The liability for compensated absences at September 30, 2011, was \$4,130,817.97.

The total of all long-term debt for the County at September 30, 2011, was \$120,878,700.25 which was \$7,069,356.95 less than the prior year ending balance of \$127,948,057.20. This was a decrease of 5.5%.

The assessed valuation of taxable property in the County on October 1, 2011, was not less than \$3,881,195,968.00. Based on the County's legal limit of debt at 5% of net assessed value of property as of October 1, 2011, Baldwin County's maximum debt limit was \$194,059,798.40. With total long-term liabilities of the County being \$120,878,700.25 as of the end of the current fiscal year, the County was at 62.3% 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.

According to the U. S. Census Bureau, Census 2000, approximately 82% of Baldwin County residents were high school graduates and approximately 23.1% of Baldwin County residents were college graduates. State averages were 75.3% and 19%, respectively. For the period 2006-2010, the U. S. Census Bureau estimates that approximately 87.6% of Baldwin County residents were high school graduates and approximately 26.8% of Baldwin County residents were college graduates. State averages were 82.1% and 21.9%, 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 2010" released in 2011, an estimated 23.2 million tourists visited the state in 2010. Of these 23.2 million tourists, 4.0 million (17.4%) visited Baldwin County. The same report for 2011 has not been released; however some specific data attributable to Baldwin County was given by the Alabama Tourism Department. This 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 is currently optimistic for the upcoming season. Statistics gathered by the Gulf Shores Convention and Visitors Bureau in 2011 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 2012 at 12.6%. Retail sales county wide as of May 31, 2012 are up 5.8% 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.

---

*Basic Financial Statements*

**Statement of Net Assets**  
**September 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 62,812,481.82	\$ 15,866,677.32	\$ 78,679,159.14
Taxes Receivable	32,928,869.77		32,928,869.77
Receivables, Net (Note 4)	3,329,973.96	984,015.84	4,313,989.80
Internal Balances	(47,629.51)	47,629.51	
Inventories	1,784.92		1,784.92
Receivable from External Parties	10,933.55		10,933.55
Prepaid Items	21,958.31	152.42	22,110.73
Deferred Charges	60,407.99		60,407.99
Total Current Assets	99,118,780.81	16,898,475.09	116,017,255.90
<b>Noncurrent Assets</b>			
Restricted Cash and Cash Equivalents	23,104,563.34	2,161,553.49	25,266,116.83
Restricted Cash with Fiscal Agent	4,424,314.21		4,424,314.21
Deferred Charges	905,065.22		905,065.22
Capital Assets (Note 5):			
Nondepreciable	53,762,233.51	3,921,964.45	57,684,197.96
Depreciable, Net	271,947,591.86	7,671,515.44	279,619,107.30
Total Noncurrent Assets	354,143,768.14	13,755,033.38	367,898,801.52
Total Assets	453,262,548.95	30,653,508.47	483,916,057.42
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables (Note 8)	11,971,145.72	398,069.04	12,369,214.76
Payable to External Parties	118,249.01		118,249.01
Accrued Interest Payable	1,385,586.57		1,385,586.57
Deferred Revenue	34,088,153.72		34,088,153.72
Accrued Wages Payable	658,888.79	63,379.71	722,268.50
Long-Term Liabilities:			
Portion Payable Within One Year:			
Notes Payable	84,431.38		84,431.38
Warrants Payable	7,260,079.54		7,260,079.54
Add: Unamortized Premium	128,040.73		128,040.73
Less: Unamortized Discount	(7,569.27)		(7,569.27)
Less: Deferred Loss on Refunding	(121,896.95)		(121,896.95)
Compensated Absences	2,028,891.17		2,028,891.17
Estimated Liability for Landfill Closure/ Postclosure Care Costs		995,241.70	995,241.70
Total Current Liabilities	\$ 57,594,000.41	\$ 1,456,690.45	\$ 59,050,690.86

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Noncurrent Liabilities</u></b>			
Portion Payable After One Year:			
Warrants Payable	\$ 102,704,313.50	\$	\$ 102,704,313.50
Add: Unamortized Premium	1,730,524.72		1,730,524.72
Less: Unamortized Discount	(128,087.51)		(128,087.51)
Less: Deferred Loss on Refunding	(1,164,542.09)		(1,164,542.09)
Compensated Absences	1,773,402.28	328,524.52	2,101,926.80
Estimated Liability for OPEB	1,171,423.17	93,809.16	1,265,232.33
Estimated Liability for Landfill Closure/ Postclosure Care Costs		4,002,114.20	4,002,114.20
Total Noncurrent Liabilities	<u>106,087,034.07</u>	<u>4,424,447.88</u>	<u>110,511,481.95</u>
Total Liabilities	<u>163,681,034.48</u>	<u>5,881,138.33</u>	<u>169,562,172.81</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	219,349,432.50	11,593,479.89	230,942,912.39
Restricted for:			
Landfill Closure and Postclosure Costs		2,161,553.49	2,161,553.49
Debt Service	3,038,727.64		3,038,727.64
Road Projects	894,189.17		894,189.17
Term Endowments	15,608,556.02		15,608,556.02
Other Purposes	2,450,661.38		2,450,661.38
Unrestricted	<u>48,239,947.76</u>	<u>11,017,336.76</u>	<u>59,257,284.52</u>
Total Net Assets	<u>\$ 289,581,514.47</u>	<u>\$ 24,772,370.14</u>	<u>\$ 314,353,884.61</u>

**Statement of Activities**  
**For the Year Ended September 30, 2011**

	<b>Expenses</b>	<b>Charges for Services</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 34,118,365.12	\$ 10,940,387.38	\$ 8,484,363.13
Public Safety	26,548,377.90	862,472.10	2,806,855.30
Highways and Roads	17,360,248.41	22,171.64	5,476,875.92
Sanitation	17,587.23		
Health	2,736,241.65	49,661.53	
Welfare	669,012.61		117,834.00
Culture and Recreation	1,249,647.40		
Education	105,374.70		
Interest on Long-Term Debt	5,005,279.58		
Total Governmental Activities	<u>87,810,134.60</u>	<u>11,874,692.65</u>	<u>16,885,928.35</u>
<b>Business-Type Activities:</b>			
Solid Waste	10,879,541.28	11,450,688.25	293.08
Total Business-Type Activities	<u>10,879,541.28</u>	<u>11,450,688.25</u>	<u>293.08</u>
Total Primary Government	<u>\$ 98,689,675.88</u>	<u>\$ 23,325,380.90</u>	<u>\$ 16,886,221.43</u>

**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.

**Net (Expenses) Revenues and Changes in Net Assets  
Primary Government**

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 1,072,390.82	\$ (13,621,223.79)	\$	\$ (13,621,223.79)
	(22,879,050.50)		(22,879,050.50)
20,733,297.28	8,872,096.43		8,872,096.43
	(17,587.23)		(17,587.23)
	(2,686,580.12)		(2,686,580.12)
	(551,178.61)		(551,178.61)
	(1,249,647.40)		(1,249,647.40)
	(105,374.70)		(105,374.70)
	(5,005,279.58)		(5,005,279.58)
<u>21,805,688.10</u>	<u>(37,243,825.50)</u>		<u>(37,243,825.50)</u>
		571,440.05	571,440.05
		<u>571,440.05</u>	<u>571,440.05</u>
<u>\$ 21,805,688.10</u>	<u>(37,243,825.50)</u>	<u>571,440.05</u>	<u>(36,672,385.45)</u>
	20,234,441.10		20,234,441.10
	15,274,174.43		15,274,174.43
	10,105,124.86		10,105,124.86
	485,128.74		485,128.74
	7,018,882.19		7,018,882.19
	4,938,941.68		4,938,941.68
	1,217,307.91		1,217,307.91
	1,190,472.19	187,707.64	1,378,179.83
	2,846,290.22	335,202.84	3,181,493.06
	413,257.24	15,451.70	428,708.94
	1,152,653.88	(1,152,653.88)	
	<u>64,876,674.44</u>	<u>(614,291.70)</u>	<u>64,262,382.74</u>
	27,632,848.94	(42,851.65)	27,589,997.29
	261,948,665.53	24,815,221.79	286,763,887.32
<u>\$ 289,581,514.47</u>	<u>\$ 24,772,370.14</u>	<u>\$ 314,353,884.61</u>	



**Balance Sheet**  
**Governmental Funds**  
**September 30, 2011**

	General Fund	Gasoline Tax Fund
<b>Assets</b>		
Cash and Cash Equivalents	\$ 39,545,373.68	\$ 16,375,745.96
Cash with Fiscal Agent		
Taxes Receivable	27,605,726.23	540,203.57
Receivables, Net (Note 4)	681,562.68	1,189,876.98
Due From Other Funds	154,784.73	135,722.00
Inventories	1,784.92	
Prepaid Items	21,958.31	
Total Assets	<u>68,011,190.55</u>	<u>18,241,548.51</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Payables (Note 8)	9,610,932.97	1,078,735.54
Due To Other Funds	192,698.89	13,344.69
Deferred Revenue	28,077,112.90	
Accrued Wages Payable	440,623.17	117,547.65
Total Liabilities	<u>38,321,367.93</u>	<u>1,209,627.88</u>
<b>Fund Balances</b>		
Nonspendable:		
Inventories	1,784.92	
Prepaid Items	21,958.31	
Term Endowments		
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes	719,727.48	
Committed:		
Other Purposes	923,494.61	
Assigned to:		
Encumbrances	5,642,398.24	
Highways and Roads		17,031,920.63
Debt Service		
Capital Projects		
Other Purposes		
Unassigned	22,380,459.06	
Total Fund Balances	<u>29,689,822.62</u>	<u>17,031,920.63</u>
Total Liabilities and Fund Balances	<u>\$ 68,011,190.55</u>	<u>\$ 18,241,548.51</u>

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

<b>Oil and Gas Severance Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 15,608,556.02	\$ 14,387,369.50	\$ 85,917,045.16
	4,424,314.21	4,424,314.21
	4,782,939.97	32,928,869.77
	1,458,534.30	3,329,973.96
	22,505.25	313,011.98
		1,784.92
		21,958.31
<u>15,608,556.02</u>	<u>25,075,663.23</u>	<u>126,936,958.31</u>

	1,281,477.21	11,971,145.72
	261,913.37	467,956.95
	6,011,040.82	34,088,153.72
	100,717.97	658,888.79
	<u>7,655,149.37</u>	<u>47,186,145.18</u>

		1,784.92
		21,958.31
15,608,556.02		15,608,556.02
	4,424,314.21	4,424,314.21
	894,189.17	894,189.17
	3,159,427.97	3,159,427.97
	1,730,933.90	2,450,661.38
	164,334.39	1,087,829.00
		5,642,398.24
	302,530.20	17,334,450.83
	131,184.66	131,184.66
	4,537,118.54	4,537,118.54
	2,076,480.82	2,076,480.82
		22,380,459.06
<u>15,608,556.02</u>	<u>17,420,513.86</u>	<u>79,750,813.13</u>
<u>\$ 15,608,556.02</u>	<u>\$ 25,075,663.23</u>	<u>\$ 126,936,958.31</u>

---

*This Page Intentionally Blank*

---

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2011***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 79,750,813.13

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	\$ 21,195,620.91	
Infrastructure	238,183,606.17	
Infrastructure in Progress	27,316,005.43	
Construction in Progress	5,250,607.17	
Building and Building Improvements	85,333,298.62	
Improvements Other Than Buildings	5,795,915.13	
Computer and Communication Equipment	12,292,160.04	
Equipment and Furniture	2,014,823.95	
Motor Vehicles and Heavy Equipment	25,674,175.13	
Less: Accumulated Depreciation	<u>(97,346,387.18)</u>	
Total Capital Assets, Net of Depreciation		325,709,825.37

Deferred charges related to issuance costs of long-term liabilities are  
not reported in the funds. 965,473.21

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	\$ 1,385,586.57		
Notes Payable	84,431.38		
Warrants Payable	7,260,079.54	102,704,313.50	
Unamortized Discount	(7,569.27)	(128,087.51)	
Unamortized Premium	128,040.73	1,730,524.72	
Deferred Loss on Refunding	(121,896.95)	(1,164,542.09)	
Estimated Liability for Compensated Absences	2,028,891.17	1,773,402.28	
Estimated Liability for OPEB		1,171,423.17	
Total Liabilities	<u>\$ 10,757,563.17</u>	<u>\$ 106,087,034.07</u>	<u>(116,844,597.24)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 289,581,514.47

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, 2011***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 44,729,686.31	\$ 7,018,882.19
Licenses and Permits	2,369,699.26	
Intergovernmental	8,656,114.85	22,382,341.03
Charges for Services	8,053,527.60	21,811.64
Fines and Forfeits	40,978.86	
Miscellaneous	2,258,815.05	301,636.41
Total Revenues	<u>66,108,821.93</u>	<u>29,724,671.27</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	22,960,321.53	
Public Safety	20,846,762.12	
Highways and Roads	501,064.48	10,908,613.82
Sanitation		
Health	944,735.21	
Welfare	659,994.20	
Culture and Recreation	1,144,479.03	
Education	80,549.72	
Capital Outlay	3,518,540.07	20,996,630.32
Debt Service:		
Principal Retirement		666,335.52
Interest and Fiscal Charges		30,268.63
Total Expenditures	<u>50,656,446.36</u>	<u>32,601,848.29</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,452,375.57</u>	<u>(2,877,177.02)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	2,040,448.65	12,107,536.00
Sale of Capital Assets	12,174.54	394,281.59
Transfers Out	(19,106,601.09)	(6,803,406.13)
Total Other Financing Sources (Uses)	<u>(17,053,977.90)</u>	<u>5,698,411.46</u>
Changes in Fund Balances	(1,601,602.33)	2,821,234.44
Fund Balances - Beginning of Year, as Restated (Note 16)	<u>31,291,424.95</u>	<u>14,210,686.19</u>
Fund Balances - End of Year	<u>\$ 29,689,822.62</u>	<u>\$ 17,031,920.63</u>

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

<b>Oil and Gas Severance Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$
	6,308,124.50	58,056,693.00
	3,685.00	2,373,384.26
	6,960,154.78	37,998,610.66
	1,835,200.06	9,910,539.30
		40,978.86
175,292.62	611,173.26	3,346,917.34
<u>175,292.62</u>	<u>15,718,337.60</u>	<u>111,727,123.42</u>
	6,648,945.72	29,609,267.25
	4,083,086.18	24,929,848.30
	2,292,858.33	13,702,536.63
	15,000.00	15,000.00
	1,764,001.20	2,708,736.41
		659,994.20
		1,144,479.03
		80,549.72
	10,250,576.39	34,765,746.78
	6,498,409.76	7,164,745.28
	5,080,557.33	5,110,825.96
	<u>36,633,434.91</u>	<u>119,891,729.56</u>
175,292.62	(20,915,097.31)	(8,164,606.14)
	13,419,562.07	27,567,546.72
	7,795.50	414,251.63
(157,714.19)	(1,553,783.52)	(27,621,504.93)
<u>(157,714.19)</u>	<u>11,873,574.05</u>	<u>360,293.42</u>
17,578.43	(9,041,523.26)	(7,804,312.72)
15,590,977.59	26,462,037.12	87,555,125.85
<u>\$ 15,608,556.02</u>	<u>\$ 17,420,513.86</u>	<u>\$ 79,750,813.13</u>

---

*This Page Intentionally Blank*

---

***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, 2011***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (7,804,312.72)

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 (\$34,765,746.78)  
exceeded depreciation (\$8,655,814.45) in the current period. 26,109,932.33

In the Statement of Activities, donation of capital assets is recorded as revenue, whereas  
in the governmental funds it is not recorded. 2,149,949.00

In the Statement of Activities, only the gain (\$413,257.24) on the sale of capital assets is  
reported, whereas in the governmental funds, the proceeds (\$414,251.63) 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. (994.39)

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. 7,164,745.28

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	\$ 85,251.90	
Amortization of Deferred Discount	(7,569.27)	
Amortization of Premium	149,760.70	
Amortization of Deferred Issuance Costs	(92,167.00)	
Amortization of Deferred Loss on Refunding	(121,896.95)	
Net Increase in OPEB	(220,449.40)	
Net Increase in Compensated Absences	197,158.37	
Total Additional Expenditures		(9,911.65)

In the Statement of Activities, the contribution of capital assets to/from proprietary  
funds is recorded, whereas in the governmental funds it is not recorded. 23,441.09

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 27,632,848.94

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



**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2011**

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 14,529,473.75	\$ 1,337,203.57	\$ 15,866,677.32
Accounts Receivable, Net (Note 4)	464,643.07	519,372.77	984,015.84
Due From Other Funds	244,286.76	5,347.80	249,634.56
Prepaid Items	77.55	74.87	152.42
Total Current Assets	<u>15,238,481.13</u>	<u>1,861,999.01</u>	<u>17,100,480.14</u>
<b>Noncurrent Assets</b>			
Restricted Cash and Cash Equivalents	2,161,553.49		2,161,553.49
Capital Assets (Note 5):			
Nondepreciable	3,784,097.97	137,866.48	3,921,964.45
Depreciable, Net	6,521,819.45	1,149,695.99	7,671,515.44
Total Noncurrent Assets	<u>12,467,470.91</u>	<u>1,287,562.47</u>	<u>13,755,033.38</u>
Total Assets	<u>27,705,952.04</u>	<u>3,149,561.48</u>	<u>30,855,513.52</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables (Note 8)	232,809.34	165,259.70	398,069.04
Due To Other Funds	14,503.71	187,501.34	202,005.05
Accrued Wages Payable	26,685.09	36,694.62	63,379.71
Long-Term Liabilities:			
Portion Due Within One Year:			
Estimated Liability for Landfill Closure/ Postclosure Care Costs	995,241.70		995,241.70
Total Current Liabilities	<u>1,269,239.84</u>	<u>389,455.66</u>	<u>1,658,695.50</u>
<b>Noncurrent Liabilities</b>			
Long-Term Liabilities:			
Portion Due After One Year:			
Compensated Absences	178,218.43	150,306.09	328,524.52
Estimated Liability for OPEB	34,533.00	59,276.16	93,809.16
Estimated Liability for Landfill Closure/ Postclosure Care Costs	4,002,114.20		4,002,114.20
Total Noncurrent Liabilities	<u>4,214,865.63</u>	<u>209,582.25</u>	<u>4,424,447.88</u>
Total Liabilities	<u>\$ 5,484,105.47</u>	<u>\$ 599,037.91</u>	<u>\$ 6,083,143.38</u>

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

---

	<b>Solid Waste Fund</b>	<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 10,305,917.42	\$ 1,287,562.47	\$ 11,593,479.89
Restricted for:			
Landfill Closure and Postclosure Costs	2,161,553.49		2,161,553.49
Unrestricted	9,754,375.66	1,262,961.10	11,017,336.76
<b>Total Net Assets</b>	<b>\$ 22,221,846.57</b>	<b>\$ 2,550,523.57</b>	<b>\$ 24,772,370.14</b>

---

*This Page Intentionally Blank*

---

**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2011**

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Revenues</b>			
Charges for Services	\$ 5,706,927.85	\$ 5,743,760.40	\$ 11,450,688.25
Intergovernmental		293.08	293.08
Total Revenues	<u>5,706,927.85</u>	<u>5,744,053.48</u>	<u>11,450,981.33</u>
<b>Operating Expenses</b>			
Salaries and Benefits	1,799,398.93	2,660,020.78	4,459,419.71
Contractual and Professional Services	108,369.47	1,248,419.60	1,356,789.07
Travel	11,022.54		11,022.54
Materials and Supplies	1,085,013.88	1,179,690.12	2,264,704.00
Utilities and Communications	126,271.52	42,439.75	168,711.27
Other Expenses	318,186.57	177,455.73	495,642.30
Depreciation	1,219,542.87	615,564.59	1,835,107.46
Landfill Expenses	286,413.96		286,413.96
Total Operating Expenses	<u>4,954,219.74</u>	<u>5,923,590.57</u>	<u>10,877,810.31</u>
Operating Income (Loss)	<u>752,708.11</u>	<u>(179,537.09)</u>	<u>573,171.02</u>
<b>Nonoperating Revenues (Expenses)</b>			
Other Miscellaneous	280,179.53	55,023.31	335,202.84
Interest Earned	177,363.01	10,344.63	187,707.64
Interest Expense		(1,730.97)	(1,730.97)
Capital Contribution (Capital Assets)	6,807.91		6,807.91
Gain on Sale of Capital Assets	15,451.70		15,451.70
Total Nonoperating Revenues (Expenses)	<u>479,802.15</u>	<u>63,636.97</u>	<u>543,439.12</u>
Income (Loss) Before Transfers	<u>1,232,510.26</u>	<u>(115,900.12)</u>	<u>1,116,610.14</u>
<b>Operating Transfers</b>			
Transfers In	67,711.58	431,966.00	499,677.58
Transfers Out	(1,341,993.00)	(317,146.37)	(1,659,139.37)
Total Operating Transfers	<u>(1,274,281.42)</u>	<u>114,819.63</u>	<u>(1,159,461.79)</u>
Changes in Net Assets	(41,771.16)	(1,080.49)	(42,851.65)
Total Net Assets - Beginning of Year	<u>22,263,617.73</u>	<u>2,551,604.06</u>	<u>24,815,221.79</u>
Total Net Assets - End of Year	<u>\$ 22,221,846.57</u>	<u>\$ 2,550,523.57</u>	<u>\$ 24,772,370.14</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, 2011**

	<b>Solid Waste Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from Customers	\$ 5,959,826.09
Intergovernmental Revenues	
Payments to Employees	(1,847,226.80)
Payments to Suppliers	(1,722,963.11)
Net Cash Provided (Used) by Operating Activities	<u>2,389,636.18</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Interfund Loans Made/Repaid	(164,589.01)
Miscellaneous	280,179.53
Transfers In	67,711.58
Transfers Out	(1,341,993.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,158,690.90)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Sale of Assets	26,453.26
Purchase of Capital Assets	(448,736.38)
Repayment of Principal	
Interest Expense	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(422,283.12)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest Revenue	177,363.01
Net Cash Provided (Used) by Investing Activities	<u>177,363.01</u>
Net Increase (Decrease) in Cash and Cash Equivalents	986,025.17
Cash and Cash Equivalents - Beginning of Year	<u>15,705,002.07</u>
Cash and Cash Equivalents - End of Year	<u>\$ 16,691,027.24</u>

<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
\$ 6,017,018.08	\$ 11,976,844.17
293.08	293.08
(2,772,244.34)	(4,619,471.14)
(2,762,230.44)	(4,485,193.55)
482,836.38	2,872,472.56
173,647.72	9,058.71
4,790.93	284,970.46
431,966.00	499,677.58
(317,146.37)	(1,659,139.37)
293,258.28	(865,432.62)
50,232.38	76,685.64
(85,959.00)	(534,695.38)
(174,405.14)	(174,405.14)
(1,730.97)	(1,730.97)
(211,862.73)	(634,145.85)
10,344.63	187,707.64
10,344.63	187,707.64
574,576.56	1,560,601.73
762,627.01	16,467,629.08
1,337,203.57	18,028,230.81
\$ 1,337,203.57	\$ 18,028,230.81

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2011**

	<b>Solid Waste Fund</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>	
Operating Income (Loss)	\$ 752,708.11
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>	
Depreciation Expense	1,219,542.87
Landfill Expense	286,413.96
Change in Assets and Liabilities:	
(Increase)/Decrease Receivables, Net	254,677.96
(Increase)/Decrease Prepays	163.69
Increase/(Decrease) Accounts Payable	(76,042.54)
Increase/(Decrease) Wages Payable	(55,445.50)
Increase/(Decrease) Compensated Absences	(3,151.37)
Increase/(Decrease) Accrued Interest Payable	
Increase/(Decrease) Estimated Liability for OPEB	10,769.00
Net Cash Provided by Operating Activities	<u>\$ 2,389,636.18</u>
<b><u>Noncash Investing, Capital and Financing Activities:</u></b>	

The Governmental Funds transferred Capital Assets with a cost of \$42,317.04 and depreciation of \$35,509.13 to the Solid Waste Fund.

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

---

<b>Other Enterprise Fund</b>	<b>Total Enterprise Funds</b>
\$ (179,537.09)	\$ 573,171.02
615,564.59	1,835,107.46
	286,413.96
273,257.68	527,935.64
(15.32)	148.37
(109,017.01)	(185,059.55)
(84,988.89)	(140,434.39)
(44,989.39)	(48,140.76)
(5,192.91)	(5,192.91)
17,754.72	28,523.72
<u>\$ 482,836.38</u>	<u>\$ 2,872,472.56</u>



---

*This Page Intentionally Blank*

---

**Statement of Fiduciary Net Assets**  
**September 30, 2011**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 16,585,854.43	\$ 356,892.08
Investments	9,461,945.79	
Receivables (Note 4)	4,577.46	11,701.39
Due From Other Funds	1,670.36	116,578.65
Total Current Assets	<u>26,054,048.04</u>	<u>485,172.12</u>
<b>Noncurrent Assets</b>		
Capital Assets, Net	<u>322,784.94</u>	
Total Noncurrent Assets	<u>322,784.94</u>	
Total Assets	<u>26,376,832.98</u>	<u>485,172.12</u>
<b>Liabilities</b>		
Payables (Note 8)	10,727,215.46	473,783.59
Accrued Wages	12,771.18	
Due To Other Funds	10,933.55	
Payable to External Parties		11,388.53
Total Liabilities	<u>10,750,920.19</u>	<u>\$ 485,172.12</u>
<b>Net Assets</b>		
Held in Trust for Other Purposes	<u>15,625,912.79</u>	
Total Net Assets	<u>\$ 15,625,912.79</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, 2011***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
State and Local Governments	\$ 222,492.77
Probate Court	2,381,343.19
Fees	1,221,399.19
Miscellaneous	29,040.90
Interest	29,239.29
Transfers In	1,512,172.00
Total Additions	<u>5,395,687.34</u>
<b><u>Deductions</u></b>	
Administrative Expenses	1,904,724.74
Payments to Beneficiaries	320,332.50
Transfers Out	298,752.00
Total Deductions	<u>2,523,809.24</u>
Changes in Net Assets	2,871,878.10
Net Assets - Beginning of Year, as Restated (Note 16)	<u>12,754,034.69</u>
Net Assets - End of Year	<u>\$ 15,625,912.79</u>

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

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### **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.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

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

#### **Fund Financial Statements**

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

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

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 Fund Types**

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or 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.
- ◆ **Capital Projects Funds** – These funds are used to account for and report 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).
- ◆ **Permanent Funds** – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Commission's programs or its citizenry.

The Commission reports the following 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.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

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

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

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

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

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

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

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

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

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

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

##### **1. Deposits**

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.



---

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2011***

---

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.

### **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.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### **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.

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.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

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.

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

#### **Sick Leave**

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

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.

#### **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.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

- ◆ **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.

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.

---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

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

**A. Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of ad valorem taxes which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds are budgeted on a basis of accounting consistent with GAAP. Capital projects funds adopt project length budgets. All 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, 2011, the balance set aside for emergency reserves for the General Fund is \$9,599,667.75, Gasoline Tax Fund is \$2,918,787.43 and Solid Waste Fund is \$1,185,666.72 which is not classified as committed on the financial statements because this agreement does not meet the criteria to be reported as such.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**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 Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All of the Commission's investments were in certificates of deposits.

As of September 30, 2011, 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	Average Maturity of 60 days or less	\$3,266,348.35	S & P AAAm Moody Aaa
Federated Auto Government Money TR Number 44	Weighted Average Maturity of 90 days or less	1,157,965.86	S & P AAAm Moody Aaa
Total Cash with Fiscal Agent		<u>\$4,424,314.21</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.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**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 – Receivables**

On September 30, 2011, receivables for the Commission’s individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Receivables:</b>				
Accounts Receivable	\$ 2,551.38	\$ 1,392.87	\$ 46,511.40	\$ 50,455.65
Intergovernmental	679,011.30	1,188,484.11	1,412,022.90	3,279,518.31
<b>Total Receivables</b>	<b>\$681,562.68</b>	<b>\$1,189,876.98</b>	<b>\$1,458,534.30</b>	<b>\$3,329,973.96</b>

Proprietary Funds	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Receivables:</b>			
Accounts Receivable	\$466,096.96	\$577,222.47	\$1,043,319.43
Intergovernmental	11,200.00		11,200.00
Gross Receivables	477,296.96	577,222.47	1,054,519.43
Less: Allowable for Doubtful Accounts	(12,653.89)	(57,849.70)	(70,503.59)
<b>Net Total Receivables</b>	<b>\$464,643.07</b>	<b>\$519,372.77</b>	<b>\$ 984,015.84</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

Fiduciary Funds	Private-Purpose Trust Funds	Agency Funds
<b>Receivables:</b>		
Accounts Receivable	\$ 23.64	\$
Intergovernmental	4,553.82	0.06
Other		11,701.33
<b>Total Receivables</b>	<b>\$4,577.46</b>	<b>\$11,701.39</b>

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, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Real Property Ad Valorem Taxes	\$30,846,142.01	\$
Unexpended Reappraisal Funds		1,228,100.85
Deepwater Horizon Incident Grant		1,930,898.22
Other Miscellaneous Revenues		83,012.64
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$30,846,142.01</b>	<b>\$3,242,011.71</b>



**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance October 1, 2010	Reclassifications	Additions	Retirements	Balance September 30, 2011
<b>Governmental Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 18,133,048.71		\$ 3,062,572.20		\$ 21,195,620.91
Infrastructure in Progress	9,001,394.81	(3,238,295.20)	21,552,905.82		27,316,005.43
Construction in Progress	4,259,194.62	(4,960,742.53)	5,952,155.08		5,250,607.17
<b>Total Capital Assets, Not Being Depreciated</b>	<b>31,393,638.14</b>	<b>(8,199,037.73)</b>	<b>30,567,633.10</b>		<b>53,762,233.51</b>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	231,161,821.02	3,045,135.86	3,976,649.29		238,183,606.17
Buildings	80,384,223.16	4,827,988.48	121,086.98		85,333,298.62
Improvements Other Than Buildings	5,243,712.55	193,159.34	359,043.24		5,795,915.13
Computer and Communication Equipment	11,731,155.57	283,951.05	470,340.80	(193,287.38)	12,292,160.04
Equipment and Furniture	1,564,857.60		501,483.30	(51,516.95)	2,014,823.95
Motor Vehicle and Heavy Equipment	21,656,731.08	4,356,230.78	949,708.07	(1,288,494.80)	25,674,175.13
Assets Under Capital Lease	4,507,427.78	(4,507,427.78)			
<b>Total Capital Assets Being Depreciated</b>	<b>356,249,928.76</b>	<b>8,199,037.73</b>	<b>6,378,311.68</b>	<b>(1,533,299.13)</b>	<b>369,293,979.04</b>
<b>Less Accumulated Depreciation for:</b>					
Infrastructure	(34,046,064.76)		(1,653,067.01)		(35,699,131.77)
Buildings	(24,015,361.23)		(3,020,710.98)		(27,036,072.21)
Improvements Other Than Buildings	(1,065,834.45)		(184,623.28)		(1,250,457.73)
Computer and Communication Equipment	(9,789,605.01)	(102,490.63)	(723,855.73)	193,287.38	(10,422,663.99)
Equipment and Furniture	(1,228,801.25)		(183,269.76)	51,516.95	(1,360,554.06)
Motor Vehicle and Heavy Equipment	(16,529,261.96)	(3,438,650.27)	(2,890,287.69)	1,280,692.50	(21,577,507.42)
Assets Under Capital Lease	(3,541,140.90)	3,541,140.90			
<b>Total Accumulated Depreciation</b>	<b>(90,216,069.56)</b>		<b>(8,655,814.45)</b>	<b>1,525,496.83</b>	<b>(97,346,387.18)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>266,033,859.20</b>	<b>8,199,037.73</b>	<b>(2,277,502.77)</b>	<b>(7,802.30)</b>	<b>271,947,591.86</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$297,427,497.34</b>		<b>\$28,290,130.33</b>	<b>(7,802.30)</b>	<b>\$325,709,825.37</b>

Amounts included in the "Reclassifications" column were necessary due to projects that were completed and leases being paid off during the year.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

	Balance October 1, 2010	Reclassifications	Additions	Retirements	Balance September 30, 2011
<b>Business-Type Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 3,440,612.97	\$	\$ 343,485.00	\$	\$ 3,784,097.97
Construction in Progress	137,866.48				137,866.48
<b>Total Capital Assets, Not Being Depreciated</b>	<b>3,578,479.45</b>		<b>343,485.00</b>		<b>3,921,964.45</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	1,978,804.83				1,978,804.83
Improvements Other Than Buildings	11,115,581.60				11,115,581.60
Computer and Communication Equipment	65,277.64			(39,146.00)	26,131.64
Equipment and Furniture	301,195.00		5,200.98	(38,518.12)	267,877.86
Motor Vehicle and Heavy Equipment	10,935,787.78	745,225.42	228,326.44	(372,039.98)	11,537,299.66
Assets Under Capital Lease	745,225.42	(745,225.42)			
<b>Total Capital Assets Being Depreciated</b>	<b>25,141,872.27</b>		<b>233,527.42</b>	<b>(449,704.10)</b>	<b>24,925,695.59</b>
<b>Less Accumulated Depreciation for:</b>					
Buildings	(659,433.01)		(66,627.00)		(726,060.01)
Improvements Other Than Buildings	(6,709,441.90)		(241,960.61)		(6,951,402.51)
Computer and Communication Equipment	(65,277.64)			39,146.00	(26,131.64)
Equipment and Furniture	(184,069.41)		(37,590.67)	38,518.12	(183,141.96)
Motor Vehicle and Heavy Equipment	(7,776,277.44)	(427,766.70)	(1,524,438.31)	361,038.42	(9,367,444.03)
Assets Under Capital Lease	(427,766.70)	427,766.70			
<b>Total Accumulated Depreciation</b>	<b>(15,822,266.10)</b>		<b>(1,870,616.59)</b>	<b>438,702.54</b>	<b>(17,254,180.15)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>9,319,606.17</b>		<b>(1,637,089.17)</b>	<b>(11,001.56)</b>	<b>7,671,515.44</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$12,898,085.62</b>	<b>\$</b>	<b>\$(1,293,604.17)</b>	<b>\$(11,001.56)</b>	<b>\$ 11,593,479.89</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$3,354,578.17
Public Safety	1,472,973.82
Highways and Roads	3,665,688.99
Sanitation	2,587.23
Health	27,505.24
Welfare	7,843.72
Culture and Recreation	99,812.30
Education	24,824.98
Total Depreciation Expense – Governmental Activities	<u>\$8,655,814.45</u>

	Current Year Depreciation Expense
<b>Business-Type Activities:</b>	
Solid Waste	\$1,870,616.59
Total Depreciation Expense – Business-Type Activities	<u>\$1,870,616.59</u>

**Note 6 – Defined Benefit Pension Plan**

**A. Plan Description**

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

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

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

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

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

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

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2011 was 10.29% for percent based on the actuarial valuation performed as of September 30, 2008 for employees of the Baldwin County Sheriff's Department and 7.30% for all other employees.

---

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

---

**C. Annual Pension Cost**

For the year ended September 30, 2011, the Commission's annual pension cost for employees of the Baldwin County Sheriff's Department of \$1,202,603.88 and \$1,698,774.75 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, 2010, 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 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2010 was 30 years for the Baldwin County Sheriff's Department and 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
09/30/2011	\$1,698,775	100%	\$0
09/30/2010	\$1,781,466	100%	\$0
09/30/2009	\$1,789,088	100%	\$0

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
09/30/2011	\$1,202,604	100%	\$0
09/30/2010	\$1,024,872	100%	\$0
09/30/2009	\$1,038,249	100%	\$0

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### **D. Funded Status and Funding Progress**

As of September 30, 2010, the most recent actuarial valuation date, the plan for the Commission was 71.6 percent funded. The actuarial accrued liability for benefits was \$58,917,071 and the actuarial value of assets was \$42,167,104, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,749,967. The covered payroll (annual payroll of active employees covered by the plan) was \$24,604,383, and the ratio of the UAAL to the covered payroll was 68.10 percent.

As of September 30, 2010, the most recent actuarial valuation date, the plan for the Baldwin County Sheriff's Department was 64.30 percent funded. The actuarial accrued liability for benefits was \$27,214,661 and the actuarial value of assets was \$17,491,126, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,723,535. The covered payroll (annual payroll of active employees covered by the plan) was \$11,196,677, and the ratio of the UAAL to the covered payroll was 86.80 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.

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

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2011.

For retirees with at least 25 years of service, the Commission contributes \$282.94 towards the cost of single coverage, while the employee contributes \$100.00. 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. For fiscal year 2011, the Commission contributed \$150,267.88 to cover approximately twenty-nine participants. Plan members contributed \$19,900.00 for single coverage and \$30,858.24 for family coverage cost during fiscal year 2011.

---

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

---

**C. Annual OPEB Cost**

For fiscal year 2011, 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 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed Annual OPEB	Net OPEB Obligation
09/30/2011	\$399,241.00	37.60%	\$1,265,232.33
09/30/2010	\$609,093.00	18.60%	\$1,016,259.21
09/30/2009	\$609,093.00	14.60%	\$ 520,188.01

**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)	\$34,959,418.63
UAAL as a Percentage of Covered Payroll	13.2%

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.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**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.

**Note 8 – Payables**

On September 30, 2011, 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>Governmental Funds:</b>				
General Fund	\$ 7,743,156.71	\$1,779,179.49	\$ 88,596.77	\$ 9,610,932.97
Gasoline Tax Fund	1,078,735.54			1,078,735.54
Other Governmental Funds	1,254,349.21		27,128.00	1,281,477.21
Total Governmental Funds	10,076,241.46	1,779,179.49	115,724.77	11,971,145.72
<b>Business-Type Activities:</b>				
Solid Waste Fund	232,809.34			232,809.34
Other Enterprise Fund	165,259.70			165,259.70
Total Business-Type Activities	398,069.04			398,069.04
<b>Fiduciary Funds:</b>				
Private-Purpose Trust	193,549.61		10,533,665.85	10,727,215.46
Agency	1,622.79		472,160.80	473,783.59
Total Fiduciary Funds	\$ 195,172.40	\$	\$11,005,826.65	\$11,200,999.05



---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### *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.

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 Robertsedale, and to cover project cost overruns for Bay Minette Courthouse, Central Annex, and Girls Wilderness Facility. The debt service payments are made by the General Fund (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 Robertsedale Regions Bank Building and the rehabilitation, renovation, and equipment costs associated with the building. The debt service payments are made by the General and Gasoline Tax Funds.

In 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.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

In September 2008, 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 Warrant 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.

#### 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, 2011:

	Debt Outstanding 10/01/2010	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2011	Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants and Notes Payable:</b>					
Warrants, 2002	\$ 30,000.00	\$	\$ (10,000.00)	\$ 20,000.00	\$ 10,000.00
Warrants, 2004	6,725,000.00		(1,000,000.00)	5,725,000.00	1,045,000.00
Warrants, 2004-B	11,795,000.00		(515,000.00)	11,280,000.00	535,000.00
Warrants, 2006-A	21,680,000.00		(935,000.00)	20,745,000.00	970,000.00
Warrant, 2007 Taxable	1,665,000.00		(385,000.00)	1,280,000.00	405,000.00
Warrants, 2007-A	13,045,000.00			13,045,000.00	
Warrant, 2008-A	10,646,683.99		(2,397,347.24)	8,249,336.75	2,095,678.19
Warrant, 2008-B	24,715,000.00			24,715,000.00	
Warrant, 2008-C	4,681,118.81		(166,062.52)	4,515,056.29	174,401.35
Warrants, 2010	21,480,000.00		(1,090,000.00)	20,390,000.00	2,025,000.00
Less: Unamortized Discount	(143,226.05)		7,569.27	(135,656.78)	(7,569.27)
Less: Deferred Loss on Refunding	(1,408,335.99)		121,896.95	(1,286,439.04)	(121,896.95)
Plus: Unamortized Premium	2,008,326.15		(149,760.70)	1,858,565.45	128,040.73
<b>Total Warrants Payable, Net</b>	<b>116,919,566.91</b>		<b>(6,518,704.24)</b>	<b>110,400,862.67</b>	<b>7,258,654.05</b>
Notes Payable	165,420.70		(80,989.32)	84,431.38	84,431.38
<b>Total Warrants and Notes Payable</b>	<b>117,084,987.61</b>		<b>(6,599,693.56)</b>	<b>110,485,294.05</b>	<b>7,343,085.43</b>
<b>Other Liabilities:</b>					
Capital Leases	585,346.20		(585,346.20)		
Compensated Absences	3,999,451.82		(197,158.37)	3,802,293.45	2,028,891.17
Estimated Liability for OPEB	950,973.77	220,449.40		1,171,423.17	
<b>Total Other Liabilities</b>	<b>5,535,771.79</b>	<b>220,449.40</b>	<b>(782,504.57)</b>	<b>4,973,716.62</b>	<b>2,028,891.17</b>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<b>\$122,620,759.40</b>	<b>\$220,449.40</b>	<b>\$(7,382,198.13)</b>	<b>\$115,459,010.67</b>	<b>\$9,371,976.60</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

	Debt Outstanding 10/01/2010	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2011	Due Within One Year
<b>Business-Type Activities:</b>					
Capital Lease Contracts Payable	\$ 174,405.14	\$	\$(174,405.14)	\$	\$
Estimated Liability for Compensated Absences	376,665.28		(48,140.76)	328,524.52	
Estimated Liability for Landfill Closure/Postclosure Costs	4,710,941.94	286,413.96		4,997,355.90	995,241.70
Estimated Liability for OPEB	65,285.44	28,523.72		93,809.16	
<b>Total Business-Type Activities</b>	<b>\$5,327,297.80</b>	<b>\$314,937.68</b>	<b>\$(222,545.90)</b>	<b>\$5,419,689.58</b>	<b>\$995,241.70</b>
Long-Term Liabilities					

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

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 Funds				Total Principal and Interest Requirements
	Warrants Payable		Notes Payable		
	Principal	Interest	Principal	Interest	
September 30, 2012	\$ 7,260,079.54	\$ 4,810,326.98	\$84,431.38	\$3,588.32	\$ 12,158,426.22
2013	6,248,185.05	4,544,308.36			10,792,493.41
2014	5,879,855.22	4,298,214.32			10,178,069.54
2015	6,131,102.22	4,039,732.32			10,170,834.54
2016	6,389,225.11	3,762,211.93			10,151,437.04
2017-2021	30,506,694.10	14,700,416.08			45,207,110.18
2022-2026	28,748,622.83	7,882,510.89			36,631,133.72
2027-2031	13,770,628.97	2,964,447.65			16,735,076.62
2032-2033	5,030,000.00	310,025.50			5,340,025.50
<b>Total</b>	<b>\$109,964,393.04</b>	<b>\$47,312,194.03</b>	<b>\$84,431.38</b>	<b>\$3,588.32</b>	<b>\$157,364,606.77</b>

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2011***

#### **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, and 2008-C, General Obligation Warrants. The deferred amounts are being amortized using the straight-line method over a period of 10, 23, 20, 25, 25, and 20 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	\$1,272,666.39	\$1,530,232.94	\$182,090.25	\$2,303,720.40
Amount Amortized Prior Years	215,026.18	121,896.95	38,864.20	295,394.25
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	1,057,640.21	1,408,335.99	143,226.05	2,008,326.15
Current Amount Amortized	92,167.00	121,896.95	7,569.27	149,760.70
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	<b>\$ 965,473.21</b>	<b>\$1,286,439.04</b>	<b>\$135,656.78</b>	<b>\$1,858,565.45</b>

#### **Pledged Revenues**

The Commission issued Series 2002 Health Tax General Obligation Warrants which are pledged to be repaid from the proceeds of the county's ad valorem tax levied at the rate of 0.5 mills on each dollar of the assessed value of taxable property in the county (the "Special Tax") pursuant to Amendment Number 559 of the Alabama Constitution of 1901 and Resolution Number 2002-27 of the County Commission. The proceeds are to be used for facilities and equipment necessary or desirable for the protection and preservation of the public health and safety of the residents of Baldwin County. Future revenues in the amount of \$20,980.00 are pledged to repay the principal and interest on the warrants at September 30, 2011. Proceeds of the special Ad Valorem tax in the amount of \$1,928,725.41 were received by the Commission during the fiscal year ended September 30, 2011, of which \$11,225.00 was used to pay principal and interest on the warrants. The Series 2002 Health Tax General Obligation Warrants will mature in fiscal year 2013.

#### **Prior Year Defeasance of Debt**

In the prior year, the Commission defeased the Series 2002, General Obligation Warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2011, the total of \$12,140,000.00 of warrants outstanding is considered defeased.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### **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 \$4,997,355.90 as of September 30, 2011, which is based on 63% usage (filled) of the landfill. It is estimated that an additional \$2,978,527.99 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 (\$7,975,883.89) 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, 2011. 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, 2011, funds of \$2,161,553.49 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, 2011, the outstanding balance of the lease is \$5,755,000.00.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### **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 for a maximum total coverage of \$5,000,000 and unlimited defense costs. Employment-related practices damage protections is limited to \$750,000 per incident with a \$25,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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 the related investment earnings.

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

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**Note 13 – Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2011, were as follows:

	Operating Transfers In		
	General Fund	Gasoline Tax Fund	Other Governmental Funds
<b><u>Operating Transfers Out:</u></b>			
General Fund	\$	\$12,107,536.00	\$ 5,475,445.09
Gasoline Tax Fund	1,817.00		6,801,589.13
Oil and Gas Severance Tax Fund	157,714.19		
Other Governmental Funds	1,039,465.46		451,088.48
Solid Waste Fund	414,900.00		502,093.00
Other Enterprise Funds	127,800.00		189,346.37
Private-Purpose Trust Funds	298,752.00		
Totals	<u>\$2,040,448.65</u>	<u>\$12,107,536.00</u>	<u>\$13,419,562.07</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 |
|--|

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

Operating Transfers In			
Solid Waste Fund	Other Enterprise Fund	Private-Purpose Trust Funds	Totals
\$ 4,482.00	\$ 6,966.00	\$1,512,172.00	\$19,106,601.09
			6,803,406.13
			157,714.19
63,229.58			1,553,783.52
	425,000.00		1,341,993.00
			317,146.37
			298,752.00
<b>\$67,711.58</b>	<b>\$431,966.00</b>	<b>\$1,512,172.00</b>	<b>\$29,579,396.30</b>

**Note 15 – Subsequent Event**

On June 5, 2012, the Commission authorized the issuance of Series 2012-B General Obligation Warrant in the amount of \$25 million for the purchase of real property concerning the Megasite/Crosby property.

The Commission settled all claims asserted against BP Exploration & Production, Inc. for \$11.5 million. The net effect on the General Fund, after legal fees and distributions to other agencies and funds, is approximately \$5.97 million.

**Note 16 – Restatements**

A restatement to the beginning fund balances of Governmental Funds was necessary due to the implementation of GASB 54, Financial Statement Presentation and a restatement to the beginning fund balances of Fiduciary Funds was necessary to include Probate Fiduciary Funds not previously reported.



**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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

Governmental Funds	General	Gasoline Tax Fund	Oil and Gas Trust Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2010, as Previously Reported	\$28,217,180.71	\$14,002,328.96	\$15,590,977.59	\$29,744,638.59	\$87,555,125.85
<u>Restatement:</u> GASB 54 Financial Statement Presentation	<u>3,074,244.24</u>	<u>208,357.23</u>		<u>(3,282,601.47)</u>	
Fund Balance, September 30, 2010, as Restated	<u>\$31,291,424.95</u>	<u>\$14,210,686.19</u>	<u>\$15,590,977.59</u>	<u>\$26,462,037.12</u>	<u>\$87,555,125.85</u>

Fiduciary Funds	Fiduciary Funds	Total
Fund Balance, September 30, 2010, as Previously Reported	\$ 4,952,580.88	\$ 4,952,580.88
<u>Restatements:</u> Amounts for Judge of Probate Fiduciary Fund not Previously Reported	<u>7,801,453.81</u>	<u>7,801,453.81</u>
Fund Balance, September 30, 2010, as Restated	<u>\$12,754,034.69</u>	<u>\$12,754,034.69</u>

---

*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2011***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b><u>Revenues</u></b>			
Taxes	\$ 32,457,638.00	\$ 32,612,931.00	\$ 34,071,426.67
Licenses and Permits	735,710.00	735,710.00	2,369,699.26
Intergovernmental	4,730,277.00	10,577,139.00	7,519,411.31
Charges for Services	8,803,300.00	8,803,300.00	8,000,239.45
Fines and Forfeits		72,000.00	40,978.86
Miscellaneous	2,612,177.00	2,669,599.00	2,160,270.95
Total Revenues	<u>49,339,102.00</u>	<u>55,470,679.00</u>	<u>54,162,026.50</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	20,962,113.00	21,615,464.00	22,682,450.57
Public Safety	21,849,491.00	21,602,223.00	20,846,762.12
Highways and Roads			501,064.48
Health	1,062,287.00	1,019,671.00	944,735.21
Welfare	4,000.00	4,000.00	218,915.44
Culture and Recreation	182,263.00	182,263.00	327,161.37
Education	93,800.00	93,800.00	80,549.72
Capital Outlay	832,654.00	6,190,518.00	3,303,755.68
Total Expenditures	<u>44,986,608.00</u>	<u>50,707,939.00</u>	<u>48,905,394.59</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,352,494.00</u>	<u>4,762,740.00</u>	<u>5,256,631.91</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	1,382,096.00	3,241,438.00	739,820.65
Other Financing Sources			12,174.54
Sale of Capital Assets			(7,258,539.36)
Transfers Out	(7,612,679.00)	(9,383,846.00)	(7,258,539.36)
Other Financing Uses	(510,000.00)	(510,000.00)	
Total Other Financing Sources (Uses)	<u>(6,740,583.00)</u>	<u>(6,652,408.00)</u>	<u>(6,506,544.17)</u>
Net Change in Fund Balances	(2,388,089.00)	(1,889,668.00)	(1,249,912.26)
Fund Balances - Beginning of Year	2,388,089.00	1,889,668.00	28,421,852.94
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 27,171,940.68</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1) (2) \$	10,658,259.64	\$ 44,729,686.31
		2,369,699.26
(2)	1,136,703.54	8,656,114.85
(2)	53,288.15	8,053,527.60
		40,978.86
(2)	98,544.10	2,258,815.05
	<u>11,946,795.43</u>	<u>66,108,821.93</u>
(3)	(277,870.96)	22,960,321.53
		20,846,762.12
		501,064.48
		944,735.21
(3)	(441,078.76)	659,994.20
(3)	(817,317.66)	1,144,479.03
		80,549.72
(3)	(214,784.39)	3,518,540.07
	<u>(1,751,051.77)</u>	<u>50,656,446.36</u>
	<u>10,195,743.66</u>	<u>15,452,375.57</u>
(4)	1,300,628.00	2,040,448.65
		12,174.54
(4)	(11,848,061.73)	(19,106,601.09)
	<u>(10,547,433.73)</u>	<u>(17,053,977.90)</u>
	(351,690.07)	(1,601,602.33)
(5)	2,869,572.01	31,291,424.95
	<u>\$ 2,517,881.94</u>	<u>\$ 29,689,822.62</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2011***

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

- (1) The Commission budgets for Motor Vehicle Ad Valorem Tax as it is collected, rather than on the modified accrual basis.

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

(2) Revenues		
Election Fund	\$	99.86
Self Insurance		4,802.16
Road and Bridge		10,180,450.49
Legislative Delegation		50,799.04
Supernumerary		158.81
AAA Donation		29.36
Council on Aging		121,084.09
Utilities Permit Fund		3,196.98
Parks Fund		1,038,905.21
Bicentennial Fund		<u>5,196.48</u>
(3) Expenditures		
Election Fund		64,800.00
Self Insurance		(513.00)
Road and Bridge		
Legislative Delegation		162,285.88
Supernumerary		
AAA Donation		
Council on Aging		441,078.76
Utilities Permit Fund		
Parks Fund		827,617.66
Bicentennial Fund		<u>255,782.47</u>

---

\$ 542,072.95

11,404,722.48

(1,751,051.77)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2011***

(4) Other Financing Sources/(Uses), Net	
Election Fund	\$ 64,550.00
Self Insurance	(61,121.55)
Road and Bridge	(10,861,789.00)
Legislative Delegation	100,000.00
Supernumerary	
AAA Donation	
Council on Aging	360,548.00
Utilities Permit Fund	
Parks Fund	(925,151.18)
Parks Fund	775,530.00
Bicentennial Fund	

Net Decrease in Fund Balance - Budget to GAAP

- (5) 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. Encumbrances outstanding at year-end are reported only as reservations of fund balances and do not constitute expenditures or liabilities.

---

---

(10,547,433.73)

\$ (351,690.07)



***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2011***

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b><u>Revenues</u></b>			
Taxes	\$ 6,920,450.00	\$ 9,011,450.00	\$ 7,018,882.19
Intergovernmental	2,891,000.00	919,273.00	21,620,128.13
Charges for Services	25,000.00	25,000.00	21,811.64
Miscellaneous	250,000.00	308,194.00	299,394.19
<b>Total Revenues</b>	<b>10,086,450.00</b>	<b>10,263,917.00</b>	<b>28,960,216.15</b>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
Highways and Roads	14,001,125.00	10,965,450.74	10,908,613.82
Capital Outlay	996,000.00	5,726,596.00	20,996,630.32
<b>Debt Service:</b>			
Principal Retirement	666,336.00	666,336.00	666,335.52
Interest and Fiscal Charges	30,269.00	30,269.00	30,268.63
<b>Total Expenditures</b>	<b>15,693,730.00</b>	<b>17,388,651.74</b>	<b>32,601,848.29</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(5,607,280.00)</b>	<b>(7,124,734.74)</b>	<b>(3,641,632.14)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	11,971,935.00	12,859,835.74	12,855,836.00
Sale of Capital Assets	295,500.00	434,934.00	394,281.59
Transfers Out	(6,760,155.00)	(6,761,972.00)	(6,803,406.13)
<b>Total Other Financing Sources (Uses)</b>	<b>5,507,280.00</b>	<b>6,532,797.74</b>	<b>6,446,711.46</b>
<b>Net Change in Fund Balances</b>	<b>(100,000.00)</b>	<b>(591,937.00)</b>	<b>2,805,079.32</b>
<b>Fund Balances - Beginning of Year</b>	<b>100,000.00</b>	<b>591,937.00</b>	<b>14,002,328.96</b>
<b>Fund Balances - End of Year</b>	<b>\$</b>	<b>\$</b>	<b>\$ 16,807,408.28</b>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$
(1)	762,212.90	7,018,882.19
		22,382,341.03
		21,811.64
(1)	2,242.22	301,636.41
	<u>764,455.12</u>	<u>29,724,671.27</u>
		10,908,613.82
		20,996,630.32
		666,335.52
		30,268.63
		<u>32,601,848.29</u>
	<u>764,455.12</u>	<u>(2,877,177.02)</u>
	(748,300.00)	12,107,536.00
		394,281.59
(2)	<u>(748,300.00)</u>	<u>(6,803,406.13)</u>
		5,698,411.46
	16,155.12	2,821,234.44
(3)	<u>208,357.23</u>	<u>14,210,686.19</u>
	<u>\$ 224,512.35</u>	<u>\$ 17,031,920.63</u>

---

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2011***

---

**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	694,286.79
Severed Material Severance Tax Fund	<u>70,168.33</u>
(2) Other Financing Sources/(Uses)	
Public Highway and Traffic	(660,300.00)
Severed Material Severance Tax Fund	<u>(88,000.00)</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. Encumbrances outstanding at year-end are reported only as reservations of fund balances and do not constitute expenditures or liabilities.

---

\$ 764,455.12

(748,300.00)

\$ 16,155.12

---

*This Page Intentionally Blank*

---

**Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2011**

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]
09/30/2010**	\$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%
09/30/2008	\$39,773,614	\$49,764,007	\$ 9,990,393	79.90%	\$24,912,277	40.10%

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

\*\* Reflects the impact of Act Number 2011-27 as well as Act Number 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.

\*\*\*Market Value of Assets as of September 30, 2010: \$35,551,527

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 Number 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]
09/30/2010**	\$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%
09/30/2008	\$15,843,227	\$23,885,192	\$8,041,965	66.30%	\$11,037,601	72.90%

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

\*\* Reflects the impact of Act Number 2011-27 as well as Act Number 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.

\*\*\*Market Value of Assets as of September 30, 2010: \$14,846,324

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2011***

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]
09/30/2011	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%

---

*Supplementary Information*



***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<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		
<b><u>Passed Through Department of Natural Resources</u></b>		
<b><u>Conservation Services</u></b>		
Emergency Watershed Protection Program	10.923	69-4101-10-27
Total U. S. Department of Agriculture		
<b><u>U. S. Department of Commerce</u></b>		
<b><u>Passed Through Alabama Department of Revenue</u></b>		
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400	NA09NOS4000184
<b><u>Passed Through Alabama Department of</u></b>		
<b><u>Environmental Management</u></b>		
Coastal Zone Management Administration Awards	11.419	C10595071
<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		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2010 - 09/30/2011	\$ 15,797.49	\$ 15,797.49	\$ 15,797.49	\$ 15,797.49
10/01/2010 - 09/30/2011	47,191.08	47,191.08	47,191.08	47,191.08
	<u>62,988.57</u>	<u>62,988.57</u>	<u>62,988.57</u>	<u>62,988.57</u>
10/01/2010 - 09/30/2011	370,070.00	258,188.00	200,076.15	200,076.15
	<u>433,058.57</u>	<u>321,176.57</u>	<u>263,064.72</u>	<u>263,064.72</u>
10/01/2009 - 09/30/2011	999,000.00	999,000.00	423,307.13	423,307.13
10/01/2010 - 09/30/2011	101,215.76	20,000.00	20,000.00	20,000.00
07/01/2011 - 06/22/2012	4,410,962.00	4,410,962.00	650,394.30	650,394.30
	<u>5,511,177.76</u>	<u>5,429,962.00</u>	<u>1,093,701.43</u>	<u>1,093,701.43</u>
	\$ 5,944,236.33	\$ 5,751,138.57	\$ 1,356,766.15	\$ 1,356,766.15

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<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 Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Community Development Block Grant/State's Program	14.228	CY-CM-PF-10-003
Total U. S. Department of Housing and Urban Development		
<b><u>U. S. Department of Interior 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
Save America's Treasures	15.929	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
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Total Coastal Impact Assistance Program (M)		
Total U. S. Department of Interior		
<b><u>U. S. Department of Justice Direct Program</u></b>		
Public Safety Partnership and Community Policing Grants (M)	16.710	N/A
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A
Bulletproof Vest Partnership Program	16.607	N/A
<b><u>Passed Through Alabama Department of Economic and Community Affairs (Law Enforcement/Traffic Safety Division - LETS)</u></b>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-DJ-01-184
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 5,944,236.33	\$ 5,751,138.57	\$ 1,356,766.15	\$ 1,356,766.15
11/22/2010 - 00/00/0000	574,827.00	400,000.00	15,000.00	15,000.00
	574,827.00	400,000.00	15,000.00	15,000.00
10/01/2010 - 09/30/2011	31,751.00	31,751.00	31,751.00	31,751.00
10/01/2010 - 09/30/2011	258,088.00	258,088.00	258,088.00	258,088.00
08/01/2010 - 09/30/2012	8,800.00	8,800.00	3,909.87	3,909.87
07/01/2010 - 07/31/2012	300,000.00	150,000.00	150,000.00	150,000.00
11/16/2010 - 05/31/2011	1,205,969.64	1,205,969.64	1,200,211.76	1,200,211.76
01/13/2010 - 06/30/2012	1,379,974.00	1,379,974.00	281,044.73	281,044.73
09/02/2009 - 11/30/2011	482,000.00	482,000.00	263,250.29	263,250.29
08/31/2010 - 05/31/2011	893,125.00	893,125.00	892,875.00	892,875.00
07/22/2011 - 02/29/2012	1,352,581.28	1,352,581.28	1,352,331.28	1,352,331.28
09/04/2009 - 04/30/2011	103,000.00	103,000.00	100,294.21	100,294.21
	5,416,649.92	5,416,649.92	4,090,007.27	4,090,007.27
	6,015,288.92	5,865,288.92	4,533,756.14	4,533,756.14
12/16/2009 - 12/15/2012	500,000.00	500,000.00	404,087.20	404,087.20
10/01/2009 - 09/30/2013	17,107.00	17,107.00	17,107.00	17,107.00
04/01/2010 - 08/31/2012	1,493.96	746.98	746.98	746.98
10/01/2010 - 09/30/2011	222,336.64	222,336.64	222,336.64	222,336.64
	740,937.60	740,190.62	644,277.82	644,277.82
	\$ 13,275,289.85	\$ 12,756,618.11	\$ 6,549,800.11	\$ 6,549,800.11

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<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-100049567
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100055942
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100049568
Formula Grants for Other Than Urbanized Areas	20.509	RPTO-100053041
Sub-Total Formula Grants for Other Than Urbanized Areas		
ARRA - Formula Grants for Other Than Urbanized Areas	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-2011
<b><u>Passed Through the Alabama Department of Public Health</u></b>		
Public Health Emergency Preparedness	93.069	CEP-57-PV1-11
Public Health Emergency Preparedness	93.069	CEP-63-PV0-11
Total Public Health Emergency Preparedness		
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 13,275,289.85	\$ 12,756,618.11	\$ 6,549,800.11	\$ 6,549,800.11
10/01/2010 - 09/30/2011	402,399.00	402,399.00	402,399.00	402,399.00
10/01/2010 - 09/30/2011	76,164.00	76,164.00	76,164.00	76,164.00
10/01/2010 - 09/30/2011	322,320.00	322,320.00	322,320.00	322,320.00
10/01/2010 - 09/30/2011	8,024.00	8,024.00	8,024.00	8,024.00
	<u>808,907.00</u>	<u>808,907.00</u>	<u>808,907.00</u>	<u>808,907.00</u>
10/01/2009 - 09/30/2012	725,000.00	725,000.00	68,529.00	68,529.00
	<u>1,533,907.00</u>	<u>1,533,907.00</u>	<u>877,436.00</u>	<u>877,436.00</u>
10/01/2009 - 09/30/2012	719,700.00	719,700.00	263,677.85	263,677.85
	<u>719,700.00</u>	<u>719,700.00</u>	<u>263,677.85</u>	<u>263,677.85</u>
10/01/2010 - 09/30/2011	259,750.33	259,750.33	37,890.00	37,890.00
	<u>259,750.33</u>	<u>259,750.33</u>	<u>37,890.00</u>	<u>37,890.00</u>
10/01/2010 - 09/30/2011	482,861.00	104,334.00	104,334.00	104,334.00
08/10/2009 - 08/09/2011	11,000.00	11,000.00	11,000.00	11,000.00
08/10/2009 - 08/09/2011	27,000.00	27,000.00	27,000.00	27,000.00
	<u>38,000.00</u>	<u>38,000.00</u>	<u>38,000.00</u>	<u>38,000.00</u>
	<u>520,861.00</u>	<u>142,334.00</u>	<u>142,334.00</u>	<u>142,334.00</u>
	\$ 16,309,508.18	\$ 15,412,309.44	\$ 7,871,137.96	\$ 7,871,137.96

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<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>		
Homeland Security Grant Program	97.067	ALDHS-08-0586
Homeland Security Grant Program	97.067	ALDHA-08-0683
Homeland Security Grant Program	97.067	OCBS
Homeland Security Grant Program	97.067	ALDHS-11-1126
Homeland Security Grant Program	97.067	ALDHS-10-0820
Total Homeland Security Grant Program		
Interoperable Emergency Communications	97.055	ALDHS-08-0806/8IMA
Interoperable Emergency Communications	97.055	ALDHS-08-0806/8IEE
Interoperable Emergency Communications	97.055	ALDHS-08-0806/8IEG
Total Interoperable Emergency Communications		
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
Emergency Management Performance Grants	97.042	1EMF
Emergency Management Performance Grants	97.042	EMPG 10 EMS (additional)
Total Emergency Management Performance Grants		
Hazard Mitigation Grant	97.039	HMGP-DR-1789-0005
Total U. S. Department of Homeland Security		
Sub-Total Brought Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 16,309,508.18	\$ 15,412,309.44	\$ 7,871,137.96	\$ 7,871,137.96
10/10/2008 - 06/30/2011	65,357.11	65,357.11	5,786.76	5,786.76
10/10/2008 - 06/30/2011	23,000.00	23,000.00	1,728.00	1,728.00
06/30/2011 - 12/30/2011	30,400.00	30,400.00	30,400.00	30,400.00
09/13/2010 - 07/31/2012	60,000.00	60,000.00	60,000.00	60,000.00
08/01/2009 - 12/31/2011	79,905.00	79,905.00	44,984.16	44,984.16
	<u>258,662.11</u>	<u>258,662.11</u>	<u>142,898.92</u>	<u>142,898.92</u>
01/01/2011 - 08/30/2011	9,800.64	9,800.64	9,800.64	9,800.64
01/01/2011 - 08/30/2011	9,448.13	9,448.13	9,448.13	9,448.13
01/01/2011 - 08/30/2011	4,113.13	4,113.13	4,113.13	4,113.13
	<u>23,361.90</u>	<u>23,361.90</u>	<u>23,361.90</u>	<u>23,361.90</u>
10/01/2010 - 09/30/2011	79,834.00	79,834.00	79,834.00	79,834.00
10/01/2010 - 09/30/2011	11,753.00	11,753.00	11,753.00	11,753.00
	<u>91,587.00</u>	<u>91,587.00</u>	<u>91,587.00</u>	<u>91,587.00</u>
12/01/2009 - 10/01/2011	26,441.00	26,441.00	2,786.00	2,786.00
	<u>400,052.01</u>	<u>400,052.01</u>	<u>260,633.82</u>	<u>260,633.82</u>
	\$ 16,709,560.19	\$ 15,812,361.45	\$ 8,131,771.78	\$ 8,131,771.78



***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<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>General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<b><u>Social Security Administration</u></b>		
<b><u>Direct Program</u></b>		
Social Security - Disability Insurance	96.001	N/A
<b><u>Other Federal Assistance</u></b>		
<b><u>Department of Justice</u></b>		
<b><u>Direct Program</u></b>		
Federally Forfeited Property	N/A	N/A
<b><u>Passed Through Alabama Department of Public Safety</u></b>		
High Intensity Drug Trafficking Area Grant	N/A	G09GC0002A
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		
	\$ 16,709,560.19	\$ 15,812,361.45	\$ 8,131,771.78	\$ 8,131,771.78
10/01/2010 - 09/30/2011			1,305.66	1,305.66
10/01/2010 - 09/30/2011			2,600.00	2,600.00
10/01/2010 - 09/30/2011	217,373.36	217,373.36	24,676.63	217,373.36
01/01/2010 - 12/31/2012	12,195.68	12,195.68	12,195.68	12,195.68
	<u>\$ 16,939,129.23</u>	<u>\$ 16,041,930.49</u>	<u>\$ 8,172,549.75</u>	<u>\$ 8,365,246.48</u>

---

**Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2011**

---

**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 – Subrecipients**

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant – State’s Program	14.228	\$ 15,000.00
Save America’s Treasures	15.929	\$150,000.00

---

*Additional Information*

---

***Commission Members and Administrative Personnel***  
***October 1, 2010 through September 30, 2011***

---

**Commission Members** **Term Expires**

Hon. David Ed Bishop	Member	2010
Hon. Frank Burt, Jr. (**)	Chairman	2014
Hon. Wayne A. Gruenloh	Member	2010
Hon. Charles F. Gruber (*)	Member	2014
Hon. Robert E. James	Member	2014
Hon. Jasper T. Dorsey	Member	2014

**Administrative Personnel**

Kimberly W. Creech	Clerk/Treasurer	Indefinite
Michael L. Thompson (***)	County Administrator	2010
David A. Z. Brewer (****)	County Administrator	Indefinite

(\*) Chairman through November 2010.

(\*\*) Chairman beginning November 2010.

(\*\*\*) Resigned in November 2010.

(\*\*\*\*) Appointed Interim County Administrator November 10, 2010 and appointed Full Time County Administrator May 3, 2011.

---

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

---

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baldwin County Commission as of and for the year ended September 30, 2011, which collectively comprise the Baldwin County Commission's basic financial statements and have issued our report thereon dated November 2, 2012. 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.

---

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

---

**Compliance and Other Matters**

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

November 2, 2012

---

***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***

---

**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, 2011. 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, 2011.



---

---

***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***

---

---

**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.

---

***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***

---

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

November 2, 2012

**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2011**

**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 Numbers	Name of Federal Program or Cluster
11.555	Public Safety Interoperable Communications Grant Program
15.426	Coastal Impact Assistance Program
16.710	Public Safety Partnership and Community Policing Grants
81.128	Energy Efficiency and Conservation Block Grant Program, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00  
 Auditee qualified as low-risk auditee?        Yes   X   No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2011***

**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.	

***[THIS PAGE INTENTIONALLY LEFT BLANK]***

---

**EXCERPTS FROM THE MINUTES OF A MEETING  
OF THE BALDWIN COUNTY COMMISSION**

---

The Baldwin County Commission (the "Commission"), the governing body of Baldwin County (the "County"), met in public session at the Baldwin County Administration Building, County Commission Chambers, located at 322 Courthouse Square in the City of Bay Minette at 8:30 a.m. on the 19<sup>th</sup> day of February, 2013. The meeting was called to order by the Chairman, and the roll was called with the following results:

Present: J. Tucker Dorsey, Chairman  
Robert E. (Bob) James  
Frank Burt, Jr.  
Charles F. Gruber

Absent: None

\* \* \*

The Chairman stated that a quorum was present and that the meeting was open for the transaction of business.

\* \* \*

Thereupon, the following resolution and order was introduced in writing by the Chairman, and considered by the County Commission:

---

**RESOLUTION AND ORDER 2013-043**

**A RESOLUTION AND ORDER AUTHORIZING THE ISSUANCE, SALE,  
DELIVERY AND PAYMENT OF \$18,840,000 PRINCIPAL AMOUNT OF GENERAL  
OBLIGATION WARRANTS, SERIES 2013, DATED FEBRUARY 1, 2013**

---

BE IT RESOLVED AND ORDERED BY THE BALDWIN COUNTY COMMISSION (the "Commission"), as follows:

**ARTICLE 1**

**Definitions, Findings, and Representations**

**Section 1.01. Definitions and Use of Phrases.**

(a) The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

Authorized Denominations means with respect to all Series 2013 Warrants the amount of \$5,000 and any integral multiple thereof for each maturity.

Beneficial Owners means the registered owners of beneficial interests in the Series 2013 Warrants.

Book-Entry System means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Series 2013 Warrants.

Business Day means any day other than a Saturday, Sunday, legal holiday, or a day on which banks in the Cities of New York, New York or Birmingham, Alabama, are permitted or required by law to be closed.

Commission means the Baldwin County Commission, the governing body of the County, and any successor to its functions.

Commissioner means a current member of the Commission.

County means Baldwin County, a political subdivision of the State of Alabama and any successor to its functions.

County Depository means any incorporated state or national bank or banks in the County selected by the governing body of the County each year as the County Depository or, if the governing body of the County is unable to designate any depository for the County funds as provided in Title 11 of the CODE OF ALABAMA 1975, the individual designated by the governing body of the County as treasurer of the County, pursuant to Title 11 of the Code, or any other duly designated or elected bank, corporation, person or official who shall have the duties of custodian pursuant to the aforesaid Code provisions, as the same may hereafter be altered or amended or pursuant to any other applicable general or local law. Said County Depository shall at all times be a participant in the Security for Alabama Funds Enhancement (SAFE) Program (ALA. CODE 41-14A-1 (1975)).

Custodian means Regions Bank with a designated corporate trust office in Birmingham, Alabama, the bank designated as the registrar, authenticating agent, and paying agent of the Series 2013 Warrants and as the depository for the Warrant Fund, and the successors and assigns thereof.

Direct Participant or Direct Participants means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book-Entry System.

Federal Securities means direct general obligations of the United States of America or any obligations on which the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America.

Indirect Participant or Indirect Participants means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions for which the Securities Depository holds Series 2013 Warrants as securities depository through a Direct Participant.

Letter of Representation means and includes (1) the Letter of Representation with respect to the Series 2013 Warrants from the County to the Securities Depository and (2) any other or subsequent agreement by whatsoever name or identification with respect to the Series 2013 Warrants between said parties from time to time in effect.

Qualified Investments shall mean

(1) Federal Securities or a trust or fund rated "AAm" or "AAm-G" or better by Standard & Poor's Rating Group and customarily utilized by the Custodian for the investment of public funds, or

(2) A certificate of deposit or time deposit issued by (i) the Custodian, or (ii) any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than \$50,000,000, provided in each case such deposit is insured by the Federal Deposit Insurance Corporation or such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation.

Record Date means, with respect to Series 2013 Warrants, that date which is 15 calendar days before any date on which interest is due and payable on such Series 2013 Warrants.

Refunding Trust Agreement means the Refunding Trust Agreement dated as of February 1, 2013 between the County and the Custodian, the escrow agent for the Series 2006-A Warrants.

Securities Depository means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Series 2013 Warrants.

Securities Depository Nominee means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Series 2013 Warrants to be delivered to such Securities Depository during a period in which the Series 2013 Warrants are held pursuant to the Book-Entry System.

Series 2006-A Warrants means the County's \$25,070,000 original principal amount General Obligation Warrants, Series 2006-A, dated January 1, 2006, presently outstanding in the remaining principal amount of \$18,760,000.

Series 2013 Warrants means the County's \$18,840,000 original principal amount General Obligation Warrants, Series 2013, dated February 1, 2013 authorized to be issued hereunder.

Warrant Register means the register for the registration and transfer of Series 2013 Warrants maintained by the Custodian for the County hereunder.

Warrant Registrar shall mean the agent of the County appointed as such pursuant to Section 2.04 hereof the purpose of registering and transferring Series 2013 Warrants.

Warrant Fund means the Series 2013 General Obligation Warrants Fund established pursuant to Section 3.02 hereof.

(b) The definitions set forth in this section shall be deemed applicable whether the words defined are used herein in the singular or the plural. Wherever used herein, any pronoun or pronouns shall be deemed to include both singular and plural and to cover all genders. "Herein," "hereby," "hereunder," "hereof" and other equivalent words refer to this resolution and order as an entirety and not solely to the particular portion thereof in which any such word is used.



**Section 1.02. Findings and Representations.**

The County, by and through the Commission, does hereby find, determine, represent, and warrant as follows:

(a) It is necessary, desirable, in the best public interest of County residents and in the best financial interest of the County for the County to issue the Series 2013 Warrants for the purposes of (1) advance refunding and redeeming on January 1, 2016 all of the outstanding Series 2006-A Warrants presently outstanding in the remaining principal amount of \$18,760,000 and (2) paying the costs of issuance of the Warrants.

(b) The Series 2006-A Warrants were originally issued on February 9, 2006 pursuant to a resolution and order adopted on February 7, 2006 for the purposes of (1) constructing certain capital road and building improvements within the County and (2) paying issuance costs. Regions Bank is the custodian for the Series 2006-A Warrants and will serve as the escrow agent under the Refunding Trust Agreement for the advance refunding and redemption of the Series 2006-A Warrants, as described therein.

(c) The assessed valuation of the taxable property in the County for the preceding fiscal year (ending September 30, 2012) is not less than \$3,733,695,420 and the total indebtedness of the County following the issuance of the Series 2013 Warrants chargeable against the debt limitation for the County prescribed by the Constitution of Alabama of 1901, as amended, will not be more than five percent of said assessed valuation.

**ARTICLE 2**

**The Series 2013 Warrants; Appointment of Custodian**

**Section 2.01. Authorization and Description of Series 2013 Warrants; Book-Entry System.**

(a) Description of Series 2013 Warrants. Pursuant to the applicable provisions of the laws of Alabama, including particularly Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, as amended, there is hereby authorized to be issued a series of warrants designated "General Obligation Warrants, Series 2013," in the aggregate principal amount of \$18,840,000 for the purposes set forth in Section 1.02(a) hereof. The Series 2013 Warrants shall be dated February 1, 2013, shall be in fully registered form, without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof for each maturity, and shall be numbered for identification as determined by the Custodian. The Series 2013 Warrants shall mature, subject to prior optional redemption, as hereinafter provided, on January 1 in years and principal amounts as follows and shall bear interest (computed on the basis of a 360-day year of 12 consecutive 30-day months) at the following per annum rates for all Series 2013 Warrants maturing in the year set opposite such rates:

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>
2014	\$1,180,000	2.00%	2021	\$1,485,000	4.00%
2015	1,200,000	2.00	2022	1,545,000	4.00
2016	1,235,000	3.00	2023	1,595,000	2.25
2017	1,275,000	3.00	2024	1,655,000	5.00
2018	1,315,000	4.00	2025	1,740,000	5.00
2019	1,370,000	4.00	2026	1,815,000	4.00
2020	1,430,000	4.00			

The principal of and premium (if any) on the Series 2013 Warrants shall be payable only upon presentation and surrender of the Series 2013 Warrants at the designated office of the Custodian in Birmingham, Alabama. Except as otherwise provided by Section 2.01(b) hereof, interest on the Series 2013 Warrants shall be remitted by the Custodian to the then registered owners of the Series 2013 Warrants at the respective addresses thereof shown on the registration books of the Custodian pertaining to the Series 2013 Warrants. Interest shall be payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of, premium, if any, and interest on the Series 2013 Warrants shall be payable in lawful money of the United States of America at par and without discount, exchange, deduction or charge therefor.

(b) Book-Entry System.

(1) The Series 2013 Warrants shall initially be issued pursuant to a Book-Entry System administered by the Securities Depository with no physical distribution of any Series 2013 Warrant to any person. One Series 2013 Warrant for each maturity of such series will be issued, registered in the name of the Securities Depository Nominee, and immobilized in the custody of the Securities Depository. Beneficial ownership interests in Series 2013 Warrants held by the Securities Depository may be purchased by or through Direct Participants. The holders of these beneficial ownership interests in such Series 2013 Warrants are referred to as the "Beneficial Owners." The Beneficial Owners will not receive certificated warrants representing their beneficial ownership interests. Ownership of the interests in Series 2013 Warrants in Authorized Denominations will be evidenced on the records of the Securities Depository and the Direct Participants and Indirect Participants pursuant to rules and procedures established by the Securities Depository. During a period in which the Book-Entry System is in effect for the Series 2013 Warrants, the County and the Custodian shall treat the Securities Depository or the Securities Depository Nominee as the only registered owner of such Series 2013 Warrants for all purposes under the Resolution, including, without limitation, receipt of all principal of, premium (if any) and interest on the Series 2013 Warrants, receipt of notices, voting, and requesting or directing the Custodian or County to take or not to take, or consenting to, certain actions under the Resolution. In the event the Securities Depository or the Securities Depository Nominee assigns its rights to consent or vote under the Resolution to any Direct Participant or Indirect Participant, the County and the Custodian shall treat such assignee or assignees as the only registered owner or owners of the Series 2013 Warrants of such series for the purpose of exercising such rights so assigned.

(2) During a period in which the Book-Entry System is in effect for the Series 2013 Warrants, payments of principal, interest, and redemption premium, if any, with respect to such Series 2013 Warrants will be paid by the Custodian directly to the Securities Depository, or the Securities Depository Nominee, as Holder, and as provided in the Letter of Representations; provided, that payment of the principal of and premium, if any, on such Series 2013 Warrants due at final maturity or

upon redemption in whole of any of such Series 2013 Warrants shall be made only upon surrender thereof at the designated office of the Custodian. The Securities Depository and the Direct Participants and the Indirect Participants shall be responsible for the disbursement of such payments to the Beneficial Owners. All such payments to the Securities Depository or the Securities Depository Nominee, as Holder, of principal of, premium (if any) and interest on such Series 2013 Warrants on behalf of the County or the Custodian shall be valid and effectual to satisfy and discharge the liability of the County and the Custodian to the extent of the amounts so paid, and the County and the Custodian shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or by any Direct Participant or by any Indirect Participant, or for sending transaction statements or for maintaining, supervising or reviewing records maintained by the Securities Depository or Direct Participants or Indirect Direct Participants.

(3) Transfers of ownership interests in the Series 2013 Warrants by the Beneficial Owners thereof, and conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2013 Warrants, will be governed by arrangements among the Securities Depository, Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time. For every transfer and exchange of beneficial ownership in such Series 2013 Warrants, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

(4) Redemption notices respecting Series 2013 Warrants held by the Securities Depository shall be sent to the Securities Depository Nominee by the Custodian.

(5) In the event that the Securities Depository ceases to act as the securities depository for the Series 2013 Warrants, the County shall discontinue the Book-Entry System for such Series 2013 Warrants. If the County fails to appoint another qualified securities depository to replace the then acting Securities Depository, the County will cause the Custodian to authenticate and deliver fully registered certificated Series 2013 Warrants to each Beneficial Owner in evidence of the ownership interests thereof. The Securities Depository shall provide a list of Series 2013 Warrantholders with addresses to the Custodian. If the Book-Entry System is discontinued for the Series 2013 Warrants, payments to, and transfers of such Series 2013 Warrants by the Beneficial Owners shall be governed by the provisions set forth in the resolution with respect thereto.

(6) The County may enter into a custody agreement with any bank or trust company serving as custodian (which may be the Custodian serving in the capacity of custodian) to provide for a Book-Entry System or similar method for the registration and transfer of the Series 2013 Warrants.

(7) During a period in which the Book-Entry System is in effect for the Series 2013 Warrants in accordance herewith, the provisions of the resolution and such Series 2013 Warrants shall be construed in accordance with the Letter of Representations and to give full effect to such Book-Entry System and the County acknowledges that it is subject to the provisions of Release No. 34-47978; File No. SR-DTC-2003-02.

(8) The Beneficial Owners of the Series 2013 Warrants, by their acquisition of any beneficial interest in a Series 2013 Warrant or Series 2013 Warrants, and the Securities Depository, the Securities Depository Nominee, and all Direct Participants and all Indirect Participants, severally agree that the County and the Custodian shall not have any responsibility or obligation to any Direct Participant or any Indirect Participant or any Beneficial Owner with respect to (1) the accuracy of any

records maintained by the Securities Depository or any Direct Participant or any Indirect Participant; (2) the payment by the Securities Depository or any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium (if any) and interest on the Series 2013 Warrants; (3) the delivery or timeliness of delivery by the Securities Depository or any Direct Participant or any Indirect Participant of any notice due to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository, or the Securities Depository Nominee, as owner.

**Section 2.02 Discontinuation of Book-Entry System; Registration; Transfer and Exchange of Series 2013 Warrants; Replacement of Lost, Destroyed or Stolen Series 2013 Warrants.**

(a) The Series 2013 Warrants may be issued in certificated form, and not pursuant to a Book Entry System, in accordance with the provisions hereof.

(b) The Securities Depository may determine to discontinue the Book-Entry System with respect to the Series 2013 Warrants at any time upon notice to the County and the Custodian and upon discharge of its responsibilities with respect thereto under applicable law. Upon such notice and compliance with law the Book-Entry System for such Series 2013 Warrants will be discontinued unless a successor securities depository is appointed by the County. In addition, the Book-Entry System may be discontinued for the Series 2013 Warrants subject to the provisions of Release No. 34-47978; File No. SR-DTC-2003-02.

(c) In the event the Series 2013 Warrants are issued in certificated form and not pursuant to a book-entry system or the Book-Entry System for the Series 2013 Warrants is discontinued, Series 2013 Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof and such Series 2013 Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, and the Custodian will make payments of principal of, premium (if any) and interest on such Series 2013 Warrants to the registered owners thereof as provided in the Series 2013 Warrants and this resolution and the following provisions with respect to registration, transfer and exchange of such Series 2013 Warrants by the registered owners thereof shall apply:

(1) Each of the Series 2013 Warrants may be transferred by the Holder thereof or his duly authorized attorney, only on the Series 2013 Warrant Register upon surrender of such Series 2013 Warrant to the Warrant Registrar for cancellation. Upon surrender for transfer of any Series 2013 Warrant, the County shall execute, and the Custodian shall authenticate, register and deliver, in the name of the designated transferee or transferees, one or more new Series 2013 Warrants of any Authorized Denominations and in a principal amount equal to the unpaid or unredeemed portion of the principal of the Series 2013 Warrant so presented.

(2) At the option of the Holder, Series 2013 Warrants may be exchanged for other Series 2013 Warrants of the same series, of any Authorized Denomination and of a like aggregate principal amount, upon surrender of the Series 2013 Warrants to be exchanged at a designated corporate office of the Warrant Registrar. Whenever any Series 2013 Warrants are so surrendered for exchange, the County shall execute, and the Custodian shall authenticate, register and deliver, the Series 2013 Warrants which the Holder making the exchange is entitled to receive.

(3) All Series 2013 Warrants surrendered upon any exchange or transfer provided for in this resolution shall be canceled.

(4) All Series 2013 Warrants issued upon any transfer or exchange of Series 2013 Warrants shall be the valid obligations of the County and be entitled to the same security and benefits under this resolution as the Series 2013 Warrants surrendered upon such transfer or exchange.

(5) Every Series 2013 Warrant presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the County and the Warrant Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

(6) The Warrant Registrar shall not be required to transfer or exchange any Series 2013 Warrant during the period between the Record Date and the then next succeeding interest payment date; and, in the event that any Series 2013 Warrant (or any part thereof) is duly called for redemption, the Warrant Registrar shall not be required to transfer or exchange any such Series 2013 Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption.

(7) If (i) any mutilated Series 2013 Warrant is surrendered to the Custodian, or the County and the Custodian receive evidence to their satisfaction of the destruction, loss or theft of any Series 2013 Warrant, and (ii) there is delivered to the County and the Custodian such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the County or the Custodian that such Series 2013 Warrant has been acquired by a bona fide purchaser, the County shall execute and the Custodian shall authenticate, register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Series 2013 Warrant, a new Series 2013 Warrant of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(8) Upon the transfer or exchange of any Series 2013 Warrant or the issuance of any new Series 2013 Warrant under this Section, the County may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith; provided no charge shall be made to the Holder for any transfer or exchange of Series 2013 Warrants.

(9) Every new Series 2013 Warrant issued pursuant to this Section in lieu of any destroyed, lost or stolen Series 2013 Warrant shall constitute an original additional contractual obligation of the County, whether or not the destroyed, lost or stolen Series 2013 Warrant shall be at any time enforceable by any person.

(10) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Series 2013 Warrants.

**Section 2.03. Redemption of Series 2013 Warrants.**

The Series 2013 Warrants are subject to optional redemption prior to maturity upon the circumstances, in the manner, on the dates, in the amounts and order, at the redemption prices and upon the notice stated in the face of the Series 2013 Warrants as hereinafter set forth in Section 2.08 hereof.

**Section 2.04 Registration of Series 2013 Warrants.**

The County shall cause to be kept at the designated office of the Custodian in Birmingham, Alabama a register (the "Warrant Register") in which, subject to such reasonable regulations as it may prescribe, the

County shall provide for the registration of Series 2013 Warrants and registration of transfers of Series 2013 Warrants entitled to be registered or transferred as herein provided. The Custodian is hereby appointed "Warrant Registrar" for the purpose of registering Series 2013 Warrants and transfers of Series 2013 Warrants as herein provided.

**Section 2.05. Execution of the Series 2013 Warrants and Authentication and Registration Certificate.**

(a) Each of the Series 2013 Warrants shall be manually executed in the name and on behalf of the County by the Chairman and the official seal of the County shall be manually imprinted thereon. The County Administrator shall manually attest the seal of the County. The Series 2013 Warrants shall be registered by the Chairman as a claim against the County and the Warrant Fund, which registration shall be made simultaneously as to all the Series 2013 Warrants. The Registration Certificate shall be manually executed by the Chairman. The Chairman and the County Administrator are hereby directed to so execute and register the Series 2013 Warrants as provided above. In case any officer whose signature shall appear on the Series 2013 Warrants shall cease to be such officer before the authentication and delivery of such Series 2013 Warrants, such signature shall nevertheless be valid and sufficient for all purposes, the same as if said officer had remained in office until authentication and delivery of the Series 2013 Warrants.

(b) The Authentication and Registration Certificate on each Series 2013 Warrant shall be manually executed by an authorized officer of the Custodian and each Series 2013 Warrant shall be registered in the name of the owner on the registration books maintained with the Custodian. No Series 2013 Warrant shall be valid unless such Series 2013 Warrant has been validly authenticated and registered by the Custodian.

**Section 2.06. Custodian for the Series 2013 Warrants.**

(a) The County does hereby designate and appoint Regions Bank with a designated corporate trust office in Birmingham, Alabama, as the custodian (the "Custodian") for the Warrant Fund and paying agent, warrant registrar and authenticating agent for and with respect to the Series 2013 Warrants. In the event the bank so designated should refuse or cease to act as depository or should become incapable of so acting, then the County may at any time and from time to time designate as depository any other banking institution that participates in the Security for Alabama Funds Enhancement Program (SAFE) Program (ALA. CODE § 41-14A-1 (1975)), the deposits of which are insured by the Federal Deposit Insurance Corporation (or any successor or similar entity) and has a designated office in the State of Alabama and which is qualified to serve as paying agent, registrar and authenticating agent for and with respect to the Series 2013 Warrants.

(b) The Custodian, by acceptance of its duties hereunder, shall be construed to have agreed thereby with the registered owners from time to time of the Series 2013 Warrants that it will make all remittances of principal of, premium (if any), and interest on the Series 2013 Warrants out of money supplied by the County for such purpose in bankable funds at par and without discount or deduction for exchange, fees or expenses. The County hereby covenants and agrees with the registered owners of the Series 2013 Warrants and with the Custodian that it will pay all charges for exchange, fees or expenses which may be incurred by such Custodian in the making of remittances in bankable funds at par.

**Section 2.07. Application of Proceeds of Series 2013 Warrants; Amendment of Description of Improvements.**

The proceeds from the sale of the Series 2013 Warrants shall be disbursed by the County Administrator for the following purposes and in the following order:

(a) the accrued interest of \$38,163.19 shall be deposited in the Warrant Fund and applied to the first interest payment due July 1, 2013.

(b) \$20,884,151.14 of the Series 2013 Warrant proceeds, along with the sum of \$162,220.63 presently on deposit in the Series 2006-A Warrant Fund shall be transferred to the Escrow Fund established pursuant to the Refunding Trust Agreement and applied in the aggregate amount of \$21,046,371.77 to the advance refunding and redemption of the Series 2006-A Warrants on January 1, 2016, by purchasing State and Local Government Series (SLGS) Securities in the amount of \$21,046,371.00 and retaining \$0.77 as an initial cash deposit, all as more particularly set forth in the Verification Report attached to the Refunding Trust Agreement.

(c) The Underwriter shall withhold from the purchase price and apply \$80,964.01 to pay approved issuance expenses as set forth on Exhibit A attached hereto and incorporated herein by reference. Any funds remaining after the payment of all issuance expenses shall be returned to the County and deposited in the Warrant Fund.

(d) Any principal proceeds remaining after (b) and (c) above shall be transferred to and deposited by the Custodian in the Warrant Fund and applied to the first payment of interest on the Series 2013 Warrants due on July 1, 2013.

**Section 2.08. Form of the Series 2013 Warrants.**

The form of the Series 2013 Warrants and the requisite certificates thereof shall be substantially as follows:

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
BALDWIN COUNTY  
GENERAL OBLIGATION WARRANT  
SERIES 2013**

No. R \_\_\_\_\_ \$ \_\_\_\_\_

MATURITY DATE: \_\_\_\_\_ INTEREST RATE: \_\_\_\_\_ CUSIP: \_\_\_\_\_

BALDWIN COUNTY, a political subdivision of the State of Alabama (the "County"), for value received, hereby orders and directs the County Depository of the County, or any person or entity which may succeed to its duties, to pay to CEDE & CO. or registered assigns the principal sum of

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_)

solely from the Fund hereinafter designated on the Maturity Date specified above, and to pay to said payee from said Fund interest on said principal sum from the date hereof at the Interest Rate per annum specified above, payable on January 1 and July 1 in each year, first interest payable on July 1, 2013. The principal of and interest on this warrant are payable in lawful money of the United States of America, at par and without discount, exchange, deduction or charge therefor. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of Regions Bank in Birmingham, Alabama (the "Custodian"). Interest on this warrant shall be remitted by the Custodian in accordance with the procedures and requirements of the Book-Entry System but if such system is not in effect, then the Custodian shall remit interest to the then registered owner of this warrant at the address thereof shown

on the registration books of the Custodian. Such payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, then on the next succeeding business day). Interest shall be computed on a 360 day year with twelve months of thirty days each. All such payments shall be valid and effectual to satisfy and discharge the liability of the County or the Custodian upon this warrant to the extent of the sum or sums so paid.

This warrant is one of a duly authorized issue of General Obligation Warrants, Series 2013, dated February 1, 2013 of the County (the "Warrants") limited to an aggregate principal amount of \$18,840,000, issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Chapter 28 of Title 11 of the CODE OF ALABAMA 1975, and a resolution and order and related proceedings of the County duly held, passed and conducted on February 19, 2013 (the "Authorizing Resolution"). The indebtedness evidenced by the Warrants is a general obligation of the County and the full faith and credit of the County are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon.

The Warrants are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by the Securities Depository Nominee, all as more particularly provided in the Authorizing Resolution. Reference is hereby made to the Authorizing Resolution for the terms and conditions upon which the purchase, transfer and exchange of beneficial ownership interest in the Warrants are to be made by means of the Book-Entry System administered by the Securities Depository, to and by all of which terms, conditions and provisions of the Authorizing Resolution the owner of any beneficial interest in the Warrant, by the acquisition hereof, hereby assents and agrees to be bound. In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof, the hereinafter described Warrants will be registered in the names of the owners thereof on the registration books of the Custodian pertaining thereto, the Custodian shall make payments of principal of, premium (if any) and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Authorizing Resolution, and the provisions of this warrant and of the Authorizing Resolution with respect to registration, transfer and exchange of warrants by the registered owners thereof shall apply.

The County has established in the Authorizing Resolution a special fund designated the "Series 2013 General Obligation Warrants Fund" for the payment of the principal of and interest on the Warrants and has obligated itself to pay or cause to be paid into said Fund from the proceeds of the revenues or funds of the County, sums sufficient to provide for the payment of the principal of and interest on the Warrants as the same mature and come due.

The Warrants with stated maturities on January 1, 2024 and thereafter, shall be subject to optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities at the option of the County on any date on or after January 1, 2023 at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium or penalty.

The Warrants are not subject to mandatory redemption prior to maturity.

Any redemption shall be made in the manner, upon the notice, and on the terms and conditions provided in the Authorizing Resolution. If less than all of the Warrants are to be redeemed during a period in which the Book-Entry System is in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date and, in accordance with the Letter of Representations, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Warrants, by lot or by such other method as the



Securities Depository shall deem fair and appropriate. If less than all the Warrants are to be redeemed during a period in which the Book-Entry System is not in effect for the Warrants, the County shall designate the order and amount of maturities of the Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date on the basis of the smallest Authorized Denomination of such Warrants, and the Custodian shall select, by lot or by such method as the Custodian shall deem fair and appropriate, the order and amount of the Warrants to be redeemed within a maturity. The County and the Custodian shall so select such Warrants for redemption in such manner so as to assure that after such redemption no Holder shall retain Warrants in an aggregate amount less than an Authorized Denomination.

The Warrants are issuable only as fully registered Warrants in the denomination of \$5,000 or any integral multiple thereof for each maturity. Provision is made in the Authorizing Resolution for the exchange of Warrants for a like aggregate principal amount of Warrants of the same maturity and in authorized denomination, all upon the terms and subject to the conditions set forth in the Authorizing Resolution with respect thereto.

This warrant is transferable by the registered owner hereof, in person or by authorized attorney, only on the books of the Custodian (the registrar of the County) and only upon surrender of this warrant to the Custodian for cancellation, and upon any such transfer, a new Warrant of like tenor hereof shall be issued to the transferee in exchange therefor, all as more particularly described in the Authorizing Resolution. Each registered owner, by receiving or accepting this warrant, shall consent and agree and shall be estopped to deny that, insofar as the County and the Custodian are concerned, this warrant may be transferred only in accordance with the provisions of the Authorizing Resolution.

The Custodian shall not be required to transfer or exchange this warrant during the period of fifteen (15) days next preceding any interest payment date; and, in the event that this warrant (or any principal portion hereof) is duly called for redemption, the Custodian shall not be required to register or transfer this warrant during the period of forty-five (45) days next preceding the date fixed for such redemption. No charge shall be made for the privilege of transfer, but the registered owner of any Warrant requesting any such transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

Provision is made in the Authorizing Resolution for the replacement of any Warrant which shall be or become mutilated, lost, stolen or destroyed by the issuance, authentication and registration of a new Warrant of like tenor, subject, however, to the terms, conditions and limitations contained in the Authorizing Resolution with respect thereto.

It is hereby recited, certified and declared that the indebtedness evidenced and ordered paid by this warrant is lawfully due without condition, abatement or offset of any description, that this warrant has been registered in the manner provided by law, that the Warrants represent valid claims against the Warrant Fund, that all acts, conditions and things required by the Constitution and laws of the State of Alabama to happen, exist and be performed precedent to and in the execution, registration and issuance of this warrant and the adoption of the Authorizing Resolution have happened, do exist and have been performed as so required and that the principal amount of this warrant, together with all other indebtedness of the County, are within every debt and other limit prescribed by the Constitution and laws of the State of Alabama.

IN WITNESS WHEREOF, the County, acting by and through its County Commission as the governing body thereof, has caused this warrant to be manually executed in its name and on its behalf by the Chairman, has caused its corporate seal to be affixed hereto, has caused said seal to be manually attested by its County Administrator, and has caused this warrant to be dated February 1, 2013.

**BALDWIN COUNTY**

\_\_\_\_\_  
Chairman

COUNTY SEAL

Attest \_\_\_\_\_  
County Administrator

AUTHENTICATION AND REGISTRATION DATE: \_\_\_\_\_

CERTIFICATE OF AUTHENTICATION AND REGISTRATION OF OWNERSHIP

This Series 2013 General Obligation Warrant is hereby authenticated and has been registered by Baldwin County on the registration books maintained with the Custodian in the name of the above registered owner on the Authentication and Registration Date noted above.

**REGIONS BANK**

By \_\_\_\_\_  
Its Authorized Officer

REGISTRATION CERTIFICATE

I hereby certify that this Warrant has been duly registered by me as a claim against Baldwin County, Alabama and the Warrant Fund referred to herein.

\_\_\_\_\_  
Chairman

ASSIGNMENT

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ the within Warrant and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, with full power of substitution in the premises, to transfer this Warrant on the books of the within mentioned Custodian.

Dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Warrant in every particular, without alteration, enlargement or change whatsoever.

Signature Guaranteed:\*

\_\_\_\_\_  
(Bank, Trust Company or Firm)

By \_\_\_\_\_  
(Authorized Officer)

- \* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

#### NOTICE BY SECURITIES DEPOSITORY

Unless the within Warrant is presented by an authorized representative of the Securities Depository (as defined in the Authorizing Resolution referenced in the within Warrant), to the County or its agent for registration of transfer, exchange, or payment, and any Warrant issued is registered in the name of the Securities Depository or the Securities Depository Nominee (as defined in the Authorizing Resolution referenced in the within Warrant), as the case may be, or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to the Securities Depository or the Securities Depository Nominee or to such other entity as is requested by an authorized representative of the Securities Depository), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, the Securities Depository or Securities Depository Nominee, as the case may be, has an interest herein.

#### ARTICLE 3

##### Security for Series 2013 Warrants; Source of Payment; Warrant Fund; Payment of Series 2013 Warrants

##### **Section 3.01. Series 2013 Warrants Are General Obligations.**

The indebtedness evidenced and ordered paid by the Series 2013 Warrants shall be a general obligation of the County for the punctual payment of the principal of, premium, if any, and interest on which the full faith, credit and taxing power of the County are hereby sacredly and irrevocably pledged. The County represents that ad valorem taxes have been levied and hereby covenants and agrees that such taxes will be levied and collected, insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama of 1901, as amended, on all taxable property in the County, and applied to the maximum extent permitted by law to the payment of the principal of and interest on the Series 2013 Warrants as such principal matures and such interest comes due, in amounts sufficient for such purposes.

**Section 3.02. The Warrant Fund.**

(a) There is hereby established a special fund designated the "Series 2013 General Obligation Warrant Fund" (hereafter the "Warrant Fund") which shall be held by the Custodian, as paying agent for the Series 2013 Warrants, until the principal of, premium (if any) and interest on the Series 2013 Warrants shall have been paid in full or provision for such payment shall have been made in accordance with and as provided in Section 3.06 hereof. Money in the Warrant Fund shall be used solely for the payment of the principal of, premium (if any) and interest on the Series 2013 Warrants.

(b) The County shall pay or cause to be paid into the Warrant Fund the following amounts on or before the following dates:

(i) Immediately following the delivery of and payment for the Series 2013 Warrants, the amount received as accrued interest (if any) on the Series 2013 Warrants; and

(ii) On or before February 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including June 25, 2013, an amount equal to one-fifth (1/5<sup>th</sup>) of the interest coming due on the Series 2013 Warrants on July 1, 2013; and

(iii) On or before July 25, 2013 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-sixth (1/6<sup>th</sup>) of the interest coming due on the Series 2013 Warrants on the next succeeding interest payment date; and

(iv) On or before February 25, 2013, and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2013, an amount equal to one-eleventh (1/11<sup>th</sup>) of the principal maturing on the first ensuing principal payment date of January 1, 2014.

(v) On or before January 25, 2014 and on or before the 25<sup>th</sup> day of each month thereafter, to and including December 25, 2025, an amount equal to one-twelfth (1/12<sup>th</sup>) of the principal maturing on the next ensuing principal payment date.

(c) On the date of delivery of the Series 2013 Warrants, all deposits into the Warrant Fund required by this section shall be made current; provided that the amount received as accrued interest shall be credited against the amount required to be deposited in the Warrant Fund.

(d) If on any principal or interest payment date the balance in the Warrant Fund is insufficient to pay the principal of and interest on the Series 2013 Warrants due and payable on such date, the County shall forthwith pay any such deficiency into the Warrant Fund. The County further covenants and agrees that if the proceeds of ad valorem taxes are in any year insufficient to pay the principal of and interest on the Series 2013 Warrants coming due and payable in such year, it will provide the amount of such deficiency from other taxes, revenues and income of the County.

(e) The County and the Custodian shall cause all money deposited in the Warrant Fund to be applied to the payment of principal of or interest on the Series 2013 Warrants within thirteen months from the date of such deposit and shall cause all income and profits received from the investment of money in the Warrant Fund to be applied to the payment of principal of or interest on the Series 2013 Warrants within twelve months from the date of receipt of such income or profits.

(f) Income and profits received from any investment of money in the Warrant Fund shall be credited against the deposit next required to be made into the Warrant Fund.

**Section 3.03. Transfer of Funds.**

The County shall collect the revenues, income, taxes, assets and resources of the County, and the County shall deposit into said Fund from the aforesaid sources all amounts required to be deposited in the Warrant Fund.

**Section 3.04. Security for Warrant Fund.**

The money at any time on deposit in the Warrant Fund shall be and at all times remain public funds impressed with a trust for the purposes for which the Warrant Fund is created. The Custodian shall at all times keep the money on deposit with it in the Warrant Fund continuously secured for the benefit of the County and the registered owners of the Series 2013 Warrants either

(a) by holding on deposit as collateral security Federal Securities having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Warrant Fund, or

(b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds;

provided however, that it shall not be necessary for the Custodian so to secure (1) any portion of the money on deposit in the Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions, or (2) any portion of the money on deposit in the Warrant Fund that may be invested as provided in Section 3.05 of this resolution and order.

**Section 3.05. Investment of Money in Warrant Fund.**

The County may cause any money on deposit in the Warrant Fund not then needed for the payment of principal of or interest on the Series 2013 Warrants to be invested or reinvested in Qualified Investments. All such investments must mature or be subject to redemption at the option of the registered owner on or prior to the respective date or dates when cash funds will be required for the purposes of such Fund. Any such investments shall be held by or under control of the Custodian. All interest accruing on investments and any profit realized from the investment of funds on deposit in the Warrant Fund shall be deposited in said Fund. Any losses resulting from liquidation of investments in the Warrant Fund shall be charged to said Fund and shall be added to the next ensuing deposit specified herein. The Custodian shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in the Warrant Fund is insufficient to pay the interest and principal requirements on the Series 2013 Warrants.

**Section 3.06. Provision for Payment of Series 2013 Warrants.**

(a) The Series 2013 Warrants shall be deemed fully paid for purposes of this resolution if:

(1) The County shall have filed with the Custodian a fully executed copy of an irrevocable trust agreement between the County and a banking institution with a designated office in the State of Alabama making provision for the retirement of the Series 2013 Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of the Series 2013 Warrants then outstanding (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable, and the premium, if any, required to be paid upon the redemption of the Series 2013 Warrants, if any being redeemed), either

by redemption prior to their respective maturities, by payment at their respective maturities, or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which trust fund shall consist of (A) Federal Securities which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities and due date, will produce funds sufficient so to provide for payment and retirement of such Series 2013 Warrants, or (B) both cash and Federal Securities as described in (A) above which together will produce funds sufficient for such purpose, or (C) cash sufficient for such purpose; and

(2) Such notice as is required hereunder for the redemption of those Series 2013 Warrants (if any) that, according to such trust agreement, are to be redeemed prior to their respective maturities, has been given or provisions satisfactory to the Custodian have been made for the giving of such notice.

(b) Any money on deposit in the Warrant Fund (to the extent that such money is not required for the payment of the principal of, premium, if any, and interest on the Series 2013 Warrants previously becoming due and payable, or is not otherwise unavailable for the following use) may at the direction of the County be transferred to and constitute a part of the trust fund created pursuant to the aforesaid trust agreement providing for the retirement of the Series 2013 Warrants.

**Section 3.07. Expenses of Collection; Interest After Maturity.**

The County covenants and agrees that, if the principal of and interest on the Series 2013 Warrants are not paid promptly as such principal and interest matures and comes due, it will pay to the registered owners of the Series 2013 Warrants all expenses incident to the collection of any unpaid portion thereof, including a reasonable attorneys' fee. The Series 2013 Warrants shall bear interest at the rate of 3% per annum or the maximum rate of interest allowed by law, whichever is less, from and after the respective maturity or due dates thereof, if not then paid.

**Section 3.08. Redemption of Series 2006-A Warrants.**

(a) The Series 2006-A Warrants with stated maturities on January 1, 2017 and thereafter shall be redeemed in full by the County on January 1, 2016 at a redemption price for each Series 2006-A Warrant equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

(b) The County does hereby call for redemption on January 1, 2016 the Series 2006-A Warrants having stated maturities on January 1, 2017 and thereafter and said Series 2006-A Warrants will become due and payable on said date at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon until the date fixed for redemption, without premium or penalty. All interest on the Series 2006-A Warrants so called for redemption will cease to accrue on January 1, 2016.

(c) The County is not in default under the resolution and order pursuant to which the Series 2006-A Warrants were issued and no such default is imminent.

(d) The Series 2006-A Warrants were issued for the purposes as described in Section 1.02(b) above.

(e) The County does hereby confer upon Regions Bank, the custodian escrow agent for the Series 2006-A Warrants, irrevocable power to give, for and in the name of the County, notice of redemption of the Series 2006-A Warrants in substantially the following form:

**NOTICE OF REDEMPTION**

NOTICE IS HEREBY GIVEN that the General Obligation Warrants, Series 2006-A, dated January 1, 2006, of Baldwin County, Alabama, numbered \_\_\_\_ through \_\_\_\_, inclusive, and having stated maturities on January 1, 2017 and thereafter, have been called for redemption on January 1, 2016 and will become due and payable on such date at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty. All such warrants should be surrendered at the designated office of Regions Bank in Birmingham, Alabama, and no such warrants will be paid until so surrendered. All interest on such warrants so called for redemption will cease to accrue on January 1, 2016 whether or not the warrants are presented for payment.

**BALDWIN COUNTY, ALABAMA**

By REGIONS BANK

Its duly authorized agent

(f) The County hereby agrees it will not alter, amend, repeal or revoke this resolution calling the Series 2006-A Warrants for redemption as provided herein except for manifest error and this resolution shall constitute an irrevocable trust agreement with Regions Bank for the retirement of the Series 2006-A Warrants.

(g) The County hereby authorizes, adopts and approves the Refunding Trust Agreement in substantially the form of that which was presented to and considered at this meeting (copies of which have been ordered filed in the permanent records of the County), with such changes and additions thereto and deletions therefrom as the Chairman shall approve, which approval shall be evidenced by his executing the said instrument. The Chairman is hereby further authorized and directed, in the name and on behalf of the County, to execute, acknowledge and deliver the Refunding Trust Agreement, and the County Administrator is hereby authorized and directed to affix to the Refunding Trust Agreement the seal of the County and to attest the same.

**ARTICLE 4**

**Covenants With Respect to Federal Tax Exemption for Interest**

The County recognizes and acknowledges that the Series 2013 Warrants are being sold on the basis that the interest payable on the Series 2013 Warrants is excludable from gross income of the registered owners thereof for federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The County hereby covenants and agrees with the registered owners from time to time of the Series 2013 Warrants as follows:

(a) the proceeds of the Series 2013 Warrants will be used solely for the governmental purposes for which the Series 2013 Warrants were issued;

(b) none of the proceeds of the Series 2013 Warrants will be applied for any "private business use" nor will any part of the proceeds of the Series 2013 Warrants be used (directly or indirectly) to make or finance loans to persons other than a governmental unit;

(c) the payment of the principal of or interest on the Series 2013 Warrants will not be (under the terms of the Series 2013 Warrants or any underlying arrangements) directly or indirectly (i) secured in any way by any interest in property used or to be used for a "private business use" or by payments in respect of such property or (ii) derived from payments (whether or not to the County) in respect of property, or borrowed money, used or to be used for a "private business use;"

(d) the proceeds of the Series 2013 Warrants shall not be used or applied by the County, and the taxes or other revenues of the County shall not be accumulated in the Warrant Fund in such a manner, and no investment thereof shall be made, as to cause any of the Series 2013 Warrants to be or become "arbitrage bonds", as that term is defined in Section 148 of the Code;

(e) the County will comply with the requirements of Section 148(f) of the Code with respect to any required rebate to the United States;

(f) the County will make no use of the proceeds of the Series 2013 Warrants that would cause the Series 2013 Warrants to be "federally guaranteed" under Section 149(b) of the Code and the payment of the principal of and interest on the Series 2013 Warrants shall not be (directly or indirectly) "federally guaranteed" (in whole or in part) as described in said Section, except as otherwise permitted in said Section; and

(g) the County has not designated the Series 2013 Warrants as "qualified tax exempt obligations" for purposes of paragraph (3) of subsection (b) of Section 265 of the Code. The Series 2013 Warrants are not "bank qualified."

The County hereby further covenants and agrees with the registered owners of the Series 2013 Warrants that, to the extent permitted by law, it will not take any action, or omit to take any action, with respect to the Series 2013 Warrants that would cause the interest on the Series 2013 Warrants not to be and remain excludable from gross income pursuant to the provisions of Section 103 of the Code.

## ARTICLE 5

### Sale of Series 2013 Warrants; Official Statement

#### **Section 5.01. Sale and Delivery of Series 2013 Warrants; Closing Papers.**

The Series 2013 Warrants shall be sold to The Frazer Lanier Company Incorporated (the "Underwriter"), upon the payment to the County of a purchase price of \$20,965,115.15 (which represents the par amount of \$18,840,000 less an underwriter's discount of \$146,010 and plus a net original issue premium of \$2,271,125.15), plus accrued interest thereon to the date of delivery. The Commission has determined that the sale of the Series 2013 Warrants to such purchaser on such terms is most advantageous to the County. The Series 2013 Warrants shall be delivered to such purchaser at such place or places as the purchaser shall direct and the Chairman shall approve, upon the payment to the County of the aforesaid purchase price. The Underwriter shall withhold \$80,964.01 from the aforesaid purchase price to pay the approved issuance expenses as set forth on Exhibit A attached hereto and incorporated herein by reference. The Chairman, the County Administrator, and the Commissioners are each hereby authorized and directed to effect such delivery



and in connection therewith to deliver such closing papers containing such representations as are required to demonstrate the legality and validity of the Series 2013 Warrants; the exclusion of the interest on the Series 2013 Warrants from the gross income of the registered owners thereof for federal income taxation; the exemption of interest on the Series 2013 Warrants from State of Alabama income taxation; and the absence of pending or threatened litigation with respect to any of such matters. The Chairman shall give a receipt to the purchaser for the purchase price paid, and such receipt shall be full acquittal to the purchasers and said purchasers shall not be required to see to, or be responsible for, the application of the proceeds of the Series 2013 Warrants. Nevertheless, the proceeds of the Series 2013 Warrants shall be held in trust and applied for the purposes specified in this resolution and order.

**Section 5.02. Approval of Official Statement for the Series 2013 Warrants.**

(a) The final Official Statement (the "Official Statement") with respect to the Series 2013 Warrants, in substantially the form and of substantially the content as the Official Statement presented to and considered by the Commission, is hereby authorized, approved and adopted.

(b) The Commission does hereby find and determine that the Official Statement is true and correct and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) The Chairman of the Commission is hereby authorized to deliver the Official Statement for, on behalf and in the name of the County, with such changes or additions thereto or deletions therefrom as he may deem necessary or desirable in order to state fully and correctly the pertinent facts concerning the County and the Series 2013 Warrants offered thereby.

(d) The Preliminary Official Statement is hereby approved and its prior distribution to purchasers of the Series 2013 Warrants is hereby ratified. The Commission does find and determine that the Preliminary Official Statement is true and correct and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

**Section 5.03 Approval of County Government Bond Financing Review Form.**

The County Government Bond Financing Review Form in substantially the form and of substantially the content as that which is presented to and considered by the Commission, is hereby authorized, approved and adopted. The Chairman and the County Administrator are hereby authorized and directed to complete, execute and deliver such form as required by the terms thereof and to provide therein such answers and responses as are consistent with this resolution and order.

**ARTICLE 6**

**General Provisions**

**Section 6.01. Provisions of Resolution and Order a Contract.**

The terms, provisions and conditions set forth in this resolution and order constitute a contract between the County and the registered owners from time to time of the Series 2013 Warrants and shall remain in full

force and effect until the principal of, premium (if any) and interest on the Series 2013 Warrants shall have been paid in full.

**Section 6.02. Severability.**

The provisions of this resolution and order are severable. In the event that any one or more of such provisions, or the provisions of the Series 2013 Warrants shall, for any reason, be held illegal or invalid, such illegality or invalidity shall not affect the other provisions of this resolution and order or the Series 2013 Warrants. This resolution and order and the Series 2013 Warrants shall be construed and enforced as if such illegal or invalid provision had not been contained herein or therein.

**Section 6.03 Continuing Disclosure Undertaking.**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the County agrees to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB,

(i) certain annual financial information and operating data, including audited financial information, generally consistent with the information in the Official Statement contained under the caption "THE COUNTY."

(ii) the County's budget for the next fiscal year, and unaudited financial statements for the fiscal year ending on the preceding September 30, will be made available to the MSRB on or before March 31 in each calendar year.

(iii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Warrants: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, and (n) appointment of a successor or additional trustee or the change of name of a trustee.

(iv) the County's audited financial statement must be prepared by the Alabama Department of Examiners of Public Accounts and will be provided to MSRB when available, and in any event, within five Business Days after receipt by the County.

(v) in a timely manner, notice of any failure by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, provided that any such modification may be done only in a manner consistent with the Rule. The County reserves the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the County no longer remains an "obligated person" with respect to the Warrants, within the meaning of the Rule. The County acknowledges

that its undertaking pursuant to the Rule described hereunder is intended to be for the benefit of the registered owners of the Warrants and shall be enforceable by the holders of the Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of such undertaking shall not be an event of default with respect to the Warrants and shall not subject the County to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the County are as follows:

Kimberly Creech, or successor as County Clerk/Treasurer  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, Alabama 36507  
Telephone: (251) 937-0350  
Facsimile: (251) 937-0367  
kcreech@baldwincounty.al.gov

Effective July 1, 2009, The Securities and Exchange Commission (SEC) made two procedural changes to the way in which these annual reports and event notices are filed. They are as follows: (1) the Municipal Securities Rulemaking Board (MSRB) must receive all continuing disclosure filings, and (2) continuing disclosure filings must also be submitted in electronic pdf format to the Electronic Municipal Market Asset (EMMA) system, which may be accessed at [emma.msrb.org](http://emma.msrb.org). Effective January 1, 2010, submissions to the EMMA System must be in word-searchable pdf format and must not be password protected for viewing, saving and printing. Rule 15c2-12 was further amended by Release No. 34-62184 adopted on May 26, 2010 and MSRB Notice 2010-32 approved by the SEC on August 19, 2010. The County will comply with these changes and further agrees to comply with all future SEC regulations, several of which are presently under consideration, which may affect the County's continuing obligations hereunder.

**Section 6.04. Repeal of Conflicting Provisions.**

All resolution and orders, resolutions and orders or parts thereof in conflict with this resolution and order are, to the extent of such conflict, hereby repealed.

After said resolution and order had been discussed and considered in full by the Commission, it was moved by Commissioner BURT that said resolution and order be now adopted. The motion was seconded by Commissioner JAMES. The question being put as to the adoption of said motion and the passage and adoption of said resolution and order, the roll was called with the following results:

Ayes: J. Tucker Dorsey, Chairman  
Robert E. (Bob) James  
Frank Burt, Jr.  
Charles F. Gruber

Nays: None

The Chairman thereupon declared said motion carried and the resolution and order passed and adopted as introduced and read.

Adopted this 19th day of February, 2013.



  
Chairman

Authenticated and Attested:


  
County Administrator

\* \* \*

There being no further business to come before the meeting, it was moved and seconded that the meeting be adjourned. Motion carried.

Minutes Approved

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Vice-Chairman

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member



COUNTY SEAL

Attest:   
\_\_\_\_\_  
County Administrator

**CERTIFICATE OF CHAIRMAN**

I, the undersigned, do hereby certify that I am the duly elected, qualified and acting Chairman of the Baldwin County Commission. I do further certify that as Chairman of the Baldwin County Commission I have access to all original records of the County and I am duly authorized to make certified copies of its records on its behalf, the above and foregoing pages constitute a complete, verbatim and compared copy of excerpts from the minutes of a meeting of the Baldwin County Commission duly held on the 19th day of February, 2013, the original of which is on file and of record in the minute book of the Baldwin County Commission in my custody, the resolution and order set forth in such excerpts is a complete, verbatim and compared copy of such resolution and order as introduced and adopted by the County Commission on such date, and said resolution and order is in full force and effect and has not been repealed, amended or changed.

IN WITNESS WHEREOF, I have hereunto set my hand as Chairman of the Baldwin County Commission this 19<sup>th</sup> day of February, 2013.

  
\_\_\_\_\_

Chairman

**EXHIBIT A**

**APPROVED ISSUANCE EXPENSES**

The Underwriter is authorized and directed to disburse the following issuance expenses on the delivery date and to transfer any remaining sums to the Custodian for deposit thereby into the Warrant Fund to be applied to the first interest payment due July 1, 2013:

(1)	Bond Counsel Jones Walker L.L.P.	\$35,000.00
(2)	Rating Agency Moody's Investor Services	\$13,600.00
(3)	Rating Agency Standard & Poor's	\$13,050.00
(4)	Verification The Arbitrage Group	\$2,500.00
(5)	Annual Fee Regions Bank	\$2,000.00
(6)	Acceptance Fee Regions Bank	\$2,000.00
(7)	Rating Agency Trip	\$1,536.00
(8)	Printing Official Statements	\$750.00
(9)	DTC and CUSIP	\$4,400.00
(10)	Actual out of pocket miscellaneous expenses of the above parties including copying, Federal Express and travel	<u>\$6,128.01</u>
	TOTAL	<u>\$80,964.01</u>

---

---

**REFUNDING TRUST AGREEMENT**

---

---

**Dated February 1, 2013**

---

**By and Between**

**BALDWIN COUNTY**

**And**

**REGIONS BANK**

---

**This Instrument Prepared By James L. Birchall, Esq. of Jones Walker L.L.P., 1819 Fifth Avenue North, Suite 1100, Birmingham, Alabama 35203 prepared this Refunding Trust Agreement**

---

---



## REFUNDING TRUST AGREEMENT

This **REFUNDING TRUST AGREEMENT** (the "Agreement") is made and entered into by and between **BALDWIN COUNTY**, an Alabama political subdivision (the "County") and **REGIONS BANK**, an Alabama banking corporation (the "Escrow Agent"), as of this the 1st day of February, 2013.

### Recitals

The County issued its \$25,070,000 General Obligation Warrants, Series 2006-A, dated January 1, 2006 (the "Series 2006-A Warrants") on February 9, 2006 pursuant to a resolution and order adopted by the Commission on February 7, 2006 for the purposes of (1) constructing certain capital road and building improvements within the County and (2) paying issuance costs.

Regions Bank was and is the custodian for the Series 2006-A Warrants and will serve as the Escrow Agent hereunder.

The County now proposes to issue its \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Series 2013 Warrants") on February 21, 2013 pursuant to a resolution and order duly adopted by the governing body of the County on February 19, 2013 (the "Series 2013 Authorizing Resolution") for the purpose of advance refunding and redeeming all of the outstanding Series 2006-A Warrants on January 1, 2016 in accordance with the terms hereof and paying issuance expenses.

Regions Bank has been designated as the custodian for the Series 2013 Warrants.

### Agreement

NOW, THEREFORE, in consideration of the foregoing recitals and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS AND USE OF PHRASES

#### **SECTION 1.1 Definitions.**

The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"Agreement" means this Refunding Trust Agreement.

"County" means the Baldwin County, an Alabama political subdivision, and any successor to its functions.

"Commission" means the Baldwin County Commission, the governing body of the County.

"Escrow Agent" means Regions Bank, the escrow agent under this Agreement for the Series 2006-A Warrants.

"Escrow Fund" means the fund created in Section 3.1 hereof.

"Series 2006-A Warrants" means the County's \$25,070,000 original principal amount General Obligation Warrants, Series 2006-A, dated January 1, 2006, presently outstanding in the principal amount of \$18,760,000.

"Series 2006-A Authorizing Resolution" means the resolution and order duly adopted by the Commission on February 7, 2006 authorizing the original issuance of the County's Series 2006-A Warrants.

"Series 2013 Warrants" means the County's \$18,840,000 General Obligation Warrants, Series 2013, dated February 1, 2013.

"Series 2013 Authorizing Resolution" means the resolution and order duly adopted by the Commission on February 19, 2013 authorizing the issuance of the County's Series 2013 Warrants.

"SLGS" means State and Local Government Series (SLGS) Securities.

"Verification Report" means the Verification Report dated February 21, 2013 prepared by The Arbitrage Group attached hereto as Exhibit A and incorporated herein by reference.

#### **SECTION 1.2 Use of Phrases.**

"Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter," and other equivalent words refer to this Agreement as an entirety and not solely to the particular portion in which any word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural.

## **ARTICLE II**

### **REPRESENTATIONS AND COVENANTS BY THE COUNTY**

#### **SECTION 2.1 Representations by the County.**

The County makes the following representations as the basis for the undertakings on its part herein contained:

(a) The County has heretofore issued the Series 2006-A Warrants in the original principal amount of \$25,070,000. The Series 2006-A Warrants are now outstanding in the aggregate principal amount of \$18,760,000.

(b) The Series 2006-A Warrants have stated maturities on January 1. Interest on the Series 2006-A Warrants is payable semi-annually on January 1 and July 1 in each year.

(c) All principal and interest that has matured or come due with respect to the Series 2006-A Warrants has been and shall continue to be paid in full.

(d) The County is not now and has never been in default under the Series 2006-A Authorizing Resolution, and no such default is imminent.

(e) The money in the Escrow Fund will be sufficient to (1) pay in full the interest payments on the Series 2006-A Warrants due on July 1, 2013, January 1, 2014, July 1, 2014, January 1, 2015, July 1, 2015 and January 1, 2016, (2) pay in full the principal payments on the Series 2006-A Warrants due on January 1, 2014, January 1, 2015 and January 1, 2016 and (3) redeem in full all of the outstanding Series 2006-A Warrants with maturities on January 1, 2017 and thereafter on January 1, 2016.

(f) The County has the power to enter into this Agreement pursuant to the provisions of the laws of the State of Alabama. The execution and delivery of this Agreement on the part of the County have been duly authorized by all necessary action.

#### **SECTION 2.2 Representations by the Escrow Agent.**

The Escrow Agent, as the basis for the undertakings on its part herein contained, represents that it has the power to enter into this Agreement and has been duly authorized to do so by all necessary corporate action. The Escrow Agent is familiar with the terms and conditions of the Series 2006-A Authorizing Resolution.

#### **SECTION 2.3 Covenant of County in Case of Deficiency in Escrow Fund.**

The County covenants and agrees that if at any time the moneys or investments on deposit in the Escrow Fund are insufficient to pay the principal of and interest on the Series 2006-A Warrants as provided herein, the County shall forthwith deposit into the Escrow Fund the amount of any such deficiency.

### **ARTICLE III**

#### **CREATION OF ESCROW FUND AND APPLICATION OF MONEY ON DEPOSIT THEREIN**

##### **SECTION 3.1 Escrow Fund.**

(a) There is hereby created an irrevocable trust fund called the "Escrow Fund" which shall be held by the Escrow Agent until all payments required by Section 3.2 hereof have been made.

(b) \$20,884,151.14 of the Series 2013 Warrant proceeds, along with the sum of \$162,220.63 presently on deposit in the Series 2006-A Warrant Fund, shall be transferred by the Escrow Agent to the Escrow Fund established hereinabove and applied in the aggregate amount of \$21,046,371.77 to the advance refunding and redemption of the Series 2006-A Warrants on January 1, 2016, by purchasing State and Local Government Series (SLGS) Securities in the amount of \$21,046,371.00 and retaining \$0.77 as an initial cash deposit, all as more particularly set forth in the Verification Report attached hereto as Exhibit A and incorporated herein by reference.

##### **SECTION 3.2 Application of Escrow Fund.**

The Escrow Agent is hereby directed, and by its execution and delivery of this Agreement does hereby agree, to apply such money in the Escrow Fund to (a) pay in full the interest payments on the Series 2006-A Warrants due on July 1, 2013, January 1, 2014, July 1, 2014, January 1, 2015, July 1, 2015 and January 1, 2016, (b) pay in full the principal payments on the Series 2006-A Warrants due on January 1, 2014, January 1, 2015 and January 1, 2016 and (c) redeem in full all of the outstanding Series 2006-A Warrants with maturities on January 1, 2017 and thereafter on January 1, 2016.

**SECTION 3.3 Redemption of Series 2006-A Warrants.**

(a) The Series 2006-A Warrants maturing on January 1, 2017 and thereafter have been and hereby are irrevocably called for redemption by the Escrow Agent on behalf of the County on January 1, 2016. The County hereby confers upon the Escrow Agent, irrevocable power to give notice of such redemption in accordance with the provisions set forth with respect thereto in the Series 2006-A Authorizing Resolution and in the face of the Series 2006-A Warrants, such notice to be in substantially the following form:

**NOTICE OF REDEMPTION**

NOTICE IS HEREBY GIVEN that the General Obligation Warrants, Series 2006-A, dated January 1, 2006 of Baldwin County, numbered \_\_\_\_ through \_\_\_\_, inclusive, and having stated maturities on January 1, 2017 and thereafter, have been called for redemption and will become due and payable on January 1, 2016, at a redemption price (expressed as a percentage of principal amount) for each warrant redeemed equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption without premium or penalty. All such warrants should be surrendered at the designated corporate trust office of Regions Bank, the successor in trust to Regions Bank in Birmingham, Alabama, and no such warrants will be paid until so surrendered. All interest on such warrants so called for redemption will cease to accrue after January 1, 2016, whether or not the warrants are presented for payment.

**BALDWIN COUNTY**

By REGIONS BANK

(b) The Escrow Agent, hereby accepts the powers conferred upon it by this section and hereby agrees to mail the notice of redemption provided for in this section, all in accordance with the Series 2006-A Authorizing Resolution, the Series 2006-A Warrants and the provisions of this Agreement. The Escrow Agent may add to such notice any other statements it deems necessary or desirable.

**ARTICLE IV**

**CONCERNING THE ESCROW AGENT**

**SECTION 4.1 Fees and Expenses of Escrow Agent.**

The Escrow Agent shall look solely to the County for the payment of its fees, compensation and expenses as such custodian, registrar and depository. Such fees, expenses, charges and disbursements shall in no event be payable from or constitute a lien or charge upon the Escrow Fund or any part thereof.

**SECTION 4.2 Acceptance of Trusts.**

The Escrow Agent accepts the trusts hereby created and agrees to perform the duties herein required of it, subject, however, to the following conditions:

(a) It is expressly understood and agreed that the Escrow Agent's duties and obligations in connection with this Agreement are confined to those expressly defined herein and no additional covenants or obligations shall be read into this Agreement against the Escrow Agent.

(b) It shall not be liable hereunder except for its noncompliance with the provisions hereof, its willful misconduct or its gross negligence, or the breach of any warranty or the untruthfulness of any acknowledgment or representation made herein by it, and, in particular and without limiting the generality of the foregoing, it shall not be liable for any losses resulting from any investment of moneys, or the conversion into cash of any investment, forming a part of the Escrow Fund if it shall have made such investment or conversion in accordance with the provisions hereof. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(c) It may consult counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the written advice of counsel, provided that its action or inaction is not contrary to any express provision hereof.

(d) It need not recognize an owner of any of the Series 2006-A Warrants as such without the satisfactory establishment of his or her title thereto.

(e) It may conclusively rely upon and shall not be answerable for any action taken in good faith on any notice, request, consent, certificate or other paper or document which it believes to be genuine and signed or acknowledged by the proper party.

(f) It shall be entitled to compensation for its ordinary services hereunder and shall be entitled to reasonable extra compensation for unusual or extraordinary services or expenses incurred by it to the extent permitted by law.

(g) It may be the owner of the Series 2006-A Warrants as if not Escrow Agent hereunder.

(h) It shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.

(i) All moneys received by the Escrow Agent to be held by it hereunder shall be held as trust funds until disbursed in the manner herein provided therefor. The Escrow Agent shall not be liable to pay or allow interest thereon or otherwise to invest any such moneys except as specifically required herein.

(j) It shall, upon reasonable written request, advise the County and the owners of the Series 2006-A Warrants of the amounts at the time contained in the Escrow Fund and in what such amounts are invested.

(k) It shall have the right to act through agents and attorneys.

(l) It has no obligation to use or risk its own funds.

(m) The Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor

disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

**SECTION 4.3 Resignation and Removal of Escrow Agent; Appointment of Successor.**

The Escrow Agent, whether the original or a successor, may resign by giving written notice of its intention so to do to the County. In the event of the resignation of the Escrow Agent, or in the event said Escrow Agent shall fail or refuse, or become unable to perform its duties as Escrow Agent hereunder, the County hereby obligates itself to appoint as successor a bank in the State of Alabama which shall be a member of the Federal Deposit Insurance Corporation, qualified to serve as a depository in the State of Alabama, and having a paid in capital, surplus and undivided profits of not less than \$50,000,000. If no successor Escrow Agent shall have been so appointed and accepted appointment within sixty (60) days of the resignation of the Escrow Agent in the manner herein provided, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent until a successor shall have been appointed as above provided. All provisions of this Agreement applicable to the Escrow Agent shall apply to any successor so appointed.

**SECTION 4.4 Merger of Escrow Agent.**

Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from such conversion, sale, merger, consolidation or transfer to which it is a party shall be and become, ipso facto, successor Escrow Agent hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**ARTICLE V**

**MISCELLANEOUS**

**SECTION 5.1 No Arbitrage.**

The County hereby represents that the proceeds of the Series 2006-A Warrants have been invested at a yield which does not cause any of the Series 2006-A Warrants to be or become "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto as of the date of issuance of the Series 2006-A Warrants. Anything herein contained to the contrary notwithstanding, the Escrow Agent shall not invest any moneys at any time on deposit in the Escrow Fund if the yields of such securities, the amounts to be invested therein or any other factors relating thereto would cause any of the Series 2006-A Warrants to be or become "arbitrage bonds" within the meaning of said Section 148.

**SECTION 5.2 Third Party Beneficiaries.**

The owners of the Series 2006-A Warrants and the Series 2013 Warrants shall be third party beneficiaries of this Agreement. The owners of the Series 2006-A Warrants and the Series 2013 Warrants shall be entitled to enforce the provisions of this Agreement, provided that nothing contained herein shall be

construed to grant or confer a pledge of or lien on the Escrow Fund for the benefit of the owners of the Series 2013 Warrants.

**SECTION 5.3 Use of Surplus Moneys.**

The Escrow Agent shall pay and transfer to the County all sums remaining after the full payment and redemption of the Series 2006-A Warrants. Any remaining sums shall be deposited by the County with Regions Bank in the Series 2013 Warrant Fund.

**SECTION 5.4 Benefit and Binding Effect of This Agreement.**

This Agreement shall inure to the benefit of, and shall be binding upon, the County and the Escrow Agent and their respective successors and assigns. Except as otherwise provided in Section 5.2 hereof with respect to the owners of the Series 2013 Warrants and the Series 2006-A Warrants, the covenants and agreements herein contained are for the sole and exclusive benefit of the parties hereto and their respective successors and assigns.

**SECTION 5.5 Severability.**

In the event any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 5.6 Governing Law.**

The terms of this Agreement shall be governed by the laws of the State of Alabama, without regard to conflict of law principles.

IN WITNESS WHEREOF, the County and the Escrow Agent have caused this Agreement to be executed in their respective names, have caused their respective seals to be hereunto affixed, and have caused this Agreement to be attested, all by their duly authorized officers, all as of the day and year first hereinabove written.




**BALDWIN COUNTY**

By   
Chairman

Attest:   
Its County Administrator



**REGIONS BANK**

By   
Its duly authorized representative

Attest:   
Its duly authorized representative



**EXHIBIT A**

**[Verification Report dated February 21, 2013 prepared by The Arbitrage Group]**



The Arbitrage Group, Inc.

**\$18,840,000**  
**Baldwin County, Alabama**  
**General Obligation Warrants**  
**Series 2013**



# The Arbitrage Group, Inc.

3401 Louisiana Street  
Suite 101  
Houston, Texas 77002

Telephone 713 522 8527  
Facsimile 713 527 8057

www.thearbitragegroup.com

February 21, 2013

Baldwin County, Alabama  
Bay Minette, Alabama

The Frazer Lanier Company Incorporated  
Montgomery, Alabama

Jones Walker L.L.P.  
Birmingham, Alabama

Regions Bank  
Birmingham, Alabama

**\$18,840,000**  
**Baldwin County, Alabama**  
**General Obligation Warrants**  
**Series 2013**

Baldwin County, Alabama (the "County") proposes to issue the above referenced warrants (the "Warrants"). The Warrants are dated February 1, 2013 and will be issued on February 21, 2013.

A portion of the proceeds of the Warrants will be used to purchase United States Treasury Securities -- State and Local Government Series ("SLGS") (the "Restricted Acquired Obligations") which together with the United States Treasury Securities -- State and Local Government Series ("SLGS") to be purchased with other monies (the "Other Acquired Obligations") will be placed in an irrevocable trust together with an initial cash deposit to be used solely to refund that portion of the County's General Obligation Warrants, Series 2006-A (the "Refunded Warrants") described below:

Series	Original Amount Issued	Dated Date	Amount to be Refunded	Maturities and Sinking Fund Dates to be Refunded	Maturities and Sinking Fund Dates to be Optionally Redeemed	Optional Redemption Date and Price
2006-A	\$25,070,000	01-01-2006	\$18,760,000	01-01-2014 - 01-01-2026, Inclusive	01-01-2017 - 01-01-2026, Inclusive	01-01-2016 @ 100%

Baldwin County, Alabama

February 21, 2013

Page 2

At your request, we have independently verified the arithmetical accuracy of the computations provided to us by The Frazer Lanier Company Incorporated which indicate: (1) the sufficiency of the receipts from the Restricted Acquired Obligations and the Other Acquired Obligations together with an initial cash deposit to pay to and at early redemption the principal and interest on the Refunded Warrants; and, (2) the "yields" to be considered by bond counsel in its determination that the Warrants are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended. The term "yield," as used herein, means that discount rate which, when used in computing the present value of all payments of principal and interest on an obligation compounded semiannually using a 30/360-day year basis, produces an amount equal to: in the case of the Restricted Acquired Obligations, the purchase price of such securities; and, in the case of the Warrants, the Issue Price to the Public. For purposes of calculating the yield on the Warrants, Warrants maturing January 1, 2024 through January 1, 2026, inclusive (the "Callable Premium Warrants") are treated as redeemed on the early redemption date of January 1, 2023 at an early redemption price of 100.00%, which produces the lowest yield on the Warrants.

The original computations, along with certain assumptions and information, were furnished to us by The Frazer Lanier Company Incorporated on behalf of the County. We have relied solely on the assumptions and information provided to us and have not made any study or evaluation of them, except as noted below. We express no opinion on the reasonableness of the assumptions, or the likelihood that the debt service requirements of the Refunded Warrants will be paid as described in the accompanying Exhibits.

In the course of our engagement, we were furnished by The Frazer Lanier Company Incorporated with excerpts from the Official Statement for the Refunded Warrants, the Official Statement for the Warrants and copies of the initial and final subscription forms for the purchase of the SLGS. We understand that the initial subscription form was filed on February 13, 2013. We compared the information contained in the schedules provided by The Frazer Lanier Company Incorporated with certain information set forth in such documents with respect to prices, principal payment dates and amounts, interest payment dates and rates, yields, and redemption dates and prices. We found that the information contained in such schedules provided to us by The Frazer Lanier Company Incorporated was in agreement with the above-mentioned information set forth in such documents. In addition, we have verified that, based upon the table of interest rates payable on United States Treasury Securities -- State and Local Government Series for use on February 13, 2013, the interest rates payable on the SLGS are at or below the maximum allowable interest rate for each maturity date.

In our opinion, based on the assumptions and information provided by The Frazer Lanier Company Incorporated on behalf of the County, the computations in the schedules provided to us are arithmetically accurate. The computations in the accompanying Exhibits prepared by us and the comparable schedules provided to us indicate that:

- (1) the receipts from the Restricted Acquired Obligations and the Other Acquired Obligations together with an initial cash deposit of \$0.77 will be sufficient to pay to and at early redemption the principal and interest on the Refunded Warrants; and,
- (2) the yield of the Warrants, assuming the Callable Premium Warrants are treated as redeemed on the early redemption date of January 1, 2023 at an early redemption price of 100.00%, is 1.996908% and the yield of the Restricted Acquired Obligations is 0.363284%.



The Arbitrage Group, Inc.

Baldwin County, Alabama

February 21, 2013

Page 3

The terms of our engagement are such that we have no obligation to update this report or to verify any revised computation because of events and transactions occurring subsequent to the date of this report. This report is issued solely for your information and assistance in connection with the issuance of the Warrants. This report is not to be quoted or referred to without our prior written consent.

Very truly yours,

*The Arbitrage Group, Inc.*

# Exhibits

- A. Sources and Uses of Funds
- B. Escrow Cash Flow
- C-1. Debt Service Requirements of the Refunded Warrants to Maturity
- C-2. Debt Service Requirements of the Refunded Warrants to Early Redemption
- D. Receipts from Restricted Acquired Obligations and Proof of Yield
- E. Receipts from Other Acquired Obligations and Proof of Yield
- F. Debt Service Requirements and Proof of Yield on the Warrants Assuming Certain Early Redemptions on January 1, 2023
- G. Computation of Net Original Issue Premium
- H. Debt Service Requirements of the Warrants to Maturity

# Sources and Uses of Funds

*Baldwin County, Alabama*

## SOURCES

Principal Amount of the Warrants	\$18,840,000.00
Accrued Interest	38,163.19
Net Original Issue Premium	2,271,125.15
Transfer from Prior Debt Service Fund	162,220.63

---

---

\$21,311,508.97

## USES

Purchase Price of Restricted Acquired Obligations	\$20,884,151.00
Purchase Price of Other Acquired Obligations	162,220.00
Initial Cash Deposit	0.77
Costs of Issuance	76,500.00
Underwriter's Discount	146,010.00
Accrued Interest	38,163.19
Contingency	4,464.01

---

---

\$21,311,508.97

# Escrow Cash Flow

*Baldwin County, Alabama*

<u>Date</u>	<u>Beginning Cash Balance</u>	<u>Receipts from Restricted Acquired Obligations</u>	<u>Receipts from Other Acquired Obligations</u>	<u>Debt Service Requirements of the Refunded Warrants to Early Redemption</u>	<u>Ending Cash Balance</u>
02/21/13	\$0.77				\$0.77
07/01/13	\$0.77	\$278,540.48	\$162,272.00	\$440,812.50	\$0.75
01/01/14	\$0.75	1,505,811.84		1,505,812.50	\$0.09
07/01/14	\$0.09	414,188.38		414,187.50	\$0.97
01/01/15	\$0.97	1,534,187.01		1,534,187.50	\$0.48
07/01/15	\$0.48	386,187.38		386,187.50	\$0.36
01/01/16	\$0.36	16,961,187.14		16,961,187.50	\$0.00
		<u>\$21,080,102.23</u>	<u>\$162,272.00</u>	<u>\$21,242,375.00</u>	



# Debt Service Requirements of the Refunded Warrants to Maturity

*Baldwin County, Alabama*

Date	Principal	Coupon Rate	Interest	Debt Service Requirements of the Refunded Warrants to Maturity
07/01/13			\$440,812.50	\$440,812.50
01/01/14	\$1,065,000.00	5.000%	440,812.50	1,505,812.50
07/01/14			414,187.50	414,187.50
01/01/15	1,120,000.00	5.000%	414,187.50	1,534,187.50
07/01/15			386,187.50	386,187.50
01/01/16	1,175,000.00	4.500%	386,187.50	1,561,187.50
07/01/16			359,750.00	359,750.00
01/01/17	1,235,000.00	5.000%	359,750.00	1,594,750.00
07/01/17			328,875.00	328,875.00
01/01/18	1,295,000.00	5.000%	328,875.00	1,623,875.00
07/01/18			296,500.00	296,500.00
01/01/19	1,355,000.00	4.000%	296,500.00	1,651,500.00
07/01/19			269,400.00	269,400.00
01/01/20	1,420,000.00	5.000%	269,400.00	1,689,400.00
07/01/20			233,900.00	233,900.00
01/01/21	1,490,000.00	5.000%	233,900.00	1,723,900.00
07/01/21			196,650.00	196,650.00
01/01/22	1,570,000.00	5.000%	196,650.00	1,766,650.00
07/01/22			157,400.00	157,400.00
01/01/23	1,645,000.00	4.250%	157,400.00	1,802,400.00
07/01/23			122,443.75	122,443.75
01/01/24	1,715,000.00	4.250%	122,443.75	1,837,443.75
07/01/24			86,000.00	86,000.00
01/01/25	1,795,000.00	5.000%	86,000.00	1,881,000.00
07/01/25			41,125.00	41,125.00
01/01/26	1,880,000.00	4.375%	41,125.00	1,921,125.00
	<u>\$18,760,000.00</u>		<u>\$6,666,462.50</u>	<u>\$25,426,462.50</u>

# Debt Service Requirements of the Refunded Warrants to Early Redemption

*Baldwin County, Alabama*

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Debt Service Requirements of the Refunded Warrants to Early Redemption</u>
07/01/13			\$440,812.50	\$440,812.50
01/01/14	\$1,065,000.00	5.000%	440,812.50	1,505,812.50
07/01/14			414,187.50	414,187.50
01/01/15	1,120,000.00	5.000%	414,187.50	1,534,187.50
07/01/15			386,187.50	386,187.50
01/01/16	16,575,000.00	*	386,187.50	16,961,187.50
	<u>\$18,760,000.00</u>		<u>\$2,482,375.00</u>	<u>\$21,242,375.00</u>

- \* Coupon rates are as shown in the Debt Service Requirements of the Refunded Warrants to Maturity.

# Receipts from Restricted Acquired Obligations and Proof of Yield

Baldwin County, Alabama

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Receipts from Restricted Acquired Obligations</u>	<u>Present Value of Future Receipts at 02/21/13 Using a Rate of 0.363284%</u>
07/01/13	\$253,425.00	0.090%	\$25,115.48	\$278,540.48	\$278,175.65
01/01/14	1,469,187.00	0.140%	36,624.84	1,505,811.84	1,501,112.87
07/01/14	379,333.00	0.190%	34,855.38	414,188.38	412,147.25
01/01/15	1,499,692.00	0.240%	34,495.01	1,534,187.01	1,523,858.53
07/01/15	353,492.00	0.300%	32,695.38	386,187.38	382,891.99
01/01/16	16,929,022.00	0.380%	32,165.14	16,961,187.14	16,785,964.71
	<u>\$20,884,151.00</u>		<u>\$195,951.23</u>	<u>\$21,080,102.23</u>	<u>\$20,884,151.00</u>
				<u>Purchase Price of Restricted Acquired Obligations</u>	<u>\$20,884,151.00</u>

# Receipts from Other Acquired Obligations and Proof of Yield

*Baldwin County, Alabama*

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Receipts from Other Acquired Obligations</u>	<u>Present Value of Future Receipts at 02/21/13 Using a Rate of 0.088775%</u>
07/01/13	\$162,220.00	0.090%	\$52.00	\$162,272.00	\$162,220.00
	<u>                    </u>		<u>                    </u>	<u>                    </u>	<u>                    </u>
				<b>Purchase Price of Other Acquired Obligations</b>	<b>\$162,220.00</b>
					<u>                    </u>

# Debt Service Requirements and Proof of Yield on the Warrants Assuming Certain Early Redemptions on January 1, 2023

*Baldwin County, Alabama*

Date	\$18,840,000 Serial Warrants			Debt Service Requirements of the Warrants	Present Value of Future Payments at 02/21/13 Using a Rate of 1.996908%
	Principal	Coupon Rate	Interest		
07/01/13			\$286,223.96	\$286,223.96	\$284,177.57
01/01/14	\$1,180,000.00	2.000%	343,468.75	1,523,468.75	1,497,623.45
07/01/14			331,668.75	331,668.75	322,818.87
01/01/15	1,200,000.00	2.000%	331,668.75	1,531,668.75	1,476,061.59
07/01/15			319,668.75	319,668.75	305,017.73
01/01/16	1,235,000.00	3.000%	319,668.75	1,554,668.75	1,468,750.56
07/01/16			301,143.75	301,143.75	281,688.62
01/01/17	1,275,000.00	3.000%	301,143.75	1,576,143.75	1,459,743.49
07/01/17			282,018.75	282,018.75	258,609.20
01/01/18	1,315,000.00	4.000%	282,018.75	1,597,018.75	1,449,977.57
07/01/18			255,718.75	255,718.75	229,878.90
01/01/19	1,370,000.00	4.000%	255,718.75	1,625,718.75	1,446,995.67
07/01/19			228,318.75	228,318.75	201,209.59
01/01/20	1,430,000.00	4.000%	228,318.75	1,658,318.75	1,446,972.82
07/01/20			199,718.75	199,718.75	172,542.65
01/01/21	1,485,000.00	4.000%	199,718.75	1,684,718.75	1,441,087.39
07/01/21			170,018.75	170,018.75	143,994.20
01/01/22	1,545,000.00	4.000%	170,018.75	1,715,018.75	1,438,143.85
07/01/22			139,118.75	139,118.75	115,505.96
01/01/23	6,805,000.00	(1)	139,118.75	6,944,118.75	5,708,488.66
	<u>\$18,840,000.00</u>		<u>\$5,084,480.21</u>	<u>\$23,924,480.21</u>	<u>\$21,149,288.34</u>

Principal Amount of the Warrants	\$18,840,000.00
Accrued Interest	38,163.19
Net Original Issue Premium	2,271,125.15
	<u>\$21,149,288.34</u>

# Debt Service Requirements and Proof of Yield on the Warrants Assuming Certain Early Redemptions on January 1, 2023

*Baldwin County, Alabama*

\$18,840,000 Serial Warrants				Debt Service Requirements of the Warrants	Present Value of Future Payments at 02/21/13 Using a Rate of 1.996908%
Date	Principal	Coupon Rate	Interest		

(1) See Exhibit G.

# Computation of Net Original Issue Premium

*Baldwin County, Alabama*

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Purchase Price</u>	<u>Accrued Interest</u>	<u>Original Issue Premium/(Discount)</u>
01/01/14	\$1,180,000.00	2.000%	0.450%	101.330%	\$1,195,694.00	\$1,311.11	\$15,694.00
01/01/15	1,200,000.00	2.000%	0.670%	102.455%	1,229,460.00	1,333.33	29,460.00
01/01/16	1,235,000.00	3.000%	0.880%	105.976%	1,308,803.60	2,058.33	73,803.60
01/01/17	1,275,000.00	3.000%	1.040%	107.398%	1,369,324.50	2,125.00	94,324.50
01/01/18	1,315,000.00	4.000%	1.230%	113.030%	1,486,344.50	2,922.22	171,344.50
01/01/19	1,370,000.00	4.000%	1.440%	114.337%	1,566,416.90	3,044.44	196,416.90
01/01/20	1,430,000.00	4.000%	1.680%	114.973%	1,644,113.90	3,177.78	214,113.90
01/01/21	1,485,000.00	4.000%	1.900%	115.265%	1,711,685.25	3,300.00	226,685.25
01/01/22	1,545,000.00	4.000%	2.130%	115.025%	1,777,136.25	3,433.33	232,136.25
01/01/23	1,595,000.00	2.250%	2.310%	99.472%	1,586,578.40	1,993.75	(8,421.60)
01/01/24	1,655,000.00	5.000%	2.260%	124.096%	2,053,788.80	4,597.22	398,788.80
01/01/25	1,740,000.00	5.000%	2.350%	123.201%	2,143,697.40	4,833.34	403,697.40
01/01/26	1,815,000.00	4.000%	2.580%	112.291%	2,038,081.65	4,033.34	223,081.65
	<u>\$18,840,000.00</u>				<u>\$21,111,125.15</u>	<u>\$38,163.19</u>	<u>\$2,271,125.15</u>

# Debt Service Requirements of the Warrants to Maturity

*Baldwin County, Alabama*

Date	\$18,840,000 Serial Warrants			Debt Service Requirements of the Warrants
	Principal	Coupon Rate	Interest	
07/01/13			\$286,223.96	\$286,223.96
01/01/14	\$1,180,000.00	2.000%	343,468.75	1,523,468.75
07/01/14			331,668.75	331,668.75
01/01/15	1,200,000.00	2.000%	331,668.75	1,531,668.75
07/01/15			319,668.75	319,668.75
01/01/16	1,235,000.00	3.000%	319,668.75	1,554,668.75
07/01/16			301,143.75	301,143.75
01/01/17	1,275,000.00	3.000%	301,143.75	1,576,143.75
07/01/17			282,018.75	282,018.75
01/01/18	1,315,000.00	4.000%	282,018.75	1,597,018.75
07/01/18			255,718.75	255,718.75
01/01/19	1,370,000.00	4.000%	255,718.75	1,625,718.75
07/01/19			228,318.75	228,318.75
01/01/20	1,430,000.00	4.000%	228,318.75	1,658,318.75
07/01/20			199,718.75	199,718.75
01/01/21	1,485,000.00	4.000%	199,718.75	1,684,718.75
07/01/21			170,018.75	170,018.75
01/01/22	1,545,000.00	4.000%	170,018.75	1,715,018.75
07/01/22			139,118.75	139,118.75
01/01/23	1,595,000.00	2.250%	139,118.75	1,734,118.75
07/01/23			121,175.00	121,175.00
01/01/24	1,655,000.00	5.000%	121,175.00	1,776,175.00
07/01/24			79,800.00	79,800.00
01/01/25	1,740,000.00	5.000%	79,800.00	1,819,800.00
07/01/25			36,300.00	36,300.00
01/01/26	1,815,000.00	4.000%	36,300.00	1,851,300.00
	<u>\$18,840,000.00</u>		<u>\$5,559,030.21</u>	<u>\$24,399,030.21</u>



**Information Return for Tax-Exempt Governmental Obligations**

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Baldwin County, Alabama</b>		2 Issuer's employer identification number (EIN) [REDACTED]	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) <b>James L. Birchall, Bond Counsel</b>		3b Telephone number of other person shown on 3a <b>205-244-5222</b>	
4 Number and street (or P.O. box if mail is not delivered to street address) <b>312 Courthouse Square, Suite 12</b>		Room/suite	5 Report number (For IRS Use Only) <b>3</b>
6 City, town, or post office, state, and ZIP code <b>Bay Minette, Alabama 36507</b>		7 Date of issue <b>February 21, 2013</b>	
8 Name of Issue <b>General Obligation Warrants, Series 2013</b>		9 CUSIP number <b>057845PL7</b>	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Kimberly Creech, County Clerk/Treasurer</b>		10b Telephone number of officer or other employee shown on 10a <b>251-937-0350</b>	

**Part II Type of Issue (enter the issue price).** See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe ▶ <b>refunding issue for various capital improvements</b>	18	<b>21,111,125</b>	<b>15</b>
19 If obligations are TANs or RANs, check only box 19a			<input type="checkbox"/>
If obligations are BANs, check only box 19b			<input type="checkbox"/>
20 If obligations are in the form of a lease or installment sale, check box			<input type="checkbox"/>

**Part III Description of Obligations.** Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	01/01/2026	\$ 21,111,125.15	\$ 18,840,000	7.5235 years	1.996908 %

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

22	Proceeds used for accrued interest	22	38,163	19
23	Issue price of entire issue (enter amount from line 21, column (b))	23	21,111,125	15
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	226,974	01
25	Proceeds used for credit enhancement	25	0	0
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0	0
27	Proceeds used to currently refund prior issues	27	0	0
28	Proceeds used to advance refund prior issues	28	20,884,151	14
29	Total (add lines 24 through 28)	29	21,111,125	15
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	0	0

**Part V Description of Refunded Bonds.** Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the bonds to be currently refunded	n/a	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	7.5189	years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	01/01/2016	
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	02/09/2006	

**Part VI Miscellaneous**

- |            |  |  |
|------------|--|--|
| <b>35</b>  |  |  |
| <b>36a</b> |  |  |
| <b>37</b>  |  |  |
- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .
- b** Enter the final maturity date of the GIC ▶ \_\_\_\_\_
- c** Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box  and enter the following information:
- b** Enter the date of the master pool obligation ▶ \_\_\_\_\_
- c** Enter the EIN of the issuer of the master pool obligation ▶ \_\_\_\_\_
- d** Enter the name of the issuer of the master pool obligation ▶ \_\_\_\_\_
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . ▶
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ▶
- 41a** If the issuer has identified a hedge, check here  and enter the following information:
- b** Name of hedge provider ▶ \_\_\_\_\_
- c** Type of hedge ▶ \_\_\_\_\_
- d** Term of hedge ▶ \_\_\_\_\_
- 42** If the issuer has superintegrated the hedge, check box . . . . . ▶
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ▶
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ▶
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here  and enter the amount of reimbursement . . . . . ▶ \_\_\_\_\_
- b** Enter the date the official intent was adopted ▶ \_\_\_\_\_

<b>Signature and Consent</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
		2.19.13	J. Tucker Dorsey, Chairman		
	Signature of issuer's authorized representative	Date	Type or print name and title		
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	James L. Birchall, Esq.		2/21/2013		
	Firm's name ▶ Jones Walker L.L.P.	Firm's EIN ▶			
Firm's address ▶ 1819 5th Ave N., Ste. 1100, Birmingham AL 35203			Phone no.	205-244-5222	

**NON-ARBITRAGE CERTIFICATE**

We, the undersigned Chairman of the Baldwin County Commission and County Administrator and County Clerk/Treasurer of Baldwin County (the "County"), do hereby certify as follows:

1. The County is issuing and delivering, simultaneously with the issuance of this certificate, \$18,840,000 principal amount of its General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") pursuant to a resolution and order duly adopted by the County on February 19, 2013 (the "Authorizing Resolution").

2. The Warrants are issued for the purposes of (a) advance refunding and redeeming the County's outstanding General Obligation Warrants, Series 2006-A, dated January 1, 2006 (the "Series 2006-A Warrants") on January 1, 2016 and (b) paying issuance expenses.

3. The County issued the Series 2006-A Warrants on February 9, 2006 pursuant to a resolution and order adopted by the Commission on February 7, 2006 for the purposes of (a) constructing certain capital road and building improvements within the County (the "Series 2006-A Improvements") and (b) paying issuance costs.

4. The Series 2006-A Warrants have a remaining weighted average maturity of 7.5189 years. The Series 2006-A Improvements had original economic lives of not less than twenty years.

5. The County expects the following with respect to the issuance of the Warrants:

(a) The Warrants will be issued on the date of this certificate, and the County will receive from the sale of the Warrants \$20,965,115.15 (which represents the par amount of \$18,840,000 less an underwriter's discount of \$146,010 and plus a net original issue premium of \$2,271,125.15), plus accrued interest to the date of delivery and payment therefor. The weighted average maturity of the Warrants is 7.5235 years. The arbitrage yield on the Warrants is 1.996908%. The Underwriter shall withhold the additional sum of \$80,964.01 from the aforesaid purchase price to pay issuance expenses on behalf of the County.

(b) The estimated total sources and uses of funds is as follows:

Sources

Par Amount	\$18,840,000.00
Accrued Interest	38,163.19
Plus Net Original Issue Premium	2,271,125.15
Series 2006-A Warrant Fund	<u>162,220.63</u>
<b>TOTAL SOURCES</b>	<b><u>\$21,311,508.97</u></b>

Uses

Advance Refunding of Series 2006-A Warrants	\$21,046,371.77
Accrued Interest	38,163.19
Underwriter's Discount	146,010.00
Issuance Expenses	<u>80,964.01</u>
<b>TOTAL USES</b>	<b><u>\$21,311,508.97</u></b>

(c) The amount received as accrued interest on the Warrants (\$38,163.19) will be deposited in the Warrant Fund established under the Authorizing Resolution and will be applied to the payment of interest on the Warrants first coming due on July 1, 2013.

(d) The amount of \$80,964.01 shall be applied to issuance expenses by the Underwriter as approved in the Authorizing Resolution.

(e) \$20,884,151.14 of the Warrant proceeds, along with the sum of \$162,220.63 presently on deposit in the Series 2006-A Warrant Fund shall be transferred to the Escrow Fund established pursuant to the Refunding Trust Agreement and applied in the aggregate amount of \$21,046,371.77 to the advance refunding and redemption of the Series 2006-A Warrants on January 1, 2016, by purchasing State and Local Government Series (SLGS) Securities in the amount of \$21,046,371.00 and retaining \$0.77 as an initial cash deposit, all as more particularly set for the in the Verification Report and the Refunding Trust Agreement. The yield on the SLGS is 0.363284%.

(f) The original proceeds of the Warrants (net amount remaining after payment of all expenses of issuance) will not exceed the amount necessary for the purposes of the issue.

(g) Except for the Warrant Fund established under the Authorizing Resolution, the County has not created or established, and does not expect to create or establish, any sinking fund or other similar fund for the benefit of the Warrants.

(h) Any money deposited in the Warrant Fund will be spent within a 13-month period beginning on the date of deposit, and any money received from the investment of money held in the Warrant Fund will be spent within a 12-month period beginning on the date of receipt.

6. This certificate is being executed and delivered pursuant to the applicable regulations under the Internal Revenue Code of 1986, as amended (the "Code"), and the undersigned are the officers of the County charged, pursuant to the Authorizing Resolution, with the responsibility of issuing the Warrants.

7. To the best of the knowledge and belief of the undersigned, the County's expectations set forth in this certificate are reasonable.

8. The County has covenanted in the Authorizing Resolution that it will make no use or application of the proceeds of the Warrants, and that the County's revenues and taxes shall not be accumulated in the Warrant Fund in such a manner and no investment thereof shall be made, that would cause any of the Warrants to be or become "arbitrage bonds" under Section 148 of the Code and the applicable regulations under that Section.

9. No artifice or device has been employed by the County in the issuance of the Warrants that attempts to circumvent the provisions of Section 148 of the Code, relating to "arbitrage bonds." The terms of issuance of the Warrants are not designed to enable the County to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage. Furthermore, the County's issuance of the Warrants will not increase the burden on the market for tax-exempt obligations by selling obligations that would not otherwise be sold, by selling more obligations than would otherwise be necessary, or by selling obligations sooner or allowing the obligations to remain outstanding longer than would otherwise be necessary.

10. On the basis of the foregoing, it is not expected that the proceeds of the Warrants will be used, and it is not expected that the County's taxes or revenues will be accumulated in the Warrant Fund, in a manner that would cause the Warrants to be or become "arbitrage bonds" under Section 148 of the Code and

the applicable regulations thereunder. To the best of our knowledge and belief, there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

11. The County has not been notified of any listing of it by the Internal Revenue Service as an issuer that may not certify its obligations under the applicable regulations on "arbitrage bonds" under Section 148 of the Code.

12. The County shall cause timely payments to be made to the United States of America of all rebate amounts required to be so paid in accordance with the Code and shall maintain all records required to be maintained with respect thereto pursuant to all applicable federal laws and regulations.

This 21<sup>st</sup> day of February, 2013.



Chairman



County Clerk/Treasurer



County Administrator



## CERTIFICATE OF OFFICERS

The undersigned officers of Baldwin County do hereby certify as follows:

1. The following terms, when used in this certificate, shall have the following meanings:

"Authorizing Resolution" means the resolution and order duly adopted by the County Commission of the County on February 19, 2013, authorizing the issuance and sale of the Series 2013 Warrants.

"County" means Baldwin County, an Alabama political subdivision.

"Series 2013 Warrants" means the County's General Obligation Warrants, Series 2013, dated February 1, 2013, in the aggregate principal amount of \$18,840,000.

2. The following are, and have been since prior to February 1, 2013, the duly elected, qualified and acting officers of the County:

<u>Name</u>	<u>Office</u>
J. Tucker Dorsey	Chairman
Robert E. James	Member
Frank Burt, Jr.	Member
Charles F. Gruber	Member
David A. Z. Brewer	County Administrator
Kimberly Creech	County Clerk/Treasurer

3. Each of the aforesaid officers of the County has duly qualified and each is the acting officer holding the office stated immediately following his or her name.

4. The seal affixed hereto is the official corporate seal of the County and the undersigned Chairman is the official custodian thereof and is duly authorized to affix the same to deeds, bonds, contracts, proceedings, warrants and other documents of the County. The undersigned Chairman has access to all original records of the County and is duly authorized to make certified copies of its records on its behalf.

5. The County Commission of the County adopted the Authorizing Resolution at a regular meeting of said Commission duly called and held in strict compliance with the laws of Alabama, a quorum having been present at said meeting and all members present having voted in favor of the Authorizing Resolution. The Authorizing Resolution is in full force and effect and has not been repealed, amended or changed. Regular meetings of the County Commission are held on the first and third Tuesdays of each month at 8:30 a.m.

6. Pursuant to the authority of the Authorizing Resolution, the undersigned Chairman and County Administrator have manually executed each of the Series 2013 Warrants. The undersigned Chairman has manually imprinted the corporate seal of the County on each of the Series 2013 Warrants. The Series 2013 Warrants were in the form therefor provided in the Authorizing Resolution and have been in all respects duly executed pursuant to the authority of the Authorizing Resolution. No bonds or warrants other than the Series 2013 Warrants are outstanding under or are secured by the Authorizing Resolution.

7. On the dates we executed the Series 2013 Warrants, we then were and now are the duly elected, qualified and acting officers of the County indicated by our signatures thereon and hereon. The seal affixed on such instrument is the official corporate seal of the County.

8. We have no knowledge or information of any agreement, representation, condition, understanding or stipulation, whether oral or written or expressed or implied, respecting the authorization by the County of the Series 2013 Warrants or the disposition or other dealing with the proceeds of the sale of the Series 2013 Warrants, other than as set forth in the closing papers in connection with the Series 2013 Warrants and the other documents which have been furnished to Jones Walker L.L.P., Bond Counsel, for their examination preliminary to their approval of the legality of the Series 2013 Warrants and their opinion with respect to the exemption of interest on the Series 2013 Warrants from federal and State of Alabama income taxation. None of the proceedings or records which have been certified to the attorneys approving the legality of the Series 2013 Warrants have been repealed, amended or changed. There has been no change in the facts affecting the Series 2013 Warrants.

9. On the date of this certificate the Series 2013 Warrants were authenticated and registered by the County and delivered to the purchaser of such Series 2013 Warrants. The undersigned Chairman received from the purchaser of the Series 2013 Warrants at the time of such delivery, on behalf of the County, the agreed purchase price therefor consisting of the following:

Par Amount	\$18,840,000.00
Plus Net Original Issue Premium	2,271,125.15
Less Underwriter's Discount	(146,010.00)
Less Issuance Expenses Withheld by Underwriter[1]	(80,964.01)
Plus Accrued Interest	<u>38,163.19</u>
<b>AMOUNT DUE AT CLOSING</b>	<b><u>\$20,922,314.33</u></b>

[1] The Underwriter shall pay the issuance expenses on the Closing Date

10. There is no litigation pending or threatened, restraining or enjoining, or in any manner questioning or affecting any one or more of the following matters:

- (a) the corporate existence or organization of the County, or any of its powers exercised pursuant to the Authorizing Resolution or the election or title of any officer or member of the governing body of the County;
- (b) the title of any of the officers of the County to their respective offices;
- (c) the Authorizing Resolution or any other proceedings of the County Commission of the County relative to any matter referred to in this certificate;
- (d) the Series 2013 Warrants, the authority of the County to issue the Series 2013 Warrants, the validity, issuance, execution and sale of the Series 2013 Warrants, the taxing powers of the County to pay the Series 2013 Warrants or the purposes for which the proceeds of the Series 2013 Warrants are to be used; or
- (e) any other matters referred to in this certificate.

IN WITNESS WHEREOF, we have hereunto set our hands and the official corporate seal of the County, this 21<sup>st</sup> day of February, 2013.




  
\_\_\_\_\_

Chairman

  
\_\_\_\_\_

County Administrator

  
\_\_\_\_\_

County Clerk/Treasurer



**DEBT CERTIFICATE**

The undersigned Chairman, Clerk/Treasurer and Administrator of Baldwin County (the "County") do hereby certify as follows:

1. The assessed value of the taxable property in the County as assessed for County ad valorem taxation and on which taxes were due and payable on October 1, 2012 was not less than \$3,733,695,420.

2. On the date hereof the following represents all general obligation warrant indebtedness of the County:

<u>Issue</u>	<u>Principal Outstanding</u>	<u>Final Maturity</u>
General Obligation Warrants, Series 2013, dated February 1, 2013	\$18,840,000	January 1, 2026
General Obligation Warrants, Series 2012, dated September 1, 2012	\$10,195,000	June 1, 2026
General Obligation Taxable Warrant, Series 2012-B, dated June 6, 2012	\$25,000,000	June 15, 2015
General Obligation Taxable Warrant, Series 2012-C, dated June 22, 2012	\$875,000	June 1, 2014
General Obligation Warrants, Series 2010, dated January 1, 2010	\$16,915,000	January 1, 2025
General Obligation Warrants, Series 2008-B, dated May 1, 2008	\$24,715,000	May 1, 2033
General Obligation Warrant, Series 2008-C, dated September 30, 2008	\$4,428,923.66	September 15, 2028
General Obligation Warrant, Series 2008-A, dated December 4, 2007	\$5,096,582.13	November 30, 2017
General Obligation Warrants, Series 2007-A, dated March 1, 2007	\$13,045,000	February 1, 2032
General Obligation Warrants, Series 2004, dated April 1, 2004	<u>\$3,595,000</u>	February 1, 2016
<b>TOTAL</b>	<b><u>\$122,705,505.79</u></b>	

3. The County has the following other estimated outstanding miscellaneous obligations[1]:

- (a) compensated absences of \$285,542.79;
- (b) other post-employment benefits of \$1,234,111;

- (c) landfill closure and post-closure liability of \$4,672,128.99;
- (d) annual pension liability cost of \$2,901,378.63; and
- (e) other miscellaneous obligations of not more than \$500,000.

The aggregate of all such amounts is approximately \$132,298,667.20 in principal amount. The County has outstanding no other bonds, warrants, obligations, indebtedness, notes, contracts, long term leases or loan purchase obligations of any nature whatsoever that would count against the County's constitutional debt limit.

[1] The Public Building Authority of Baldwin County issued its \$6,405,000 Building Revenue Warrants, Series 2007-A, dated June 1, 2007 in order to finance the cost of acquiring, constructing and equipping an office building for lease on a year-to-year basis to the County and a sublease, on a year-to-year basis to the Alabama Department of Human Resources. The County is obligated to pay rent solely from amounts received under the sublease from the Alabama Department of Human Resources. The County is not obligated to pay any amounts from its general revenues and such lease obligation is not a constitutional debt of the County.

This 21<sup>st</sup> day of February, 2013.

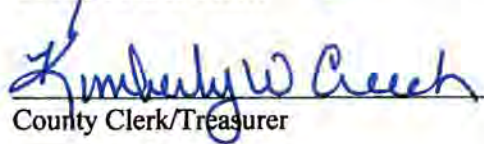
**BALDWIN COUNTY**



Chairman



County Administrator



County Clerk/Treasurer



STATE OF ALABAMA     )  
                                  )  
BALDWIN COUNTY         )

**CERTIFICATE OF REVENUE COMMISSIONER**

The undersigned Revenue Commissioner of Baldwin County, Alabama, does hereby certify that according to the official books and records on file in my office in the County Courthouse in said County, the net assessed valuation as of September 30, 2012 of taxable real and personal property (not including motor vehicles) located in Baldwin County (excluding all property not subject to taxation such as homestead and industrial exemptions and Act. No. 48 and Act No. 91 property), and on the basis of which taxes became due and payable on and after October 1, 2012 was as follows:

2012 TOTAL NET ASSESSED VALUATION, not less than: \$ 3,399,511,400

WITNESS my hand, this 16<sup>th</sup> day of January, 2013.



\_\_\_\_\_  
Revenue Commissioner of Baldwin County

STATE OF ALABAMA )

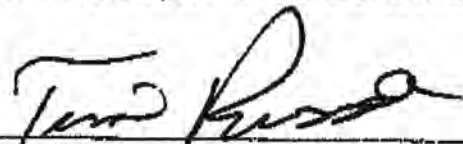
**CERTIFICATE OF JUDGE OF PROBATE**

COUNTY OF BALDWIN )

The undersigned duly elected, qualified and acting Judge of Probate of Baldwin County, Alabama does hereby certify that the net assessed value of motor vehicles within Baldwin County, Alabama, as assessed for taxes during the tax year shown was as follows:

2012 Total Net Assessed Valuation of Motor Vehicles, Not Less Than: \$ 334,184,020.00

WITNESS MY HAND as Judge of Probate of Baldwin County, Alabama, this 18<sup>th</sup> day of January, 2013.



\_\_\_\_\_  
Judge of Probate of Baldwin County,  
Alabama

**ACCEPTANCE BY CUSTODIAN**

Regions Bank, the undersigned Custodian (the "Custodian") hereby acknowledges receipt of a copy of the resolution and order adopted by the governing body of Baldwin County, Alabama (the "County") on February 19, 2013 (the "Authorizing Resolution") authorizing the issuance of the County's \$18,840,000 principal amount of General Obligation Warrants, Series 2013, dated February 1, 2013 (the "Warrants") and designating the undersigned Bank as Custodian, paying agent and registrar for and with respect to the Warrants. The undersigned accepts such appointment as Custodian, paying agent and registrar and agrees to serve as such in accordance with the provisions of the Authorizing Resolution.

As Custodian the undersigned has registered the Warrants and delivered them on the date hereof to The Frazer Lanier Company Incorporated (the "Purchaser"), the original purchaser thereof, through the Depository Trust Company, all in accordance with the directions and instructions of the Purchaser.

This 21<sup>st</sup> day of February, 2013.

**REGIONS BANK**

By                     *T. H. [Signature]*                      
Its                     *Vice President*                    

**BANK SEAL**

**CERTIFICATE OF PURCHASER**

The undersigned, The Frazer Lanier Company Incorporated, the original purchaser (the "Purchaser") of the General Obligation Warrants, Series 2013, dated February 1, 2013, in the aggregate principal amount of \$18,840,000 (the "Warrants") issued by Baldwin County, Alabama, does hereby certify as follows:

1. The Purchaser has paid for the Warrants the purchase price of \$20,965,115.15 (which represents the par amount of \$18,840,000 less an underwriters' discount of \$146,010 plus a net original issue premium of \$2,271,125.15) plus accrued interest thereon to the date of delivery. The Purchaser hereby acknowledges that satisfactory arrangements have been made with Regions Bank (the Custodian, registrar and paying agent for the Warrants) for delivery of the Warrants on the date hereof through The Depository Trust Company.

2. The Purchaser hereby certifies that the initial offering prices (meaning the prices at which the Warrants have been sold to purchasers other than bond houses, brokers and other intermediaries) of the Warrants to the public are the prices that may be determined from the yields set forth on the cover page of the Official Statement with respect to the Warrants, plus accrued interest thereon.

This 21st day of February, 2013.

**THE FRAZER LANIER COMPANY INCORPORATED**

By   
Its President

# COUNTY GOVERNMENT BOND FINANCING REVIEW FORM

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. The County Commission has considered whether it can satisfy its financial obligations for the life of the bonds.	<u>x</u>	—	—
2. In the case of limited obligation indebtedness, the County Commission has identified the source for the debt service payments for the life of the bonds.	—	—	<u>x</u>
3. In the case of general obligation indebtedness, the County Commission has indicated that the full faith and credit of the County has been pledged for the debt service payments for the life of the bonds.	—	—	<u>x</u>
4. The County Commission has considered the period of usefulness of the improvement or property for which the bonds are to be issued in light of the duration of the term of the bonds under the bond financing agreement.	<u>x</u>	—	—
5. The County Commission acknowledges that bond proceeds shall not be used for general operating expenses of the County.	<u>x</u>	—	—
6. The County Commission has received from the bond underwriter, bond counsel, issuer's counsel, trustee, and any others associated with the issuance of bonds an itemized listing of their respective fees and all other costs which shall not be subject to change prior to the sale or issuance of bonds.	<u>x</u>	—	—
7. The County Commission has received from the bond underwriter a clear and understandable written proposal explaining all details of the proposed bond issue, its repayment schedule, and any external factors which could affect the total cost to the County if it issues the bonds.	<u>x</u>	—	—
8. The County Commission has considered the effect, if any, that the bonds will have on the County's constitutional debt limit.	<u>x</u>	—	—
9. The County Commission has received from the bond underwriter information demonstrating that the estimated interest rate on the bonds is reasonable and, that if information regarding similar recent issuances is available, the interest rates are comparable with other similar issuances based on current bond market conditions on the date of the execution of the bond financing agreement.	<u>x</u>	—	—

**Complete the following section if the proceeds of the proposed bonds are to be used in whole or in part for the purpose of refinancing or refunding outstanding bonds:**

10. The County Commission understands how the issuance of refunding bonds may extend the County's initial debt repayment period and the total cost paid by the County by the end of the refunding period. \_X\_    \_\_\_    \_\_\_
11. The County Commission has considered whether the refunding bonds will create net present value savings for the County, including the costs of refinancing. \_X\_    \_\_\_    \_\_\_

**Complete the following section in connection with a swap agreement:**

12. The County Commission has complied with paragraph a. of subdivision (2) of Section 41-1-42, *Code of Alabama 1975*. \_\_\_    \_\_\_    X
13. The County Commission has reviewed or *had* explained by the adviser selected all documentation provided pertaining to the swap agreement. \_\_\_    \_\_\_    X
14. The County Commission has designated an employee or official who will have primary responsibility for the consideration, execution, and monitoring of interest rate swaps and financial hedges entered into by the County. \_\_\_    \_\_\_    X
- Name of Employee/Official \_\_\_\_\_
15. The County Commission has determined whether the County's obligations under the swap agreement constitute a general obligation indebtedness of the County and whether the source of payment is sufficient. \_\_\_    \_\_\_    X
16. The County Commission has sought and received specific information disclosing the potential risks inherent in the swap agreement including those risks commonly referred to in the derivatives industry as "basis risk," "tax risk," "interest rate risk," "counterparty risk," "termination risk," "market-access risk," "rollover or anticipation risk," and "credit risk." \_\_\_    \_\_\_    X



I, the chairman/president (or other Commission member designee) of the County Commission, do hereby acknowledge that all above items have been considered by the County Commission, and that the County Commission has voted to enter into the bond financing agreement or swap agreement by an affirmative vote of a majority of the members of the County Commission.

Signature 

Printed Name J. Tucker Dorsey

Title Chairman

Date of Issuance of Bonds or Swap Agreement February 21, 2013

***In preparing this form, the County Commission shall consult with and obtain advice from either an attorney for the County, the County Administrator, or, at the option of the County Commission, a certified public accountant (CPA) regarding any and all bond or swap proposals received by the County. The person or persons utilized by the County Commission for advice and consultation shall review all documents to be included at the execution of the bond financing agreement or swap agreement.***

I, the adviser/consultant utilized by the County Commission, do hereby acknowledge that I have reviewed all documents to be included at the execution of the bond financing agreement or swap agreement.

Signature 

Printed Name David A. Z. Brewer

Title County Administrator

Company Name Baldwin County Commission

***A copy of this form shall be submitted to the State of Alabama, Department of Examiners of Public Accounts within 10 business days of the issuance of the bonds or swap agreement. This form shall be kept on file at the Office of Examiners of Public Accounts and shall be available for public inspection for a period of seven years.***

***Mailing Address: State of Alabama  
Department of Examiners of  
Public Accounts  
P.O. Box 302251  
Montgomery, AL 36130-2251***

**Detailed Itemization of Costs and Fees**

***In accordance with Act Number 2009-757, Acts of Alabama, the following detailed itemization of costs and fees and acknowledgments shall be included with the bond financing agreement documents of any County Commission in the State of Alabama.***

**Costs and Fees which will be paid directly by the County Commission**

Expense/Payee	Amount

**Costs and Fees which will be paid directly from bond proceeds**

Expense/Payee	Amount
Bond Counsel – Jones Walker	\$35,000.00
Rating Agency – Moody's	13,600.00
Rating Agency – S&P	13,050.00
Verification – The Arbitrage Group	2,500.00
Custodian – Regions Bank	4,000.00
Rating Agency Trip	1,536.00
Printing OS	750.00
DTC and CUSIP	4,400.00
Miscellaneous expenses of all parties	6,128.01
Underwriter - Frazer Lanier Company	146,010.00

**Detailed Itemization of Costs and Fees (continued)**

I, the chairman/president (or other Commission member designee) of the County Commission, do hereby acknowledge that the amounts of these costs and fees (listed on the previous page) have been presented and explained to all members of the County Commission prior to the sale of bonds.

**Commission**

Signature 

Printed Name J. Tucker Dorsey

Title/County Chairman/Baldwin County

Date of Issuance of Bonds February 21, 2013

I, the authorized signatory for the bond underwriter, do hereby acknowledge that the amounts of these costs and fees (listed on the previous page) have been presented and explained to all members of the County Commission prior to the sale of bonds.

**Bond Underwriter:**

Signature 

Printed Name Robert H. Young, Jr.

Title/Company President/The Frazer Lanier Company Incorporated

**Swap Agreement – Statement from Authorized Signatory**

***In accordance with Act Number 2009-757, Acts of Alabama, the following acknowledgment from the authorized signatory for the bond underwriter or authorized signatory of the provider of the swap agreement shall be included with documentation necessary to effectuate a swap agreement with any County Commission in the State of Alabama.***

In connection with the swap agreement being entered into by \_\_\_\_\_ (County Commission) on \_\_\_\_\_ (Date of Issuance), I/We do hereby acknowledge the following:

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 1. I/We have provided the County Commission with a disclosure of the potential risks inherent in the swap agreement.  | ___        | ___       | <u>x</u>   |
| 2. I/We have disclosed all fees associated with the swap agreement to the County Commission.  | ___        | ___       | <u>x</u>   |
| 3. I/We have provided the County Commission with documentation necessary to effectuate the swap agreement including master agreements, schedules, credit support annexes, confirmations, legal opinions, fairness opinions, and any other information necessary to comply with subdivisions (3) and (5) of subsection (c) of Section 3 of Act Number 2009-757, <i>Acts of Alabama</i> . | ___        | ___       | <u>x</u>   |

**Bond Underwriter/Swap Agreement Provider:**

Signature \_\_\_\_\_ n/a \_\_\_\_\_  
Printed Name \_\_\_\_\_ n/a \_\_\_\_\_  
Title \_\_\_\_\_ n/a \_\_\_\_\_  
Company Name \_\_\_\_\_ n/a \_\_\_\_\_

# COUNTY COMMISSION

BALDWIN COUNTY  
312 COURTHOUSE SQUARE, SUITE 12  
BAY MINETTE, ALABAMA 36507  
(251) 937-0264  
FAX (251) 580-2500  
www.baldwincountyal.gov

January 8, 2013

Mr. Robert Young  
The Frazer Lanier Company  
Post Office Box 5190  
Montgomery, Alabama 36103

**RE: Authorization for Chairman to Execute Municipal Securities Rulemaking Board (MSRB) Rule G-17 Acknowledgment Letter Related to General Obligation Advance Refunding Warrant, Series 2006-A**

Dear Mr. Young:

Related to the General Obligation Advance Refunding Warrant, Series 2006-A, the Baldwin County Commission, during its regularly scheduled meeting held on January 8, 2013, authorized me, as Chairman, to execute the *Acknowledgment Section* of the **enclosed Municipal Securities Rulemaking Board (MSRB) Rule G-17** letter [as set forth in MSRB Notice 2012-25] which provides certain required disclosures by The Frazer Lanier Company to the Baldwin County Commission regarding said General Obligation Advance Refunding Warrant, Series 2006-A.

If you have any questions or need further assistance, please do not hesitate to contact me at (251) 972-8502 or Kim Creech, Clerk/Treasurer, at (251) 937-0303.

Sincerely,



TUCKER DORSEY, Chairman  
Baldwin County Commission

TD/met Item LA1

cc: Kim Creech  
David Brewer  
Commissioner J. Tucker Dorsey, Chairman  
Commissioner Charles F. Gruber, Vice Chairman  
Commissioner Frank Burt, Jr.  
Commissioner Robert E. James

ENCLOSURE

# THE FRAZER LANIER COMPANY

INCORPORATED

INVESTMENT BANKERS

January 3, 2013

Baldwin County  
312 Courthouse Square  
Bay Minette, AL 36507

Attn: Mr. Tucker Dorsey, Chairman

Re: Disclosures by Underwriter Pursuant to MSRB Rule G-17  
\$18,500,000 Baldwin County General Obligation Warrants

Dear Commissioner Dorsey:

We are writing to provide you, as Chairman of Baldwin County Commission (Issuer), with certain disclosures relating to the captioned warrant issue (Warrants), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012)<sup>1</sup>.

The Issuer has engaged The Frazer Lanier Company (FLCO) to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Warrants.

As part of our services as underwriter, FLCO may provide advice concerning the structure, timing, terms and other similar matters concerning the issuance of the Warrants.

## I. Disclosures Concerning the Underwriters' Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) The underwriters' primary role is to purchase the Warrants with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

<sup>1</sup> Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

(iv) The underwriters have a duty to purchase the Warrants from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Warrants to investors at prices that are fair and reasonable.

(v) The underwriters will review the official statement for the Warrants in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction<sup>2</sup>.

## II. Disclosures Concerning the Underwriters' Compensation:

The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the warrant purchase agreement to be negotiated and entered into in connection with the issuance of the Warrants. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Warrants. While this form of compensation is customary in the municipal securities market, it may present a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

## III. Additional Conflicts Disclosures:

FLCO has not identified any additional potential or actual material conflicts that require disclosure.

## IV. Disclosures Concerning Complex Municipal Securities Financing:

Since FLCO has not recommended a "complex municipal securities financing" to the Issuer, additional disclosures regarding the financing structure for the Warrants are not required under MSRB Rule G-17.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our

---

<sup>2</sup> Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statements.

understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgment that you have received this letter. Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to me at the address set forth below. We look forward to working with you and the Issuer in connection with the issuance of the Warrants. Thank you.

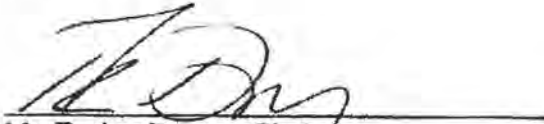
Sincerely,

**THE FRAZER LANIER COMPANY**  
300 Water Street  
Montgomery, AL 36104

By:



Acknowledgment:



Mr. Tucker Dorsey, Chairman  
Baldwin County Commission

Date: 1/8/13

CC: Mr. Jim Birchall  
Jones, Walker, Waechter, Poitevent, Carrère & Denègre LLP  
One Federal Place  
1819 5th Avenue North, Suite 1100  
Birmingham AL 35203