



BALDWIN COUNTY COMMISSION

POLICY # 8.22	
Subject	Financial Management Policy
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Agenda Item	CM1 ? TBD
Obsolete Versions	<p>All policies regarding this subject prior to the date adopted on this document. This policy combines previous Baldwin County Commission Policies #8.9 and #8.19.</p> <p><u>Original adoption / previous revisions:</u> Agenda Items CM1 August 19, 2025 * Agenda Item CA2 April 2, 2024 Agenda Item BD7 August 20, 2019</p> <p><u>*All policies regarding this subject prior to the date adopted on this document. This policy combines previous Baldwin County Commission Policies #8.9 and #8.19.</u></p>

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1. POLICY STATEMENT

The Baldwin County Commission adopts this Financial Management Policy to establish a principled framework for fiscal oversight across budgeting, reserves, debt management, accounting, and financial reporting. This policy sets strategic direction and affirms the County’s commitment to fiscal sustainability, transparency, and legal compliance, including adherence to Governmental Accounting Standards Board (GASB) principles.

This document is not intended to serve as a procedural manual. Operational practices shall be defined through administrative policies, internal guidance, or department-specific workflows, as appropriate.

A conservative financial approach shall guide all decisions to safeguard public resources, support long-range planning, and promote accountable governance in service to Baldwin County residents. This policy translates day-to-day financial procedures into long-term strategic guidance—for example, codifying debt issuance thresholds, fund balance targets, and compliance structures into broader principles that shape County financial resilience and capital planning.

2. BUDGETARY POLICY

The Baldwin County Commission’s annual budgeting practices are governed by Policy 3.2 – Budget Management Policy, which outlines procedural standards for budget preparation, adoption, and oversight. Financial Management Policy 8.22 affirms the County’s commitment to maintaining a balanced budget and fiscal sustainability, with implementation details addressed in the separate budget policy adopted under Series 3, part of the County’s Budget/Purchasing policy series.

3. DEBT MANAGEMENT POLICY

Purpose

This policy established the financial principles governing Baldwin County’s use of debt instrument to support capital investments, infrastructure development, and long-term financial sustainability. Borrowing decisions shall reflect fiscal responsibility, transparency, and strategic alignment with the County’s operating and capital planning framework.

Policy Framework

Debt obligations must be structured and managed to:

- Preserve the County’s liquidity and financial flexibility
- Minimize borrowing costs and exposure to interest rate risk

- Protect and strengthen credit ratings
- Ensure timely repayment of all principal and interest
- Comply with applicable statutory limitations under Alabama law, including debt caps and authorized uses

Debt financing shall be considered only when:

- Capital investments exceed the capacity of current revenues or reserves
- The asset's useful life exceeds the term of the financing
- Reliable repayment sources are identified
- Market conditions favor long-term stability

Debt Instruments and Authorization

The County may utilize various instruments as permitted by law, including:

- General Obligation Warrants – backed by the full faith, credit, and taxing power of the County
- Revenue Warrants – secured by designated non-ad valorem revenue sources
- Temporary Notes – for short-term liquidity in emergencies or capital bridging
- Lease/Purchase Agreements – for select capital acquisitions, subject to review of cost-effectiveness

Debt may also be issued through entities such as a public building authority, provided legal and financial structures are vetted. Conduit issuers shall not receive County credit pledges unless explicitly approved by the County Commission.

Debt Structure Principles

All debt structures shall reflect:

- Fixed-rate preferences for risk mitigation
- Maximum useful life alignment with asset duration (normally not to exceed 25 years)
- Avoidance of balloon payments unless reserves and refinancing strategies are clearly documented
- Annual debt service payments should generally represent no more than 8% of the combined annual revenues of the General Fund and the Seven-Cent Gas Tax Fund, with a strict maximum of 10%. This ratio reinforces fiscal discipline, protects operational flexibility, and aligns with responsible borrowing practices
- Limited use of variable-rate instruments (not to exceed 5% of total County debt)

Debt funds should be deployed within three years of issuance, consistent with federal arbitrage regulations and the County's strategic spending plan.

Planning and Oversight

Debt planning shall be integrated into multi-year financial forecasts, reserve planning, and the County's capital improvement framework. The County shall maintain relationships with rating agencies and pursue a minimum long-term bond rating of AA or equivalent, using credit enhancements only when necessary.

Annual debt service schedules shall be reviewed and reconciled to ensure alignment with available funds and fiscal strategy. Compliance with federal arbitrage laws, continuing disclosure obligations, and applicable regulations shall be affirmed through legal counsel and administrative oversight.

Transparency and Public Stewardship

All borrowing decisions shall be approved by the Baldwin County Commission and supported by documentation that outlines financial impacts, repayment sources, and long-term obligations. Non-traditional debt structures or instruments shall include written legal review and a financial risk narrative in the agenda item submitted for Commission consideration.

~~*Upon formal adoption of Financial Management Policy 8.22, this section shall supersede the provisions outlined in Policy 8.19 — Debt Management Policy. Policy 8.19 may be retired and archived as part of the Commission's policy sunset process.~~

4. RESERVE BALANCES POLICY

Purpose

The Baldwin County Commission recognizes that sound financial management requires maintaining sufficient reserve funds to address unanticipated expenditures and revenue shortfalls. These reserves serve as a safeguard against economic fluctuations, natural disasters, and other unforeseen circumstances, ensuring financial stability and reducing reliance on short-term borrowing.

Objective

To maintain fiscal resilience, the County Commission shall allocate at least ~~30~~³⁵% of the annual budget (excluding capital expenditures) for reserves across its two primary operational funds:

- General Fund – Supporting core governmental operations.
- Highway Fund – Maintaining transportation infrastructure, with an additional amount specifically reserved for emergency highway and road repairs.

Use of Reserve Funds

Use of reserve funds shall reflect demonstrated fiscal necessity and public stewardship. Authorized uses must align with the County's strategic priorities and be approved by formal action of the Baldwin County Commission.

Reserve Balance Oversight

Reserve adequacy shall be evaluated annually in conjunction with the County's financial planning and budget review process. In the event that reserves fall below the established threshold, financial

leadership shall recommend replenishment strategies aligned with long-term forecasts and operational needs.

Long-term Financial Strategy

To preserve liquidity and fiscal strength, the County shall:

- Maintain reserve levels appropriate to known risks and forecasted needs
- Integrate multi-year financial planning into reserve strategy
- Monitor financial performance trends and adapt reserve policies accordingly
- Coordinate reserve planning with debt management policies to support responsible borrowing

5. UNASSIGNED BALANCES POLICY

Purpose

The Baldwin County Commission recognizes the role of unassigned fund balances in preserving fiscal flexibility and enabling timely support for one-time projects and capital investments. Maintaining clear guidelines for their use reinforces long-term financial integrity and strategic planning.

Objective

To support responsible financial stewardship, the County shall maintain unassigned fund balances within the General Fund and Highway Fund equal to 5% to 10% of the annual operating budget, excluding capital expenditures. These balances are designated for one-time initiatives that align with the County's strategic priorities.

Fund Balance Classification & Usage Policy

Unassigned fund balances are not intended to support recurring operational costs. The County shall:

- Define unassigned fund balances as exclusively available for non-recurring expenditures
- Align usage with strategic, infrastructure, or asset-related priorities
- Require formal Commission approval for any allocation, affirming fiscal oversight and public accountability

Financial Planning and Transparency

The use of unassigned balances shall be integrated into the County's budgeting framework, ensuring:

- Clear identification of one-time projects and capital needs supported by these funds
- Disclosure of remaining fund balance percentages to confirm alignment with policy thresholds
- Alignment with long-range financial forecasts and reserve planning strategies

6. CONSTRUCTION PROGRAMS FUND POLICY

Purpose

The Baldwin County Commission supports strategic capital investment through the establishment of dedicated funds for facility development and infrastructure improvement. This policy ensures alignment with County priorities while upholding fiscal responsibility and long-term planning principles.

Capital Improvements Budget

The County shall maintain a multi-year Capital Improvements Budget that identifies priority projects, estimated costs, and anticipated funding sources. This planning framework shall complement the annual budget cycle and support institutional readiness for future investment.

Project Criteria

To qualify as capital improvement projects under this policy, proposed initiatives should meet one or more of the following objectives:

- Deliver essential public services
- Rehabilitate or replace deteriorating infrastructure
- Improve operational efficiency or reduce long-term costs
- Support economic development or job creation
- Benefit a substantial portion of the County's population

All projects shall align with adopted County development plans and investment strategies.

Fund Establishment and Use

The County may establish one or more funds designated exclusively for capital improvement projects. These funds shall be restricted to facility and infrastructure investments and may not be used for recurring operational expenditures.

Funding Strategy

Capital projects may be financed through County appropriations, dedicated revenue streams, or debt instruments approved by the Baldwin County Commission. Allocation decisions shall reflect available resources, project priority, and financial sustainability goals.

Financial Oversight and Reallocation

Unexpended capital funds shall be monitored and evaluated annually. Reallocation or roll-forward decisions shall be based on current project status, fiscal capacity, and strategic priorities, with oversight provided by the County Commission.

Emergency Transfers

In extraordinary fiscal circumstances, the Baldwin County Commission may authorize transfers from construction program funds to the General Fund to mitigate budget shortfalls. Any such transfer shall preserve infrastructure integrity and reflect prudent financial judgment.

7. ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICY

Purpose

The Baldwin County Commission is committed to maintaining the highest standards of financial accountability, transparency, and professional integrity. This policy establishes the principles guiding accounting practices, external audits, and financial reporting in support of informed decision-making and statutory compliance.

Accounting Standards & Compliance

The County shall adhere to Generally Accepted Accounting Principles (GAAP) for local governments, as promulgated by the Governmental Accounting Standards Board (GASB). A structured fund accounting framework shall be maintained to accurately reflect financial position, operational performance, and budgetary control.

Financial records shall be maintained in accordance with recognized best practices and applicable legal requirements, with retention and access governed by the County's Records Disposition Authority (RDA).

Auditing Requirements

An independent annual audit shall be conducted by the Alabama Department of Examiners of Public Accounts, consistent with state law and professional standards. The County shall support full cooperation with external auditors and uphold transparency throughout the review process.

Financial Reporting Principles

~~To support operational oversight and fiscal responsibility, the County shall generate the following~~
The County shall ensure the timely production of financial reports that reflect the organization's fiscal activity and position, including:

- Budgetary performance analysis
- Fund-level statements of revenue, expenditure, and balance changes
- Asset and liability summaries to support capital and operational planning

Annual financial reporting shall include comparative data and explanatory context where material variances exist. Management input shall support the completeness, accuracy, and accessibility of published financial information.

Budgetary Compliance & Fiscal Oversight

To maintain institutional accountability and budgetary integrity, the County shall:

- Comply fully with GASB and GFOA financial reporting standards
- Monitor financial variances and assess trends against approved budgets and prior-year performance
- Support long-term fiscal sustainability through proactive evaluation of financial conditions and strategic alignment
- Document financial policies and ensure access to relevant information for internal and external stakeholders

8. POST ISSUANCE COMPLIANCE POLICY

Purpose

This policy affirms Baldwin County's commitment to compliance with post-issuance obligations associated with tax-exempt financing and disclosure requirements. It establishes the principles supporting regulatory adherence, financial transparency, and responsible debt stewardship.

Continuing Disclosure Requirements

Baldwin County shall meet all continuing disclosure obligations required by applicable federal securities laws and disclosure agreements, including timely and accurate reporting to designated repositories and coordination with disclosure service providers.

Tax-Exempt Issuance Standards

When issuing tax-exempt obligations, the County shall maintain accurate and complete records supporting issuance, compliance filings, and related audit documentation. Legal counsel shall guide all documentation and filing procedures to ensure conformity with IRS requirements and applicable tax law.

Compliance Recordkeeping

The County shall retain documentation related to debt proceeds, asset use, arbitrage compliance, and financial disclosures to support regulatory transparency and audit readiness. Records shall be maintained in accordance with Baldwin County's approved Records Disposition Authority (RDA).

Arbitrage Rebate & Yield Restriction Compliance

To manage risk related to arbitrage and yield restrictions, the County shall pursue professional guidance to ensure timely expenditure monitoring, investment compliance, and reporting. Financial structures supported by tax-exempt proceeds shall be reviewed for regulatory compatibility and fiscal integrity.

Private Use of Facilities

Properties financed through tax-exempt obligations shall be monitored for compliance with public use requirements. Proposed changes in asset use that may constitute private activity shall be reviewed in consultation with bond counsel to preserve tax-exempt status and implement remedial actions if necessary.

9. RECORDS RETENTION POLICY

Purpose

Baldwin County is committed to maintaining accurate, accessible, and compliant financial records in accordance with federal audit standards and the County's Records Disposition Authority (RDA). This policy affirms the County's responsibility to preserve documentation that supports fiscal accountability, legal compliance, and operational transparency.

Retention Standards

Financial records shall be retained for a minimum of seven (7) fiscal years, regardless of format. Digital storage is permitted provided that records meet applicable standards for accessibility, security, and metadata indexing as outlined by the Alabama Department of Archives and History (ADAH).

Records associated with grant-funded programs or federally reimbursed expenditures shall be retained for the duration of the grant period plus three (3) years, or as required by the governing agreement or regulation.

Storage and Disposition

Archived records may be transferred to off-site physical or digital storage in accordance with ADAH procedures. Records must be clearly identified by audit status and retained in a manner that supports retrieval and legal verification. Destruction of original hard copies shall occur only after ADAH approval via a Local Government Records Destruction Notice.

10. POLICY ADMINISTRATION AND REVIEW

This policy shall be maintained by the Clerk/Treasurer or designee, who shall conduct an annual review to ensure continued alignment with statutory requirements, professional standards, and County financial practices. Recommended updates shall be submitted to the County Administrator and Commission as necessary to reflect changes in law, operational needs, or audit guidance.

11. SOURCES OF LAW AND REGULATORY REFERENCES

The following authorities and regulatory frameworks provide the foundation for Baldwin County's Financial Management Policy:

- **2 CFR § 200.334**
 - Federal record retention guidelines for grant-funded expenditures
- **Alabama Constitution, Section 224 and Amendment 342**
 - Debt limitation and borrowing authorization for counties
- **Alabama Department of Archives & History (ADAH)**
 - Records retention and destruction standards
- **Alabama Department of Examiners of Public Accounts**
 - Oversight of annual audits and financial compliance
- **Generally Accepted Accounting Principles (GAAP)**
 - Uniform guidelines for accounting practices
- **Government Finance Officers Association (GFOA)**
 - Best practices in budgeting, reporting, and policy development
- **Governmental Accounting Standards Board (GASB)**
 - Financial reporting standards for state and local governments
- **IRS Publication 4077 and Form 8038 Series**
 - Compliance requirements for tax-exempt obligations
- **Municipal Securities Rulemaking Board (MSRB)**
 - Continuing disclosure and transparency standards, including EMMA system filings
- **Title 41, Code of Alabama**
 - Provisions related to public finance, bond issuance, and investment practices

12. FORMS / ATTACHMENTS / EXHIBITS

N/A