

Report on the

Mobile County Commission

Mobile County, Alabama

October 1, 2011 through September 30, 2012

Filed: September 13, 2013



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Mobile County Commission, Mobile County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this
the 4th day of September, 2013.

Jam Ethall
Notary Public

Sworn to and subscribed before me this
the 4th day of September, 2013.

Jam Ethall
Notary Public

rb

Respectfully submitted,

Angela B. Waters

Angela B. Waters
Examiner of Public Accounts

Ashley Carlisle

Ashley Carlisle
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

The Mobile County Commission (the “Commission”) is governed by a three-member body elected by the citizens of Mobile County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. 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 Mobile County.

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

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

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

The following officials/administrative personnel were invited to an exit conference to discuss this report: John Pafenbach, Administrator of the County Commission; Michelle Herman, Director of Finance; and County Commissioners: Connie Hudson, Merceria Ludgood, and Mike Dean. The following individuals attended the exit conference, held at the offices of the County Commission: John Pafenbach, Administrator; Michelle Herman, Director of Finance; Commissioners: Connie Hudson and Merceria Ludgood; and representatives of the Department of Examiners of Public Accounts: Ashli Page, Audit Manager and Angela Waters, Examiner. The results of the audit were discussed via phone with Mike Dean, former Commissioner.

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Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mobile County Commission, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Mobile County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Mobile County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

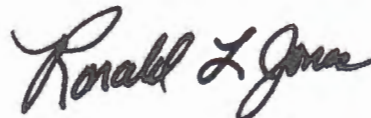
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, each major fund, and the aggregate remaining fund information of the Mobile County Commission, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2013 on our consideration of the Mobile County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedules of Funding Progress (Exhibits 9 through 11), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mobile County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

August 20, 2013

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Management's Discussion and Analysis
(Required Supplementary Information)

MOBILE COUNTY COMMISSION

County Commissioners

Merceria Ludgood, Commission President

Connie Hudson, Commissioner

Jerry Carl, Commissioner

Administration

John F. Pafenbach, County Administrator

Glenn L. Hodge, Deputy Administrator

Michelle T. Herman, Finance Director

Management's Discussion and Analysis

The Mobile County Commission's Management Discussion and Analysis report (MD&A) is designed to provide an objective and easy to read analysis of the County's financial activities for the fiscal year ended September 30, 2012. Please read the report in conjunction with the County's financial statements.

This report is required by the Government Accounting Standards Board Statement Number 34 – *Basic Financial Statements* – and *Management's Discussion and Analysis – for State and Local Governments* (Statement 34). This reporting model requires significant changes in the presentation of financial data and the manner in which the information is recorded.

As with other sections of this report, the information contained in the MD&A should be considered only a part of the report. Readers should take time to read and evaluate all sections of this report, which include government-wide statements, fund statements, including footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Understanding the Basic Financial Statements

Government-Wide Financial Statements

The Government-wide financial statements are designed to provide the reader with a broad overview of the financial position of the Mobile County Commission and are similar to private sector statements. They include a *Statement of Net Assets* and a *Statement of Activities*.

The Statement of Net Assets shows the County's assets less its liabilities at September 30, 2012. The difference is reported as net assets. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the tax base and the condition of the County's roads, to assess the overall health of the County.

The Statement of Activities presents information showing how the net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change regardless of the timing of the related cash flows. The Statement of Activities is also intended to simplify the analysis of the cost of various governmental services and the amount of taxes necessary to sustain each of these activities.

Fund Financial Statements

The term fund refers to a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. Mobile County also establishes funds to help control and manage money for specific purposes and to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Mobile County’s activities are reported in the Governmental Funds section of the MD&A.

The Governmental Funds section focuses on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information may be helpful in evaluating Mobile County’s near-term financing requirements and available resources. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation that follows the fund financial statements.

Analysis of the Overall Financial Position and Results of Operations

In evaluating the financial position and short-term financial performance of the County, two tools are used: The Statement of Net Assets and the Statement of Activities. It is useful to compare the current year with the prior year. This will point out trends and areas of concern or interest.

We have provided the following summary along with percent change to facilitate comparisons. The County’s total assets decreased by .66% or \$3.9 million. The County’s total liabilities decreased by 3.80% or \$9.4 million. The County’s total net assets increased by 1.6% or \$5.5million. The county shows a deficit of \$62 million in unrestricted net assets for fiscal 2012. This deficit in unrestricted net assets is due to \$85 million in debt that is related to an economic development incentive. There is no asset recorded on the county books in relation to this debt.

THE COUNTY AS A WHOLE

Comparative Statement of Net Assets

Stated in thousands

	2012	2011	Change	% Change
Assets				
Assets	\$ 201,428	\$ 206,373	\$ (4,945)	-2.40%
Capital Assets, Net	<u>391,294</u>	<u>390,283</u>	<u>1,011</u>	0.26%
Total Assets	\$ 592,722	\$ 596,656	\$ (3,934)	-0.66%
Liabilities				
Current Liabilities	\$ 89,394	\$ 84,509	\$ 4,885	5.78%
Noncurrent Liabilities	<u>150,839</u>	<u>165,206</u>	<u>(14,367)</u>	-8.70%
Total Liabilities	\$ 240,233	\$ 249,715	\$ (9,482)	-3.80%
Net Assets				
Invested in Capital Assets				
Net of Related Debt	\$ 348,132	\$ 337,684	\$ 10,448	3.09%
Restricted for:				
Road Projects	45,562	47,112	(1,550)	-3.29%
Debt Service	20,880	14,175	6,705	47.30%
Other Purposes	787	11,472	(10,685)	-93.14%
Unrestricted	<u>(62,872)</u>	<u>(63,502)</u>	<u>630</u>	-0.99%
Total Net Assets	<u>\$ 352,489</u>	<u>\$ 346,941</u>	<u>\$ 5,548</u>	1.60%

**COMPARATIVE STATEMENT OF
ACTIVITIES**

Stated in Thousands

	2012	2011	Change	% Change
Revenues:				
Program Revenues				
Charges for Services	\$ 18,412	\$ 17,349	\$ 1,063	6.13%
Operating Grants and Contributions	28,627	32,983	(4,356)	-13.21%
Capital Grants and Contributions	1,638	1,311	327	24.94%
Total Program Revenues	<u>48,677</u>	<u>51,643</u>	<u>(2,966)</u>	-5.74%
General Revenues:				
Taxes				
Property Taxes for General Purposes	26,360	26,140	220	0.84%
Property Taxes for Specific Purposes	48,003	46,671	1,332	2.85%
General Sales Tax	51,178	50,386	792	1.57%
County Gasoline Sales Tax	557	617	(60)	-9.72%
Other County Sales and Use Taxes	4,932	5,357	(425)	-7.93%
Miscellaneous Taxes	3,953	4,089	(136)	-3.33%
Grants and Contributions Not Restricted for Specific Purposes	3,645	3,814	(169)	-4.43%
Investment Earnings	1,011	1,163	(152)	-13.07%
Miscellaneous	6,625	5,841	784	13.42%
Gain on Sale of Capital Assets	58	87	(29)	-33.33%
Total General Revenues	<u>146,322</u>	<u>144,165</u>	<u>2,157</u>	1.50%
Total Revenues	<u>\$ 194,999</u>	<u>\$ 195,808</u>	<u>\$ (809)</u>	-0.41%
Program Expenses				
General Government	\$ 51,769	\$ 55,947	\$ (4,178)	-7.47%
Public Safety	62,233	64,340	(2,107)	-3.27%
Highways and Roads	38,431	41,824	(3,393)	-8.11%
Sanitation	3,267	5,476	(2,209)	-40.34%
Health	16,445	4,611	11,834	256.65%
Welfare	4,654	4,453	201	4.51%
Culture and Recreation	2,808	2,740	68	2.48%
Education	2,952	2,870	82	2.86%
Interest and Fiscal Charges	6,337	6,415	(78)	-1.22%
Total Expenses	<u>\$ 188,896</u>	<u>\$ 188,676</u>	<u>\$ 220</u>	0.12%
Change in Net Assets	\$ 6,103	\$ 7,132	\$ (1,029)	-14.43%
Net Assets, October 1 , as restated	<u>346,386</u>	<u>339,809</u>	<u>6,577</u>	1.94%
Net Assets, September 30	<u>\$ 352,489</u>	<u>\$ 346,941</u>	<u>\$ 5,548</u>	1.60%

Total Program Revenues decreased by 5.74%. Program Revenues contain charges for services, program specific operating and program specific capital grants. The decrease in total program revenues was due primarily to a decrease of 13.21% in Operating Grants and Contributions.

General Revenues increased by 1.5%. This category contains all taxes, even those levied for a specific purpose as well as all revenues that are not reported as program revenues. The County's total revenues decreased by .41%. There was a 1.57% increase in General Sales Taxes, and a 13.07 % decrease in investment earnings. Property Taxes for general purposes increased by .84 %, property taxes for specific purposes increased by 2.85%, and Miscellaneous Revenue increased by 13.42 % due to onetime sale of capital assets.

Total Expenses increased by .12%.

- General Government expenditures decreased by 7.47%
- Public Safety decreased spending by 3.27%.
- Highways and Roads expenditures decreased by 8.11%. Because of the multi year nature of most Highways and Roads projects, there are often wide swings in expenditures from year to year.
- Sanitation decreased by 40.34%.
- Health expenditures increased by 256.65%. This was due to a distribution of indigent care funds that included revenues from several years.
- Welfare expenditures increased by 4.51%
- Culture and Recreation increased by 2.48%.
- Education increased by 2.86%. Education projects are usually multiyear projects with fluctuations from year to year.
- Interest and Fiscal Charges decreased by 1.22%.

Governmental Funds

Governmental funds presented individually in Mobile County Commission's 2011 statements include two major funds: the General Fund, and the Special Highway Tax Fund. Mobile County also has additional smaller governmental funds. These are presented in the Governmental Fund Statements in a total column termed "other governmental funds".

The Mobile County Commission is complying with the newest GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for fiscal years beginning after 6/15/10. The primary impact of this statement is that funds which are held separately and were reported separately before, namely the Road and Bridge Fund, the Capital Improvement Fund, the FAA Projects Fund, Maddies Fund, SYC ADECA Fund, the Special Events Fund, and the FTA Grant 2007 Bus Fund will now be reported as part of the General Fund. These funds will continue to be held separately.

MAJOR FUND INFORMATION

(in thousands)
Balance Sheet

	General Fund		Special Highway Tax Fund	
	2012	2011	2012	2011
Total Assets	\$ 90,089	\$ 81,517	\$ 48,819	\$ 41,125
Total Liabilities	<u>52,488</u>	<u>48,898</u>	<u>26,372</u>	<u>25,216</u>
Fund Balances				
Nonspendable				
Inventories	228	195		
Prepaid Items	492	295		
Restricted For:				
Debt Service			22,447	15,909
Highways and Roads				
Capital Projects				
Other Purposes	52	52		
Assigned To:				
Other Purposes		274		
Unassigned:				
General	<u>36,829</u>	<u>31,803</u>		
Total Fund Balances	<u>\$ 37,601</u>	<u>\$ 32,619</u>	<u>\$ 22,447</u>	<u>\$ 15,909</u>
Total Liabilities and Fund Balances	<u>\$ 90,089</u>	<u>\$ 81,517</u>	<u>\$ 48,819</u>	<u>\$ 41,125</u>

MAJOR FUNDS INFORMATION
(in thousands)
**Statement of Revenues,
Expenditures and
Changes in Fund Balances**

	General Fund		Special Highway Tax Fund	
	2012	2011	2012	2011
Revenue and Other Sources	\$ 163,741	\$141,092	\$ 28,585	\$ 27,763
Expenses and Other Uses	158,760	147,647	22,047	21,050
Increase (Dec) in Fund Balance	4,981	(6,555)	6,538	6,713
Fund Balance at Beg of Year as Restated	<u>32,620</u>	<u>39,175</u>	<u>15,909</u>	<u>9,196</u>
Fund Balance at Year End	<u>\$ 37,601</u>	<u>\$ 32,620</u>	<u>\$ 22,447</u>	<u>\$ 15,909</u>

In Governmental funds, the ending fund balance is a reflection of the resources that are available to carry over to future years. It is also a reflection of the County's ability to respond to emergencies or take advantage of opportunities that come available. A good rule of thumb for the General Fund is to have at least two to three months of expenditures in unrestricted fund balance. The Commission reevaluates the unrestricted fund balance annually. The Commission's goal is to maintain a balance between addressing capital needs and maintaining an adequate reserve. At September 30, 2012 the Commission maintained the unrestricted fund balance in the General Fund at \$36,829,000. This includes the balances of the accounts listed above that must be reported in the general fund.

General Fund Budget Amendments
(in thousands)
Fiscal Year 2012

	Original	Amendments	Final
Revenues			
Taxes	\$ 79,981		\$ 79,981
Licenses and Permits	1,591		1,591
Intergovernmental	20,242	888	21,130
Charges for Services	15,220	247	15,467
Miscellaneous	2,942	256	3,198
Total Revenues	119,976	1,391	121,367
Expenditures			
General Government	41,720	2,066	43,786
Public Safety	56,871	1,487	58,358
Sanitation	3,146	454	3,600
Health	877		877
Welfare	301		301
Culture and Recreation	2,417	328	2,745
Education	2,243	872	3,115
Capital Outlay		1,634	1,634
Debt Service:			
Principal Retirement	7,141	22,204	29,345
Interest and Fiscal Charges	2,609	(20)	2,589
Debt Issuance Costs		188	188
Total Expenditures	117,325	29,213	146,538

General Fund Budget Amendments
(in thousands)

	Original	Amendments	Final
Proceeds From Sale of Capital Assets			
Debt Issues		15,791	15,791
Usage of Bonds/Warrants			
Premium on Debt Issued			
Payments to Escrow Agent			
Transfers Out Debt Issue Proceeds			
Transfers Net	(2,651)	7,228	4,577
Total Other Financing Sources	(2,651)	23,019	20,368
Total Increase (Decrease) in Fund Balance		\$ (4,803)	\$ (4,803)

The FY 2012 Budget was developed to balance expenditures and revenues for fiscal 2012. The following major general fund budget amendments were made during fiscal 2012:

- \$4,802,653.00 carryover for encumbrances, projects in process and designated funds was amended into the budget
- \$22,203,951 Debt service in connection with refunding the 2004 Warrants and the 2005 Bonds was amended into the budget
- The budget was amended by \$1,010,597 to purchase property for the Public Works Department. This amendment was offset by the reduction of a transfer to the Gas Tax Fund.
- \$353,519 was amended into the jail budget as a result of additional cost sharing receipts from the city.
- \$250,000 was amended into the budget for a Building Maintenance project at the jail.
- \$569,328 was amended into the jail budget for operating and payroll expenses.

Debt Administration

Mobile County Commission had \$150,839,434.13 in outstanding bonds, notes payable and other long term liabilities at 09/30/2012 compared to \$165,206,292.65 at 09/30/2011.

- Outstanding debt was decreased by \$30,364,628.09 due to:
 - principal repayments,
 - amortization of premiums and discounts and
 - a reduction in Other Liabilities
 - The liability for compensated absences decreased by \$ 660,244.42
 - The liability for Capital Lease Payable decreased by \$252,004.63
- Outstanding debt was increased by \$15,997,769.57 due to the following:
 - The issuance of \$8,155,000 in warrants to refund a portion of the Commissions Series 2004 General Obligation Refunding and Improvement Warrants and to pay the cost of issuance of such warrants
 - The issuance of \$6,240,000 in bonds to refund a portion of the Series 2005 General Obligation and Improvement Bonds and pay the cost of issuance of such bonds.
 - An increase in Other Liabilities of \$1,684,000.00.
 - The liability for workers compensation increased by \$400,000.00
 - The liability for other post-retirement benefits increased by \$1,284,000.00

Capital Assets

The beginning balance for net capital assets was restated to \$389,728,773.04. Restatements in the amount of \$562,726.01 were made to correct prior year errors. The County ended the year with net capital assets of \$391,294,109.17. The change was due to additions net of depreciation of \$12,494,419.41 and retirements/reclassifications net of depreciation in the amount of \$10,929,083.28. The additions and retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of \$10,172,598.81. A reclassification in the amount of \$466,970.00 from Assets under Capital Lease to Vehicles and Heavy Equipment is included.

Economic Factors and Next Year's Budget

Budgeted General fund revenues for fiscal 2013 are \$120,950,169. This is \$973,630 or .8% above fiscal 2012 budgeted revenues. The total annual budget has revenues of \$187,561,781. This is \$3,284,674 or 1.8% above fiscal 2012 budgeted revenues.

Budgeted General fund expenditures for fiscal 2013 are \$118,872,454. This is \$1,547,071 or 1.3% above budgeted general fund expenditures for fiscal 2012. The total annual budget for fiscal 2013 has budgeted expenditures of \$168,463,995. This is \$2,573,141 or 1.5% above fiscal 2012.

The budget cuts that were put in place to balance the 2012 budget were carried forward to the 2013 budget.

We expect to complete a five year plan in 2013 that will provide a roadmap for more efficient operations. We realize that revenue growth in the immediate future will be slow.

We will monitor the budget closely and make adjustments as we proceed through the fiscal year.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have a question about this report or require additional information, please contact the County Finance Director at 205 Government St., Mobile, Al 36644-1801, or call 251-574-8614.

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Basic Financial Statements

Statement of Net Assets
September 30, 2012

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 57,667,591.13
Cash with Fiscal Agent	3,875,776.88
Investments	63,947,227.90
Receivables (Note 4)	5,992,293.54
Ad Valorem Taxes Receivable	67,894,151.65
Inventories	395,138.29
Prepaid Items	492,191.32
Deferred Charges - Issuance Costs	1,163,939.04
Capital Assets (Note 5):	
Nondepreciable	93,435,207.35
Depreciable, Net	297,858,901.82
Total Assets	<u>592,722,418.92</u>
Liabilities	
Payables (Note 8)	10,007,310.40
Deferred Revenue	74,902,999.14
Accrued Wages Payable	2,161,825.09
Employee Benefits Payable	754,082.42
Accrued Interest Payable	1,567,647.10
Long-Term Liabilities:	
Portion Payable Within One Year:	
Workers Compensation Claims Payable	1,302,000.00
Compensated Absences	3,998,428.67
Warrants Payable	9,738,829.85
Capital Lease Payable	157,025.58
Less: Unamortized Discount	(75,542.64)
Plus: Unamortized Premium	312,025.48
Less: Deferred Charges on Refunding	(531,449.76)
Portion Payable After One Year:	
Worker's Compensation Claims Payable	4,898,000.00
Compensated Absences	4,668,619.62
Warrants Payable	119,791,431.72
Less: Unamortized Discount	(1,717,995.93)
Plus: Unamortized Premium	1,767,223.13
Less: Deferred Charges on Refunding	(1,346,161.59)
Other Postemployment Benefits	7,877,000.00
Total Liabilities	<u>\$ 240,233,298.28</u>

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

	Governmental Activities
<hr/>	
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	\$ 348,132,097.41
Restricted for:	
Debt Service	20,879,620.82
Road Projects	45,562,060.81
Other Purposes	786,819.75
Unrestricted	<u>(62,871,478.15)</u>
 Total Net Assets	 <u><u>\$ 352,489,120.64</u></u>

Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 51,769,148.76	\$ 16,590,464.56	\$ 889,825.72
Public Safety	62,233,055.40	751,657.55	16,340,633.32
Highways and Roads	38,431,044.27	505,152.70	5,127,288.74
Sanitation	3,266,517.21	20,200.00	518,847.03
Health	16,445,307.98	47,708.22	1,782,538.90
Welfare	4,654,557.14		3,968,270.39
Culture and Recreation	2,807,649.83	496,384.50	
Education	2,951,763.97		
Interest and Fiscal Charges	6,337,528.91		
Total Governmental Activities	<u>\$ 188,896,573.47</u>	<u>\$ 18,411,567.53</u>	<u>\$ 28,627,404.10</u>

General Revenues:

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- General Sales Tax
- County Gasoline Sales Tax
- Other County Sales and Use Taxes
- Miscellaneous Taxes

Grants and Contributions not Restricted for Specific Purposes

Investment Earnings

Miscellaneous

Gain on Sale of Capital Assets

Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year, as Restated (Note 15)

Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities</u>
\$	\$ (34,288,858.48)
	(45,140,764.53)
1,637,868.94	(31,160,733.89)
	(2,727,470.18)
	(14,615,060.86)
	(686,286.75)
	(2,311,265.33)
	(2,951,763.97)
	(6,337,528.91)
<u>\$ 1,637,868.94</u>	<u>(140,219,732.90)</u>
	26,360,497.97
	48,003,051.99
	51,177,944.27
	557,020.56
	4,932,081.05
	3,952,997.21
	3,644,951.49
	1,010,809.40
	6,624,561.19
	58,558.12
	<u>146,322,473.25</u>
	6,102,740.35
	<u>346,386,380.29</u>
	<u>\$ 352,489,120.64</u>

Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Special Highway Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 28,783,149.81	\$ 475,081.28
Cash with Fiscal Agent	23,744.59	3,852,032.29
Investments	16,611,688.13	19,491,584.61
Receivables (Note 4)	4,805,578.41	
Ad Valorem Taxes Receivable	38,109,403.00	25,000,000.00
Due From Other Funds	1,035,200.50	
Inventories	227,971.67	
Prepaid Items	492,191.32	
Total Assets	90,088,927.43	48,818,698.18
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	7,599,961.00	
Due to Other Funds	570,006.64	
Deferred Revenue	40,222,082.29	26,371,430.26
Accrued Wages Payable	2,061,373.04	
Employee Benefits Payable	718,695.70	
Workers Compensation Claims Payable	1,302,000.00	
Compensated Absences	14,032.84	
Total Liabilities	52,488,151.51	26,371,430.26
<u>Fund Balances</u>		
Nonspendable:		
Inventories	227,971.67	
Prepaid Items	492,191.32	
Restricted for:		
Debt Service		22,447,267.92
Highways and Roads		
Capital Projects		
Other Purposes	51,832.55	
Assigned to:		
Highways and Roads		
Capital Projects		
Other Purposes		
Unassigned	36,828,780.38	
Total Fund Balances	37,600,775.92	22,447,267.92
Total Liabilities and Fund Balances	\$ 90,088,927.43	\$ 48,818,698.18

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

Other Governmental Funds	Total Governmental Funds
\$ 28,409,360.04	\$ 57,667,591.13
	3,875,776.88
27,843,955.16	63,947,227.90
1,186,715.13	5,992,293.54
4,784,748.65	67,894,151.65
609,154.85	1,644,355.35
167,166.62	395,138.29
	492,191.32
<u>63,001,100.45</u>	<u>201,908,726.06</u>

2,407,349.40	10,007,310.40
1,074,348.71	1,644,355.35
8,309,486.59	74,902,999.14
100,452.05	2,161,825.09
35,386.72	754,082.42
	1,302,000.00
2,237.19	16,270.03
<u>11,929,260.66</u>	<u>90,788,842.43</u>

167,166.62	395,138.29
	492,191.32
	22,447,267.92
45,562,060.81	45,562,060.81
1,852,196.93	1,852,196.93
734,987.20	786,819.75
1,761,360.07	1,761,360.07
(234,065.54)	(234,065.54)
1,228,133.70	1,228,133.70
	36,828,780.38
<u>51,071,839.79</u>	<u>111,119,883.63</u>
<u>\$ 63,001,100.45</u>	<u>\$ 201,908,726.06</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 111,119,883.63

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	\$ 39,263,783.98	
Infrastructure	192,402,112.18	
Infrastructure in Progress	54,171,423.37	
Buildings and Improvements	173,702,673.93	
Equipment and Furniture	12,241,460.02	
Vehicles and Heavy Equipment	33,416,754.53	
Assets Under Capital Lease	715,646.05	
Less: Accumulated Depreciation	<u>(114,619,744.89)</u>	
Total Capital Assets		391,294,109.17

Deferred charges related to issuance costs of long-term liabilities are not reported
in the funds. 1,163,939.04

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:

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 9,738,829.85	119,791,431.72	
Capital Lease Payable	157,025.58		
Unamortized Discounts	(75,542.64)	(1,717,995.93)	
Unamortized Premium	312,025.48	1,767,223.13	
Unamortized Deferred Charges on Refunding	(531,449.76)	(1,346,161.59)	
Accrued Interest Payable	1,567,647.10		
Worker's Compensation		4,898,000.00	
Compensated Absences	3,982,158.64	4,668,619.62	
Postemployment Benefits		7,877,000.00	
Total Long-Term Liabilities	<u>\$ 15,150,694.25</u>	<u>\$ 135,938,116.95</u>	<u>(151,088,811.20)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 352,489,120.64

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General Fund	Special Highway Tax Fund
<u>Revenues</u>		
Taxes	\$ 97,427,546.58	\$ 27,918,053.51
Licenses and Permits	1,339,095.37	
Intergovernmental	22,991,142.39	437,807.14
Charges for Services	16,252,772.96	
Miscellaneous	3,386,712.38	229,423.81
Total Revenues	<u>141,397,269.68</u>	<u>28,585,284.46</u>
<u>Expenditures</u>		
Current:		
General Government	39,742,902.93	
Public Safety	57,741,306.12	
Highways and Roads	16,746,939.76	
Sanitation	2,388,238.51	
Health	877,228.00	
Welfare	301,083.00	
Culture and Recreation	2,635,410.30	
Education	2,431,721.34	
Capital Outlay	2,439,205.38	
Debt Service:		
Principal	7,232,770.71	1,920,000.00
Interest and Fiscal Charges	2,549,594.07	4,101,858.32
Debt Issuance Cost	188,320.31	
Payment to Escrow Agent	6,500,000.00	
Total Expenditures	<u>141,774,720.43</u>	<u>6,021,858.32</u>
Excess (Deficiency) of Revenues Over/Under Expenditures	<u>(377,450.75)</u>	<u>22,563,426.14</u>
<u>Other Financing Sources/Uses</u>		
Transfers In	6,500,000.00	
Sale of Capital Assets	52,691.15	
Long-Term Debt Issued	14,395,000.00	
Premiums on Long-Term Debt Issued	1,396,257.20	
Payments to Refunding Escrow Agent	(15,602,936.89)	
Transfers Out	(1,382,561.27)	(16,024,888.89)
Total Other Financing Sources/Uses	<u>5,358,450.19</u>	<u>(16,024,888.89)</u>
Net Change in Fund Balances	4,980,999.44	6,538,537.25
Fund Balances - Beginning of Year	<u>32,619,776.48</u>	<u>15,908,730.67</u>
Fund Balances - End of Year	<u>\$ 37,600,775.92</u>	<u>\$ 22,447,267.92</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 9,637,992.96	\$ 134,983,593.05
498,322.70	1,837,418.07
14,150,869.40	37,579,818.93
134,401.50	16,387,174.46
555,027.67	4,171,163.86
<u>24,976,614.23</u>	<u>194,959,168.37</u>
5,962,303.73	45,705,206.66
2,835,603.08	60,576,909.20
18,465,854.73	35,212,794.49
518,847.03	2,907,085.54
15,449,818.38	16,327,046.38
4,345,088.84	4,646,171.84
	2,635,410.30
513,642.76	2,945,364.10
9,655,303.28	12,094,508.66
	9,152,770.71
	6,651,452.39
	188,320.31
	6,500,000.00
<u>57,746,461.83</u>	<u>205,543,040.58</u>
<u>(32,769,847.60)</u>	<u>(10,583,872.21)</u>
17,407,450.16	23,907,450.16
131,300.10	183,991.25
	14,395,000.00
	1,396,257.20
	(15,602,936.89)
<u>(6,500,000.00)</u>	<u>(23,907,450.16)</u>
<u>11,038,750.26</u>	<u>372,311.56</u>
(21,731,097.34)	(10,211,560.65)
72,802,937.13	121,331,444.28
<u>\$ 51,071,839.79</u>	<u>\$ 111,119,883.63</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2012

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (10,211,560.65)

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 (\$12,094,508.66) exceeded depreciation (\$10,239,658.06) in the current period. 1,854,850.60

In the Statement of Activities, only the gain \$58,558.12 and loss (\$145,668.67) on the sale/disposal of capital assets are reported, whereas in the governmental funds, the proceeds from the sale/disposal (\$183,991.25) plus insurance recovery proceeds (\$18,412.67) are reported. Thus, the change in net assets differs from the change in fund balance by the costs of the assets sold. (289,514.47)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 9,152,770.71

In the Statement of Activities, the amortization of issuance costs, discounts, premiums and deferred charges on refunding are reported as expenditures, whereas, in the governmental funds it is not recorded.

Amortization of Discounts on Debt Issued	\$	(75,542.64)	
Amortization of Debt Issuance Cost		(88,681.37)	
Amortization of Deferred Amounts on Refunding		(531,449.76)	
Amortization of Premiums on Debt Issued		312,025.48	
Total		312,025.48	(383,648.29)

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Assets but does not affect the Statement of Activities. (14,395,000.00)

Premiums/Issuance costs on debt issuance are recorded as financing sources/expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities. (1,207,936.89)

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

Payments to refunding escrow agent, including transfer of funds from prior debt issue, are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

22,102,936.89

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These items consist of:

Net Decrease in Estimated Liability for Compensated Absences	\$	623,720.44	
Net Increase in Estimated Liability for Worker's Compensation		(26,000.00)	
Net Decrease in Accrued Interest Payable		166,122.01	
Net Increase in Postemployment Benefits		(1,284,000.00)	
Total Additional Expenditures			<u>(520,157.55)</u>

Change in Net Assets of Governmental Activities (Exhibit 2)

\$ 6,102,740.35

Statement of Fiduciary Net Assets
September 30, 2012

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,475,946.46	\$ 5,599,767.96
Total Assets	<u>2,475,946.46</u>	<u>5,599,767.96</u>
<u>Liabilities</u>		
Due to Individuals		<u>\$ 5,599,767.96</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	2,475,946.46	
Total Net Assets	<u>\$ 2,475,946.46</u>	

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

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

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Inmate Deposits	\$ 2,688,930.29
Fiduciary Deposits	8,931,866.74
Fees	1,094,343.16
Total Additions	<u>12,715,140.19</u>
<u>Deductions</u>	
Administrative Expenses	2,746,996.82
Payments to Beneficiaries	9,154,907.84
Distribution of Fees	1,094,343.16
Total Deductions	<u>12,996,247.82</u>
Changes in Net Assets	(281,107.63)
Net Assets - Beginning of Year	<u>2,757,054.09</u>
Net Assets - End of Year	<u><u>\$ 2,475,946.46</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Mobile 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 Mobile 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 these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges. Also, accounted for in the general fund are workers' compensation benefits and employee health insurance to self-insure the Commission against liability claims.

- ◆ **Special Highway Tax Fund** – This fund is used to account for the principal and interest payments when they become due on warrants and to retire debt for Pay-As-You-Go projects.

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 expenditures 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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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 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.

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, and compensated absences, 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. Also, an amendment to the Constitution of Alabama, 1901, allows Mobile County funds to be invested in secured repurchase agreements, secured commercial paper, and secured bankers acceptances. The Commission's investment activities are performed by the Mobile County Treasurer's Office.

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

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

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

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

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

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

3. Inventories

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

4. Prepaid Items

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

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported 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.

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 are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	10 – 50 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Infrastructure:		
Roads	\$250,000	20 – 25 years
Bridges	\$ 50,000	40 years
Water and Sewer Systems	\$100,000	25 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.

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

6. Long-Term Obligations

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

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

7. Compensated Absences

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

Annual Leave

Each full-time employee holding a permanent appointment in regular employment on a forty hour week basis shall be entitled to annual leave with pay as follows:

Years of Service	Annual Leave Earned Per Year
0 to 4	10.0 days
5 to 9	12.5 days
10 to 14	15.0 days
15 to 19	17.5 days
20 to 24	20.0 days
25 or more	25.5 days

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

Each full-time employee holding a permanent appointment in regular employment on an average of 56 hours per week basis shall be entitled to annual leave with pay as follows:

Years of Service	Annual Leave Earned Per Year
0 to 4	14.0 days
5 to 9	17.5 days
10 to 14	21.0 days
15 to 19	24.5 days
20 to 24	28.0 days
25 or more	35.0 days

For employees hired after April 1, 1996, unused annual leave credits may be accumulated and carried over into successive years by employees up to, but not exceeding a maximum of 35 days. For employees hired before April 1, 1996, unused annual leave credits may be accumulated and carried over into successive years by employees up to, but not exceeding a maximum of 60 days.

Upon separation or retirement, employees are paid, up to the maximum, for accrued annual leave in one lump sum payment.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 10 workdays per fiscal year for 40 hour a week employees and 14 workdays per fiscal year for employees who work an average of 56 hours per week. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. In the event of death or of retirement due only to the longevity of an employee, 75% of accumulated unused sick leave shall be paid in one lump sum payment.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. The maximum compensatory time, which may be accrued by any affected employee, shall be 120 hours. Any employee who exceeds the maximum 120 hours of accumulated compensatory time must be given sufficient time off within the next pay period to reduce the compensatory time accumulation within the approved limit. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave shall be determined at one and one-half times the regular hours.

Notes to the Financial Statements

For the Year Ended September 30, 2012

The Commission uses the termination method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

8. Net Assets/Fund Equity

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

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

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

- ◆ **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items, term endowments, etc.
- ◆ **Restricted** – consists of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.
- ◆ **Committed** – consists of amounts that are subject to a purpose constraint imposed by formal approval by majority vote of the Mobile County Commission, which is the highest level of decision making authority, in an open meeting. Amendments or modifications of the committed fund balance must also be approved by the same method.

Notes to the Financial Statements

For the Year Ended September 30, 2012

- ◆ **Assigned** – consists of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated authority to the Financial Administration Team acting as a unit to make determination of the assigned amounts of fund balance. The Financial Administration Team is defined as a group composed of those persons actively serving the Mobile County Commission at any given time in the positions of County Administrator, Deputy County Administrator and Director of Finance.

- ◆ **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.

Minimum Fund Balance Policy

The Commission has adopted a minimum fund balance policy that states the Commission shall maintain an unassigned fund balance in its general fund equal to 16.67% to 25% of annual budgeted operating expenditures plus transfers out of the general fund. This benchmark shall be observed in the preparation of the annual proposed budget. Should unassigned fund balance fall below the established minimum level for any reason, the Commission shall implement a budgetary plan to replenish the fund balance to the established minimum within three years.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 3 – Deposits and Investments

A. Deposits

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

The Commission has \$19,689,003.30 of its funds in Certificates of Deposit. These certificates of deposit are classified as “Deposits” in order to determine insurance and collateralization. However, they are classified as “Investments” on the financial statements.

B. Cash with Fiscal Agents

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

Investment Type	Rating Agency	Rating	Maturities	Fair Value
Money Market Funds:				
Morgan Keegan Dreyfus Government Cash		Unrated	Unknown	\$ 167,715.73
Regions Select Treasury Money Market	Standard & Poor's	AAAm	Unknown	23,744.59
Raymond James Money Market		Unrated	Unknown	3,684,316.56
Total				<u>\$3,875,776.88</u>

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

C. Investments

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state. Also, an amendment to the Constitution of Alabama 1901, allows Mobile County funds to be invested in secured repurchase agreements, secured commercial paper, and secured bankers acceptances.

As of September 30, 2012, the Commission had the following investments and maturities:

Investments	Maturities	Fair Value
Commercial Paper by Fund:		
General Fund	Less than 1 year	\$ 5,627,065.54
Special Highway Tax Fund	Less than 1 year	5,410,688.90
Other Governmental Funds	Less than 1 year	15,445,117.63
Total Commercial Paper		\$26,482,872.07
Bonds and Notes by Fund:		
General Fund	More than 10 years	\$ 7,833,418.58
Special Highway Tax Fund	More than 10 years	4,804,040.36
Other Governmental Funds	More than 10 years	5,137,893.59
Total Bonds and Notes		\$17,775,352.53

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission has a formal investment policy to limit its exposure to interest rate risk. The Mobile County Commission will minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to see securities on the open market prior to maturity and (2) investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools, thereby limiting the average maturity of the portfolio.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. Investments are rated from AA+ to Aaa. The Commission has a formal investment policy that addresses credit risk. To minimize credit risk, the Mobile County Commission’s policy limits investments in the types of securities that the Commission may invest in; requires financial institutions, brokers/dealers, intermediaries and advisers to be prequalified based on policies established by the Commission; and requires their investment portfolio be diversified so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission has a formal investment policy that limits the amounts of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission has a formal investment policy which placed limits on the amount that the Commission may invest in any one issuer.

Note 4 – Receivables

On September 30, 2012, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Other Governmental Funds	Total
Receivables:			
Accounts	\$ 348,389.79	\$ 191,241.05	\$ 539,630.84
Intergovernmental	4,457,188.62	995,474.08	5,452,662.70
Total Receivables	\$4,805,578.41	\$1,186,715.13	\$5,992,293.54

Notes to the Financial Statements

For the Year Ended September 30, 2012

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes	\$67,894,151.65	\$6,236,156.28
Other Miscellaneous Revenues		772,691.21
Total Deferred/Unearned Revenue for Governmental Funds	\$67,894,151.65	\$7,008,847.49

Note 5 – Capital Assets

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

	Balance 10/01/2011, as Restated (*)	Additions (**)	Retirements/ Reclassifications (**)	Balance 09/30/2012
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,417,523.20	\$ 1,847,324.90	\$ (1,064.12)	\$ 39,263,783.98
Infrastructure in Progress	56,268,810.53	8,075,211.65	(10,172,598.81)	54,171,423.37
Total Capital Assets, Not Being Depreciated	93,686,333.73	9,922,536.55	(10,173,662.93)	93,435,207.35
Capital Assets Being Depreciated:				
Infrastructure	181,882,216.87	10,519,895.31		192,402,112.18
Buildings	173,721,213.33	696,360.60	(714,900.00)	173,702,673.93
Equipment and Furniture	11,994,853.97	306,031.05	(59,425.00)	12,241,460.02
Vehicles and Heavy Equipment	33,113,099.47	1,289,253.96	(985,598.90)	33,416,754.53
Assets Under Capital Lease	1,182,616.05		(466,970.00)	715,646.05
Total Capital Assets Being Depreciated	401,893,999.69	12,811,540.92	(2,226,893.90)	412,478,646.71
Less Accumulated Depreciation for:				
Infrastructure	(21,772,157.39)	(2,289,471.46)		(24,061,628.85)
Buildings	(51,396,090.57)	(4,503,807.27)	571,920.00	(55,327,977.84)
Equipment and Furniture	(8,392,424.57)	(914,804.80)	56,508.33	(9,250,721.04)
Vehicles and Heavy Equipment	(24,040,318.10)	(2,460,009.93)	843,045.22	(25,657,282.81)
Assets Under Capital Lease	(250,569.75)	(71,564.60)		(322,134.35)
Total Accumulated Depreciation	(105,851,560.38)	(10,239,658.06)	1,471,473.55	(114,619,744.89)
Total Capital Assets Being Depreciated, Net	296,042,439.31	2,571,882.86	(755,420.35)	297,858,901.82
Governmental Activities Capital Assets, Net	\$ 389,728,773.04	\$ 12,494,419.41	\$(10,929,083.28)	\$ 391,294,109.17
<p>(*) Beginning balances of capital assets and accumulated depreciation were restated by the Commission in the amounts of \$558,686.04 and \$4,039.97, respectively, to account for prior year errors.</p> <p>(**) The additions and retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of \$10,172,598.81. A reclassification in the amount of \$466,970.00 from Assets Under Capital Lease to Vehicles and Heavy Equipment is included.</p>				

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

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 4,700,544.11
Public Safety	1,656,146.20
Highway and Roads	3,218,249.78
Sanitation	359,431.67
Health	118,261.60
Welfare	8,385.30
Culture and Recreation	172,239.53
Education	6,399.87
Total Depreciation Expense – Governmental Activities	<u>\$10,239,658.06</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.

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

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, 2012 was 9.27% percent based on the actuarial valuation performed as of September 30, 2009.

C. Annual Pension Cost

For the year ended September 30, 2012, the Commission's annual pension cost of \$5,120,886.78 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2011, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2011 was 30 years.

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

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$5,120,886.78	100%	\$0
09/30/2011	\$6,027,252.00	100%	\$0
09/30/2010	\$5,819,404.00	100%	\$0

D. Funded Status and Funding Progress

As of September 30, 2011, the most recent actuarial valuation date, the plan was 69.90 percent funded. The actuarial accrued liability for benefits was \$209,286,317 and the actuarial value of assets was \$146,388,594, resulting in an unfunded actuarial accrued liability (UAAL) of \$62,897,723. The covered payroll (annual payroll of active employees covered by the plan) was \$60,564,450, and the ratio of the UAAL to the covered payroll was 103.90 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)

Plan Description

The Mobile County Commission provides a defined benefit medical and life insurance 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 medical and life insurance plans do not issue publicly available financial reports.

Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2012. The Commission anticipates setting up a trust fund within the near future to fund its postemployment medical and life insurance plans.

The Commission contributes 50% of the cost of current-year premiums for eligible retirees' medical insurance premiums for family coverage and 50% for single coverage. For fiscal year 2012, the Commission contributed \$459,895.00 to cover approximately 122 participants. Plan members receiving benefits contribute 50% for family coverage cost and 50% for single coverage costs. For fiscal year 2012, total retired member contributions were \$434,448.00.

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

Retired employees also may elect to participate in a life insurance plan. The Commission pays \$26.76 annually for retirees if retired after March 1, 1992, and pays \$13.44 annually if retired prior to March 1, 1992. The Commission's expenditures for retirees life insurance for the year ending September 30, 2012, to cover approximately 395 participants, totaled \$10,250.52.

Annual OPEB Cost

For fiscal year 2012, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical and life insurance was \$2,098,000. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2012	\$2,098,000	39%	\$7,877,000
09/30/2011	\$2,433,000	33%	\$6,593,000
09/30/2010	\$2,423,000	29%	\$4,953,000

Funded Status and Funding Progress

The funding status of the plan as of September 30, 2012, was as follows:

Actuarial Accrued Liability (AAL)	\$17,568,000
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$17,568,000</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$53,061,000
UAAL as a Percentage of Covered Payroll	33%

Notes to the Financial Statements

For the Year Ended September 30, 2012

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.

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 after ten years. It was assumed that 95 percent of future retirees would elect medical and life insurance coverage and 75 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 15 years.

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

Note 8 – Payables

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

	Governmental Funds		Total
	General Fund	Other Governmental Funds	
Vendors	\$2,740,927.45	\$1,486,567.16	\$ 4,227,494.61
Other Payables	4,423.55	1,400.00	5,823.55
Intergovernmental	119,698.98	919,382.24	1,039,081.22
Employee Health Claims	1,377,800.00		1,377,800.00
Health Insurance Pool	685,287.02		685,287.02
Automobile Liability Claims	129,366.00		129,366.00
General Liability	2,542,458.00		2,542,458.00
Total Payables	\$7,599,961.00	\$2,407,349.40	\$10,007,310.40

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$715,646.05 for governmental activities at September 30, 2012. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year’s lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2013	\$164,657.02
Less: Amount Representing Interest	(7,631.44)
Present Value of Net Minimum Lease Payments	\$157,025.58

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

Note 10 – Short-Term Debt

During the month of May 2012, the Commission issued and redeemed a short-term note payable to free up property taxes in the Special Highway Tax Fund that are to be used for the retirement of long-term debt. Short-term debt activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable – 2010 Pay-As-You Go	\$	\$16,000,000	\$16,000,000	\$
Total Note Payable	<u>\$</u>	<u>\$16,000,000</u>	<u>\$16,000,000</u>	<u>\$</u>

Note 11 – Long-Term Debt

The General Obligation Refunding Warrants, Series 2004, dated July 1, 2004, were issued for the purpose of refunding the Commission’s \$15,230,000 Series 1999 General Obligation Warrants funding certain capital improvements and paying the costs of issuance of such warrants.

The General Obligation Improvements Bonds, Series 2005, dated July 1, 2005, were issued for the purposes of (i) providing funding for the acquisition, improvement, construction, installation and equipping of capital projects comprising a new animal control shelter, a new addition to the courthouse annex, including demolition of the old courthouse adjacent thereto, leveling of remaining surface, grassing, and erosion controls and landscaping, and certain road, bridge, and drainage improvements (together, the “Governmental Improvements”), and (ii) providing for payments by the Commission toward the acquisition, construction and installation of site and infrastructure improvements for use by Austal USA, LLC (the “Economic Development Project”).

The General Obligation Improvement Bonds, Series 2008, dated April 1, 2008, were issued for the purpose of promoting economic development in Mobile County.

The General Obligation Warrant, Series 2009, dated July 13, 2009, were issued for the purpose of financing the purchase of road and bridge equipment and paying the costs of issuance of such warrant.

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

The General Obligation Build America Warrants, Series 2010A, dated March 1, 2010, were issued for the purposes of (i) providing funding for a portion of the acquisition and improvement of land as a site for construction of an industrial facility for ThyssenKrupp Steel and Stainless USA, LLC and (ii) providing funding for the acquisition, construction, installation and equipping of capital improvements, all for the purpose of promoting economic development in Mobile County.

The General Obligation Recovery Zone Economic Development Warrants, Series 2010B, dated March 1, 2010, were issued for the purposes of (i) providing funding for a portion of the acquisition and improvement of land as a site for construction of an industrial facility for ThyssenKrupp Steel and Stainless USA, LLC and (ii) providing funding for the acquisition, construction, installation and equipping of capital improvements, all for the purpose of promoting economic development in Mobile County.

The General Obligation Refunding Bonds, Series 2010C, dated March 1, 2010, were issued for the purposes of refunding a portion of the Commission's \$70,000,000 Series 2008 General Obligation Improvement Bonds.

The General Obligation Warrant, Series 2010 (Taxable), dated December 30, 2010, were issued for the purposes of providing funds for the acquisition of the Theodore Oaks Shopping Center in order to furnish necessary and appropriate facilities for the Mobile County Sheriff's Department and the Theodore Branch of the Mobile Public Library, and to provide expansion space for the County and its agencies.

The General Obligation Refunding Bonds, Series 2012-A, dated August 21, 2012, were issued for the purposes of refunding a portion of the Commission's \$27,500,000 Series 2005 General Obligation Improvement Bonds and paying the costs of issuance of such bonds.

The General Obligation Refunding Warrants, Series 2012-B, dated August 21, 2012, were issued for the purposes of refunding a portion of the Commission's \$34,805,000 Series 2004 General Obligation Refunding and Improvement Warrants and paying the costs of issuance of such warrants.

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

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

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Warrants	\$143,956,027.65	\$14,395,000.00	\$(28,820,766.08)	\$129,530,261.57	\$ 9,738,829.85
Less:					
Deferred Amount on Refunding	(1,034,304.71)	(1,477,487.63)	634,180.99	(1,877,611.35)	(531,449.76)
Unamortized Discount	(1,869,081.21)		75,542.64	(1,793,538.57)	(75,542.64)
Add:					
Unamortized Premium	2,024,328.00	1,396,257.20	(1,341,336.59)	2,079,248.61	312,025.48
Total Bonds and Notes Payable	<u>143,076,969.73</u>	<u>14,313,769.57</u>	<u>(29,452,379.04)</u>	<u>127,938,360.26</u>	<u>9,443,862.93</u>
Other Liabilities:					
Capital Lease Payable	409,030.21		(252,004.63)	157,025.58	157,025.58
Compensated Absences	9,327,292.71		(660,244.42)	8,667,048.29	3,998,428.67
Worker's Compensation	5,800,000.00	400,000.00		6,200,000.00	1,302,000.00
Other Postemployment Benefits	6,593,000.00	1,284,000.00		7,877,000.00	
Total Other Liabilities	<u>22,129,322.92</u>	<u>1,684,000.00</u>	<u>(912,249.05)</u>	<u>22,901,073.87</u>	<u>5,457,454.25</u>
Total Governmental Activities Long-Term Liabilities	<u>\$165,206,292.65</u>	<u>\$15,997,769.57</u>	<u>\$(30,364,628.09)</u>	<u>\$150,839,434.13</u>	<u>\$14,901,317.18</u>

Payments on the bonds payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Funds. The capital lease payable is paid by the General 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 73% has been paid by the General Fund, 20% by the Public Buildings, Roads and Bridges Fund, and the remainder by the other governmental funds. The worker's compensation liability will generally be liquidated through the Commission's General Fund.

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

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	General Obligation Bonds/Warrants		Capital Lease Payable		
	Principal	Interest	Principal	Interest	
September 30, 2013	\$ 9,738,829.85	\$ 5,662,402.04	\$157,025.58	\$7,631.44	\$ 15,565,888.91
2014	9,580,914.99	5,229,254.51			14,810,169.50
2015	6,255,581.71	4,883,946.74			11,139,528.45
2016	6,061,285.69	4,636,580.28			10,697,865.97
2017	6,282,954.25	4,402,186.73			10,685,140.98
2018-2022	26,640,695.08	17,846,809.74			44,487,504.82
2023-2027	18,440,000.00	13,086,227.51			31,526,227.51
2028-2032	20,180,000.00	8,543,287.50			28,723,287.50
2033-2037	21,540,000.00	4,062,375.00			25,602,375.00
2038	4,810,000.00	216,450.00			5,026,450.00
Total	<u>\$129,530,261.57</u>	<u>\$68,569,520.05</u>	<u>\$157,025.58</u>	<u>\$7,631.44</u>	<u>\$198,264,438.64</u>

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

The Commission has issuance costs as well as a premium in connection with the issuance of its Series 2012-A General Obligation Refunding Bonds. The issuance costs and premium are being amortized using the straight-line method over a period of twelve years. The deferred charges on refunding are being amortized using the straight-line method over a period of three years.

The Commission has issuance costs as well as a premium in connection with the issuance of its Series 2012-B General Obligation Refunding Warrants. The issuance costs, premium, and deferred charges on refunding are being amortized using the straight-line method over a period of seven years.

The Commission has issuance costs as well as a discount in connection with the issuance of its Series 2010A General Obligation Improvement Building America Warrants. The issuance costs and a discount are being amortized using the straight-line method over a period of thirteen years.

The Commission has issuance costs as well as a discount in connection with the issuance of its Series 2010B General Obligation Economic Development Warrants. The issuance costs and a discount are being amortized using the straight-line method over a period of twenty years.

Notes to the Financial Statements

For the Year Ended September 30, 2012

The Commission has issuance costs as well as a discount in connection with the issuance of its Series 2010C General Obligation Refunding Warrants. The issuance costs and a discount are being amortized using the straight-line method over a period of twenty-nine years. The deferred charges on refunding are being amortized using the straight-line method over a period of eighteen years.

The Commission has issuance costs as well as a discount in connection with the issuance of its Series 2008 General Obligation Improvement Bonds. The issuance costs and a discount are being amortized using the straight-line method over a period of thirty years.

The Commission has issuance costs as well as premiums in connection with the issuance of its Series 2005 General Obligation Improvement Bonds. The issuance costs and premium are being amortized using the straight-line method over a period of fifteen years.

The Commission has issuance costs as well as premiums in connection with the issuance of its Series 2004 General Obligation Refunding Warrants. The issuance costs and premium are being amortized using the straight-line method over a period of fifteen years. The deferred charges on refunding are being amortized using the straight-line method over a period of ten years.

	Issuance Costs	Deferred Charges on Refunding	Discount	Premium
Total Issuance Costs, Deferred Charges on Refunding, Discount and Premium Amount Amortized Prior Years	\$2,693,997.42 1,441,377.01	\$4,022,835.09 1,613,773.98	\$2,035,064.48 165,983.27	\$5,451,549.90 3,060,275.81
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium Current Amount Amortized	1,252,620.41 88,681.37	2,409,061.11 531,449.76	1,869,081.21 75,542.64	2,391,274.09 312,025.48
Balance Issuance Costs, Deferred Charges on Refunding, Discount and Premium	<u>\$1,163,939.04</u>	<u>\$1,877,611.35</u>	<u>\$1,793,538.57</u>	<u>\$2,079,248.61</u>

Extinguishment of Debt

Series 2012A General Obligation Refunding Bonds

On August 21, 2012, the Commission issued \$6,240,000 (i) to refund, in advance of its respective maturity, a portion of the Commission's \$27,500,000 General Obligation Improvement Bonds, Series 2005, dated July 5, 2005 and (ii) to pay certain costs of issuance of the Series 2012-A Bonds. The net proceeds of \$6,554,318.46 (after payment of \$91,254.44 in issuance costs and original issue premium of \$405,572.90) were used along with current resources of \$6,500,000 to refund a portion of the General Obligation Improvement Bonds, Series 2005. As a result, that portion of the Series 2005 General Obligation Improvement Bonds is considered to be defeased and the liability for those bonds have been removed.

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

The Commission increased its total debt service payment over the next twelve years by \$1,031,159.72 which resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$611,793.25.

Series 2012B General Obligation Refunding Warrants

On August 21, 2012, the Commission issued \$8,155,000 (i) to refund, in advance of its respective maturity, a portion of the Commission's \$34,805,000 General Obligation Refunding and Improvement Warrants, Series 2004, dated July 1, 2004 and (ii) to pay certain costs of issuance of the Series 2012-B Warrants. The net proceeds of \$9,048,618.43 (after payment of \$97,065.87 in issuance costs and original issue premium of \$990,684.30) were used to refund a portion of the General Obligation Refunding and Improvement Warrants, Series 2004. As a result, that portion of the Series 2004 General Obligation Refunding and Improvement Warrants is considered to be defeased and the liability for those bonds have been removed.

The Commission increased its total debt service payment over the next seven years by \$677,894.44 which resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$250,638.49.

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 a commercial insurance carrier. Coverage is provided up to \$300,000 per claim with \$1,000,000 aggregate limit for general liability; \$1,000,000 per occurrence and \$1,000,000 aggregate limit for public officials' liability. The Commission also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

The Commission is self-insured with regard to automobile liability coverage. The Commission purchases excess automobile liability insurance through a commercial insurance carrier. Coverage is provided up to \$300,000 per claim with \$1,000,000 aggregate limit for automobile liability. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years. The claims liability is reported in the General Fund.

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

The Commission is self-insured with regard to worker's compensation coverage. The Commission retains the risk of loss of \$600,000 per occurrence and also has an aggregate limit of indemnity of \$1,000,000 for the liability period. The Commission purchases insurance for claims in excess of the specific and aggregate limits. An estimate of the short-term claims liability is reported in the General Fund. The entire long-term estimated liability is included in the government-wide financial statements. These liabilities are based on estimates utilizing past experience.

The Commission is self-insured with regard to employee health and dental insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. The claims liability is reported in the General Fund.

The schedule below presents the changes in claims liabilities for the past two years for the types of self-insured activities: general liability, automobile liability, workers' compensation and employee health insurance.

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance as Fiscal Year-End
General Liability Insurance:				
2011-2012	\$2,252,211.00	\$334,782.73	\$(44,535.73)	\$2,542,458.00
2010-2011	\$1,929,522.16	\$413,529.61	\$(90,840.77)	\$2,252,211.00

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance as Fiscal Year-End
Automobile Liability Insurance:				
2011-2012	\$239,616.00	\$(62,045.22)	\$(48,204.78)	\$129,366.00
2010-2011	\$115,520.13	\$156,478.00	\$(32,382.13)	\$239,616.00

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance as Fiscal Year-End
Worker's Compensation:				
2011-2012	\$5,800,000.00	\$1,724,327.84	\$(1,324,327.84)	\$6,200,000.00
2010-2011	\$4,370,000.00	\$2,337,330.23	\$ (907,330.23)	\$5,800,000.00

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance as Fiscal Year-End
Employee Health Insurance:				
2011-2012	\$1,286,100.00	\$17,596,659.66	\$(16,819,672.64)	\$2,063,087.02
2010-2011	\$1,128,300.00	\$16,074,710.44	\$(15,916,910.44)	\$1,286,100.00

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance as Fiscal Year-End
Total:				
2011-2012	\$9,577,927.00	\$19,593,725.01	\$(18,236,740.99)	\$10,934,911.02
2010-2011	\$7,543,342.29	\$18,982,048.28	\$(16,947,463.57)	\$ 9,577,927.00

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

Note 13 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2012, were as follows:

	Due From Other Funds		Totals
	General Fund	Other Governmental Funds	
<u>Due To Other Funds:</u>			
General Fund	\$	\$570,006.64	\$ 570,006.64
Other Governmental Funds	1,035,200.50	39,148.21	1,074,348.71
Totals	<u>\$1,035,200.50</u>	<u>\$609,154.85</u>	<u>\$1,644,355.35</u>

Interfund Transfers

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

	Transfers Out			Totals
	General Fund	Special Highway Tax Fund	Other Governmental Funds	
<u>Transfers In:</u>				
General Fund	\$	\$	\$6,500,000.00	\$ 6,500,000.00
Other Governmental Funds	1,382,561.27	16,024,888.89		17,407,450.16
Totals	<u>\$1,382,561.27</u>	<u>\$16,024,888.89</u>	<u>\$6,500,000.00</u>	<u>\$23,907,450.16</u>

The Commission typically uses transfers to fund ongoing operating subsidies and to transfer the portion from the special revenue and capital projects funds to the debt service funds to service current-year debt requirements.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 14 – Related Organizations

A majority of the members of the Board of the following organizations are appointed by the Mobile County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for the organizations, and the organizations are not considered part of the Commission's financial reporting entity. The following organizations are a related organization of the County Commission.

Industrial Development Authority
 Kushla Water Board
 Mobile County Recreation Board
 St. Elmo-Irvington Water Authority
 Dauphin Island Water and Sewer Authority
 Turnerville Water and Fire Protection Authority
 Mobile County Water, Sewer and Fire Protection Authority
 Mobile County Hospital Board
 Residential Building Code Advisory Committee

Note 15 – Restatements

The beginning net assets have been restated to correct prior year capital assets errors.

The impact of the restatement on the net assets as previously reported is as follows:

	Net Assets
Net Assets Balance, September 30, 2011, as Previously Reported	\$346,941,026.36
Effect of Prior Period Errors on Capital Assets	<u>(554,646.07)</u>
Governmental Activities Net Assets, September 30, 2011, as Restated	<u>\$346,386,380.29</u>

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

Note 16 – Subsequent Events

On October 10, 2012, the Commission issued \$25,000,000 of Series 2012-C General Obligation Improvement Warrants for the purpose of (i) funding the cost of certain capital improvements, (ii) paying the costs of an economic development project, and (iii) paying the costs of issuing the Series 2012-C Warrants.

On January 14, 2013, the Commission issued \$16,000,000 of Series 2012A Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds. These bonds were issued for the purpose of constructing, and improving hard surfaced roads, hard surfaced bridges, and drainage facilities in Mobile County.

On March 11, 2013, the Commission authorized the issuance of Series 2013 General Obligation Refunding Warrants in the amount of \$7,875,000 for the purposes of (i) refunding a portion of the County's General Obligation Refunding and Improvement Warrants, Series 2004, issued in the aggregate principal amount of \$34,805,000 and currently outstanding in the aggregate principal amount of \$20,390,000, and (ii) paying the expenses of issuing the Series 2013 Warrants.

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Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 79,980,536.00	\$ 79,980,536.00	\$ 81,827,030.92
Licenses and Permits	1,590,850.00	1,590,850.00	1,339,095.37
Intergovernmental	20,242,806.00	21,131,049.00	20,947,495.11
Charges for Services	15,220,000.00	15,467,280.00	16,252,772.96
Miscellaneous	2,942,347.00	3,197,880.00	3,319,306.44
Total Revenues	119,976,539.00	121,367,595.00	123,685,700.80
<u>Expenditures</u>			
Current:			
General Government	41,720,413.00	43,785,468.00	39,597,162.16
Public Safety	56,870,411.00	58,358,441.00	57,398,350.12
Highways and Roads			
Sanitation	3,146,257.00	3,600,193.00	2,380,893.27
Health	877,228.00	877,228.00	877,228.00
Welfare	301,083.00	301,083.00	301,083.00
Culture and Recreation	2,416,929.00	2,745,444.00	2,618,003.50
Education	2,242,880.00	3,114,985.00	2,431,721.34
Capital Outlay		1,633,442.00	2,091,548.61
Debt Service:			
Principal Retirement	7,141,053.00	29,345,004.00	7,232,770.71
Interest and Fiscal Charges	2,609,129.00	2,589,029.00	2,549,594.07
Debt Issuance Costs		188,321.00	188,320.31
Payment to Escrow Agent			6,500,000.00
Total Expenditures	117,325,383.00	146,538,638.00	124,166,675.09
Excess (Deficiency) of Revenues Over Expenditures	2,651,156.00	(25,171,043.00)	(480,974.29)
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,000,000.00	7,500,000.00	6,232,543.77
Sale of Capital Assets			52,691.15
Long-Term Debt Issued		15,791,258.00	14,395,000.00
Premiums on Long-Term Debt Issued			1,396,257.20
Payments to Refunding Escrow Agent			(15,602,936.89)
Transfers Out	(3,651,156.00)	(2,922,868.00)	(1,375,248.20)
Total Other Financing Sources (Uses)	(2,651,156.00)	20,368,390.00	5,098,307.03
Net Change in Fund Balances		(4,802,653.00)	4,617,332.74
Fund Balances - Beginning of Year		4,802,653.00	29,924,017.77
Fund Balances - End of Year	\$	\$	\$ 34,541,350.51

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 15,600,515.66	\$ 97,427,546.58
		1,339,095.37
(1)	2,043,647.28	22,991,142.39
		16,252,772.96
(1)	67,405.94	3,386,712.38
	<u>17,711,568.88</u>	<u>141,397,269.68</u>
(2)	(145,740.77)	39,742,902.93
(2)	(342,956.00)	57,741,306.12
(2)	(16,746,939.76)	16,746,939.76
(2)	(7,345.24)	2,388,238.51
		877,228.00
		301,083.00
(2)	(17,406.80)	2,635,410.30
		2,431,721.34
(2)	(347,656.77)	2,439,205.38
		7,232,770.71
		2,549,594.07
		188,320.31
		6,500,000.00
	<u>(17,608,045.34)</u>	<u>141,774,720.43</u>
	<u>103,523.54</u>	<u>(377,450.75)</u>
(3)	267,456.23	6,500,000.00
		52,691.15
		14,395,000.00
		1,396,257.20
		(15,602,936.89)
(3)	(7,313.07)	(1,382,561.27)
	<u>260,143.16</u>	<u>5,358,450.19</u>
	363,666.70	4,980,999.44
(4)	2,695,758.71	32,619,776.48
	<u>\$ 3,059,425.41</u>	<u>\$ 37,600,775.92</u>

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

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

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

(1) Revenues		
Public Buildings, Roads and Bridges Fund	\$	15,952,346.69
Capital Improvement Fund		1,399,573.94
FAA Projects Fund		303,946.69
Maddies Fund		1,575.00
SYC ADECA Program Fund		48,913.00
Special Events Fund		<u>5,213.56</u>
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$	16,595,676.57
Capital Improvement Fund		369,544.36
FAA Projects Fund		292,523.17
Maddies Fund		1,575.00
SYC ADECA Program Fund		342,956.00
Special Events Fund		<u>5,770.24</u>
(3) Other Financing Sources/(Uses), Net		
Capital Improvement Fund	\$	(7,313.07)
FAA Projects Fund		7,313.07
SYC ADECA Program Fund		<u>260,143.16</u>

Net Increase in Fund Balance - Budget to GAAP

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

\$ 17,711,568.88

(17,608,045.34)

260,143.16

\$ 363,666.70

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

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	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011***	\$146,388,594**	\$209,286,317	\$62,897,723	69.90%	\$60,564,450	103.90%
09/30/2010****	\$150,403,979	\$210,541,618	\$60,137,639	71.40%	\$62,740,962	95.90%
09/30/2009	\$151,611,941	\$203,005,876	\$51,393,935	74.70%	\$64,485,743	79.70%

- * Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- ** Market Value of Assets as of September 30, 2011: \$124,915,339.
- *** Reflects changes in actuarial assumptions.
- **** Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

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

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]
07/01/2012	\$0	\$17,437,000	\$17,437,000	0%	\$53,061,000	32.9%
04/01/2010	\$0	\$17,851,000	\$17,851,000	0%	\$51,007,000	35.0%
10/01/2007	\$0	\$20,578,000	\$20,578,000	0%		

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's/ Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	N/A
National School Lunch Program	10.555	N/A
Total Child Nutrition Cluster		
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400	NA09NOS4000182
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Community Development Block Grants/Entitlement Grants	14.218	B-03-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-07-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-08-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-09-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-10-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-11-UC-01-0002
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-01-0002
Sub-Total Community Development Block Grants/ Entitlement Grants (M)		
HOME Investment Partnerships Program	14.239	M-04-UC-01-0206
HOME Investment Partnerships Program	14.239	M-05-UC-01-0206
HOME Investment Partnerships Program	14.239	M-06-UC-01-0206
HOME Investment Partnerships Program	14.239	M-07-UC-01-0206
HOME Investment Partnerships Program	14.239	M-08-UC-01-0206
HOME Investment Partnerships Program	14.239	M-09-UC-01-0206
HOME Investment Partnerships Program	14.239	M-10-UC-01-0206
HOME Investment Partnerships Program	14.239	M-11-UC-01-0206
Sub-Total HOME Investment Partnerships Program (M)		
Emergency Shelter Grant Program	14.231	S-11-UC-01-0007
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-UY-01-0007
<u>Passed Through Alabama Department of Economic Community Affairs</u>		
ARRA - Community Development Block Grants/State's Program	14.228	NSP-GV-08-043
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10-01-2011 to 09-30-2012	\$ 45,143.15	\$ 45,143.15	\$ 45,143.15	\$ 45,143.15
10-01-2011 to 09-30-2012	70,501.41	70,501.41	70,501.41	70,501.41
	<u>115,644.56</u>	<u>115,644.56</u>	<u>115,644.56</u>	<u>115,644.56</u>
09-01-2009 to 03-31-2011	999,000.00	999,000.00	131,739.51	131,739.51
06-01-2003 to completion	2,491,000.00	2,491,000.00	1.00	1.00
06-01-2007 to completion	2,059,505.00	2,059,505.00	31,957.06	31,957.06
06-01-2008 to completion	1,412,350.00	1,412,350.00	5,534.51	5,534.51
06-01-2009 to completion	1,430,220.00	1,430,220.00	468,099.87	468,099.87
06-01-2010 to completion	2,114,102.00	2,114,102.00	658,462.10	658,462.10
06-01-2011 to completion	1,791,526.00	1,791,526.00	245,134.34	245,134.34
06-01-2012 to completion	1,621,680.00	1,621,680.00	85,437.09	85,437.09
	<u>12,920,383.00</u>	<u>12,920,383.00</u>	<u>1,494,625.97</u>	<u>1,494,625.97</u>
06-01-2008 to completion	1,049,359.00	1,049,359.00	54,321.97	54,321.97
06-01-2008 to completion	953,177.00	953,177.00	57,632.11	57,632.11
06-01-2008 to completion	887,628.00	887,628.00	19,427.83	19,427.83
06-01-2008 to completion	879,464.00	879,464.00	592,923.29	592,923.29
06-01-2008 to completion	526,071.00	526,071.00	178,876.54	178,876.54
06-01-2009 to completion	584,562.00	584,562.00	81,439.14	81,439.14
06-01-2010 to completion	918,618.00	918,618.00	412,939.91	412,939.91
06-01-2011 to completion	819,763.00	819,763.00	6,919.24	6,919.24
	<u>6,618,642.00</u>	<u>6,618,642.00</u>	<u>1,404,480.03</u>	<u>1,404,480.03</u>
06-01-2011 to 05-31-2013	85,651.00	85,651.00	65,877.41	65,877.41
07-13-2009 to 07-13-2012	586,571.00	586,571.00	96,352.17	96,352.17
04-28-2009 to 03-10-2013	2,000,000.00	2,000,000.00	99,647.87	99,647.87
	<u>22,211,247.00</u>	<u>22,211,247.00</u>	<u>3,160,983.45</u>	<u>3,160,983.45</u>
	\$ 23,325,891.56	\$ 23,325,891.56	\$ 3,408,367.52	\$ 3,408,367.52

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's/ Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Interior</u>		
<u>Direct Programs</u>		
Payments in Lieu of Taxes	15.226	N/A
Coastal Impact Assistance Program	15.426	F12AF70211
Coastal Impact Assistance Program	15.426	F12AF70229
Coastal Impact Assistance Program	15.426	F12AF70230
Coastal Impact Assistance Program	15.426	F12AF70249
Coastal Impact Assistance Program	15.426	F12AF70251
Coastal Impact Assistance Program	15.426	F12AF70286
Coastal Impact Assistance Program	15.426	F12AF70153
Coastal Impact Assistance Program	15.426	F12AF70189
Coastal Impact Assistance Program	15.426	F12AF00794
Coastal Impact Assistance Program	15.426	F12AF70305
Sub-Total Coastal Impact Assistance Program (M)		
Total U. S. Department of Interior		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Public Safety Partnership and Community Policing Grants	16.710	2009-CK-WX-0052
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1219
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3187
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	2009-SB-B9-0915
Sub-Total JAG Program Cluster		
Equitable Sharing Program	16.922	N/A
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	10-JF-C3-016
Crime Victim Assistance	16.575	10-VA-CA-029
Violence Against Women Formula Grants	16.588	09-WF-WD-003
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 23,325,891.56	\$ 23,325,891.56	\$ 3,408,367.52	\$ 3,408,367.52
10-01-2011 to 09-30-2012	25,081.00	25,081.00	25,081.00	25,081.00
05-28-2010 to 06-30-2011	1,996,693.00	1,996,693.00	186.18	186.18
07-16-2010 to 07-31-2012	175,000.00	175,000.00	117,590.48	117,590.48
07-19-2010 to 12-31-2011	273,000.00	273,000.00	131,693.53	131,693.53
09-20-2010 to 09-30-2011	843,660.00	843,660.00	1,920.00	1,920.00
08-12-2010 to 11-30-2013	249,998.17	249,998.17	95,829.03	95,829.03
11-30-2010 to 11-30-2013	1,616,399.37	1,616,399.37	754,394.17	754,394.17
02-22-2011 to 01-31-2014	795,421.06	795,421.06	214,805.48	214,805.48
07-06-2011 to 12-31-2015	2,800,000.00	2,800,000.00	136,460.03	136,460.03
11-27-2009 to 12-31-2016	1,067,331.71	1,067,331.71	7,667.17	7,667.17
09-16-2011 to 09-30-2012	147,451.25	147,451.25	127,623.87	127,623.87
	9,964,954.56	9,964,954.56	1,588,169.94	1,588,169.94
	9,990,035.56	9,990,035.56	1,613,250.94	1,613,250.94
03-11-2009 to 03-10-2012	500,000.00	500,000.00	284,399.19	284,399.19
10-01-2008 to 09-30-2012	66,070.38	66,070.38	1,010.02	1,010.02
10-01-2010 to 09-30-2014	93,610.80	93,610.80	46,805.40	46,805.40
03-01-2009 to 02-28-2013	983,214.00	983,214.00	241.00	241.00
	1,142,895.18	1,142,895.18	48,056.42	48,056.42
10-01-2011 to 09-30-2012	165,299.88	165,299.88	165,299.88	165,299.88
10-01-2011 to 09-30-2012	48,913.00	48,913.00	48,913.00	48,913.00
07-01-2011 to 09-30-2012	223,218.00	178,575.00	141,974.62	141,974.62
10-01-2011 to 09-30-2012	58,133.33	43,600.00	43,599.88	43,599.88
	2,138,459.39	2,079,283.06	732,242.99	732,242.99
	\$ 35,454,386.51	\$ 35,395,210.18	\$ 5,753,861.45	\$ 5,753,861.45

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's/ Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Airport Improvement Program	20.106	A.I.P. No. 3-01-0023-010-2012
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Highway Safety Cluster		
State and Community Highway Safety	20.600	12-SP-CP-007
State and Community Highway Safety	20.600	12-SP-PT-008
Alcohol Impaired Driving Countermeasures Incentives Grant I	20.601	12-TL-AL-002
Occupant Protection Incentive Grants	20.602	12-TF-OP-002
Sub-Total Highway Safety Cluster		
Total U. S. Department of Transportation		
<u>U. S. Department of Energy</u>		
<u>Direct Program</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) (M)	81.128	DE-SC0003061
<u>Corporation for National and Community Service</u>		
<u>Direct Programs</u>		
Retired and Senior Volunteer Program	94.002	10SRSAL004
Foster Grandparent/Senior Companion Cluster:		
Foster Grandparent Program	94.011	10SFSAL006
Senior Companion Program	94.016	09SCSAL001
Sub-Total Foster Grandparent/Senior Companion Cluster		
Total Corporation for National and Community Service		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1789-DR-AL
<u>Other Federal Assistance</u>		
<u>U. S. Department of Interior</u>		
<u>Direct Program</u>		
Gulf of Mexico Energy Security Act	N/A	N/A
Total Expenditures of Federal Awards		

(M) = Major Program

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		
	\$ 35,454,386.51	\$ 35,395,210.18	\$ 5,753,861.45	\$ 5,753,861.45
10-01-2011 to 09-30-2012	466,497.00	419,847.00	285,210.15	285,210.15
10-01-2011 to 09-30-2012	152,547.00	148,725.00	126,833.12	126,833.12
10-01-2011 to 09-30-2012	104,050.00	104,050.00	84,007.27	84,007.27
08-17-2012 to 09-03-2012	22,239.75	22,239.75	22,239.75	22,239.75
04-01-2012 to 06-30-2012	29,675.00	29,675.00	24,517.52	24,517.52
	308,511.75	304,689.75	257,597.66	257,597.66
	775,008.75	724,536.75	542,807.81	542,807.81
12-02-2009 to 12-01-2012	1,941,700.00	1,941,700.00	387,107.52	387,107.52
10-01-2011 to 09-30-2012	71,875.00	71,875.00	38,335.00	38,335.00
09-30-2011 to 09-29-2012	423,070.00	423,070.00	359,105.00	359,105.00
09-30-2011 to 09-29-2012	333,451.00	333,451.00	333,451.00	333,451.00
	756,521.00	756,521.00	692,556.00	692,556.00
	828,396.00	828,396.00	730,891.00	730,891.00
10-01-2011 to 09-30-2012	37,010.54	37,010.54	37,010.54	37,010.54
10-01-2011 to 09-30-2012	831,892.19	831,892.19	127,222.54	127,222.54
	\$ 39,868,393.99	\$ 39,758,745.66	\$ 7,578,900.86	\$ 7,578,900.86

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

Note 1 – Basis of Presentation

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

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$178,176.37
Community Development Block Grants/State's Program	14.228	\$ 97,356.13
Homelessness Prevention and Rapid Re-Housing Program – ARRA	14.257	\$ 96,352.17
Violence Against Women Formula Grants	16.588	\$ 43,599.88
Public Safety Partnership and Community Policing Grants	16.710	\$284,399.19
Highway Safety Cluster	20.600, 20.601 and 20.602	\$257,597.66
Retired and Senior Volunteer Program	94.002	\$ 38,335.00
Foster Grandparent/Senior Companion Cluster	94.011 and 94.016	\$692,556.00

Additional Information

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

Commission Members		Term Expires
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Connie Hudson	President	2012
Merceria Ludgood	Member	2012
Mike Dean	Member	2012

Administrative Personnel

Mr. John F. Pafenbach	Administrator
Ms. Michelle Herman	Director of Finance

***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, each major fund, and the aggregate remaining fund information of the Mobile County Commission as of and for the year ended September 30, 2012, which collectively comprise the Mobile County Commission's basic financial statements and have issued our report thereon dated August 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Mobile County Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Mobile 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 purpose of expressing an opinion on the effectiveness of the Mobile County Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mobile 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.

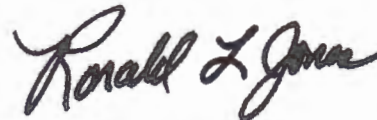
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Mobile 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 Mobile County Commission, the County Administrator, the County Finance Director, 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

August 20, 2013

***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 Mobile 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 Mobile County Commission's major federal programs for the year ended September 30, 2012. The Mobile 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 Mobile County Commission's management. Our responsibility is to express an opinion on the Mobile 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 Mobile 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 Mobile County Commission's compliance with those requirements.

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

***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 Mobile 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 Mobile County Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Mobile 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, members of the Mobile County Commission, the County Administrator, the County Finance Director, 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

August 20, 2013

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

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

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
15.426	Coastal Impact Assistance Program
81.128	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)

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, 2012

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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