

Report on the

Mobile County Commission

Mobile County, Alabama

October 1, 2016 through September 30, 2017

Filed: September 14, 2018



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, we submit this report on the results of the audit of the Mobile County Commission, Mobile County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this
the 22 day of August, 2018.

Jimmy Jordan
Notary Public

Sworn to and subscribed before me this
the 23 day of August, 2018.

Elaine H. Giles
My Commission Expires 8-20-2022
Notary Public

Sworn to and subscribed before me this
the 22 day of August, 2018.

Jimmy Jordan
Notary Public

Respectfully submitted,

Angela B. Waters

Angela B. Waters
Examiner of Public Accounts

M. Lynn Benson

M. Lynn Benson
Examiner of Public Accounts

Joshua M. Jones

Joshua M. Jones
Examiner of Public Accounts

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<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
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Department of
Examiners of Public Accounts

SUMMARY

**Mobile County Commission
October 1, 2016 through September 30, 2017**

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 15. 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 41-5A-12, as added by Act Number 2018-129.

An unmodified 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, 2017.

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

The Commission members and administrative personnel, as reflected on Exhibit 15, were invited to discuss the results of this report at an exit conference held at the offices of the County Commission. Individuals in attendance were: John Pafenbach, Administrator; Dana Foser-Allen, Director of Finance; Commissioners: Merceria Ludgood and Jerry Carl. Also in attendance were representatives from the Department of Examiners of Public Accounts: Brian Wheeler, Audit Manager and Angela Waters, Examiner. Results of the audit were discussed via telephone with Commissioner Connie Hudson.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Mobile County Commission and County Administrator
Mobile, Alabama

Report on the Financial Statements

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, 2017, which collectively comprise the basic financial statements of the Mobile County Commission's government as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

The management of the Mobile County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress (Exhibits 9 through 13), 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.

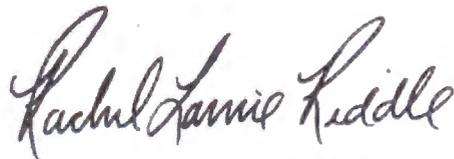
Supplementary Information

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 14), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2018, on our consideration of the Mobile County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Mobile County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mobile County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 14, 2018

Management's Discussion and Analysis
(Required Supplementary Information)

MOBILE COUNTY COMMISSION

County Commissioners

Connie Hudson, Commission President

Merceria Ludgood, Commissioner

Jerry Carl, Commissioner

Administration

John F. Pafenbach, County Administrator

Glenn L. Hodge, Deputy Administrator

Dana Foster-Allen, 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, 2017. Please read the report in conjunction with the County's financial statements.

This report is required by the Governmental 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, footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Financial Highlights

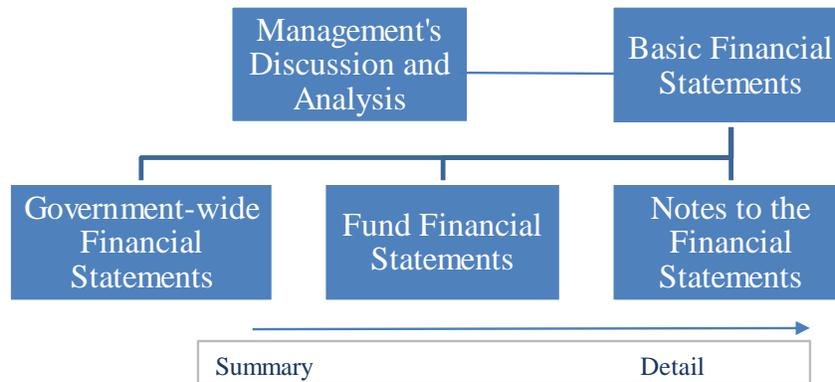
-  Mobile County's net position increased by \$2.9 million over fiscal year 2016.
-  The County's governmental funds reported ending fund balances totaling \$196,734,000, of which 31% or \$62,172,000 is unassigned.
-  At the end of the fiscal year, the County's unassigned fund balance in the general fund remained relatively unchanged from the prior year. The fund balance in the general fund decreased by \$414,455, with an ending fund balance of \$63,633,113.
-  The decrease can be attributable to an increase in the amount of the County's actuarially determined liability for future claims.

Understanding the Basic Financial Statements

This discussion and following analysis are intended to introduce the reader to Mobile County Commission's basic financial statements. The County's basic financial statements consist of the following major components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements (see Figure 1)

Figure 1



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 Position* and a *Statement of Activities*.

The Statement of Net Position shows the County's assets less its liabilities at September 30, 2017. The difference is reported as net position. Over time, an increase or decrease in the County's net position is 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 funding. The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Mobile County’s operations 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

The evaluation of an entity’s net position is a tool that may serve as a useful indicator of the entity’s financial condition. The following page presents a condensed comparative Statement of Net Position for the period ended September 30, 2017.

As shown on the statement, the County’s total assets increased by less than 1% or \$5.9 million. The County’s total liabilities increased by \$1.3 million. Overall, the County’s assets and deferred outflows exceeded its liabilities and deferred inflows by \$375 million. The County increased its net position by less than 2.28% over the period ended September 30, 2016.

Comparative Statement of Net Position

Stated in thousands

	2017	2016	\$ Change	% Change
Assets				
Current and Other Assets	\$ 289,712	\$289,888	\$ (176)	-0.06%
Capital Assets, Net	<u>414,256</u>	<u>408,103</u>	<u>6,153</u>	<u>1.51%</u>
Total Assets	<u>703,968</u>	<u>697,991</u>	<u>5,977</u>	<u>0.86%</u>
Deferred Outflows of Resources				
Loss on Refunding of debt	2,060	2,354	(294)	-12.49%
Employer Pension Contributions	<u>14,870</u>	<u>11,726</u>	<u>3,144</u>	<u>26.81%</u>
Total Deferred Outflows of Resources	<u>16,930</u>	<u>14,080</u>	<u>2,850</u>	<u>20.24%</u>
Liabilities				
Current Liabilities	32,667	30,881	1,786	5.78%
Noncurrent Liabilities	<u>235,805</u>	<u>236,291</u>	<u>(486)</u>	<u>-0.21%</u>
Total Liabilities	<u>268,472</u>	<u>267,172</u>	<u>1,300</u>	<u>0.49%</u>
Deferred Inflows of resources				
Unavailable Revenue -Property Taxes	71,693	71,636	57	0.08%
Revenue Received in Advance - Motor Vehicle Taxes	3,532	3,846	(314)	-8.16%
Proportionate Share of Collective				
Deferred Inflows Related to Net Pension Liability	<u>2,029</u>	<u>2,609</u>	<u>(580)</u>	<u>-22.23%</u>
Total Deferred Inflows of Resources	<u>77,254</u>	<u>78,091</u>	<u>(837)</u>	<u>-1.07%</u>
Net Position				
Invested in Capital Assets	360,148	357,641	2,507	0.70%
Net of Related Debt				
Restricted for:				
Road Projects	62,850	55,792	7,058	12.65%
Capital Projects	-	300	-	-100.00%
Debt Service	45,268	43,513	1,755	4.03%
Other Purposes	1,577	1,552	25	1.61%
Unrestricted	<u>(94,671)</u>	<u>(91,990)</u>	<u>(2,681)</u>	<u>2.91%</u>
Total Net Position	<u>\$ 375,172</u>	<u>\$366,808</u>	<u>\$8,364</u>	<u>2.28%</u>

The following page displays a condensed statement reflecting the changes in net position from fiscal year 2016 to fiscal year 2017.

Changes in Net Position

Stated in Thousands

	2017	2016	\$ Change	% Change
Revenues:				
Program Revenues				
Charges for Services	\$ 22,249	\$ 22,465	\$ (216)	-0.96%
Operating Grants and Contributions	29,233	32,400	(3,167)	-9.77%
Capital Grants and Contributions	-	-	-	0.00%
Total Program Revenues	<u>51,482</u>	<u>54,865</u>	<u>(3,383)</u>	<u>-6.17%</u>
General Revenues:				
Taxes				
Property Taxes for General Purposes	29,416	27,233	2,183	8.02%
Property Taxes for Specific Purposes	53,179	50,414	2,765	5.48%
General Sales Tax	59,524	58,218	1,306	2.24%
County Gasoline Sales Tax	233	576	(343)	-59.55%
Other County Sales and Use Taxes	7,387	7,096	291	4.10%
Miscellaneous Taxes	1,834	1,979	(145)	-7.33%
Grants and Contributions Not Restricted				
for Specific Purposes	3,506	3,077	429	13.94%
Investment Earnings	834	1,522	(688)	-45.20%
Miscellaneous	2,658	2,029	629	31.00%
Gain on Sale of Capital Assets	114	63	51	80.95%
Total General Revenues	<u>158,685</u>	<u>152,207</u>	<u>6,478</u>	<u>4.26%</u>
Total Revenues	<u>210,167</u>	<u>207,072</u>	<u>3,095</u>	<u>1.49%</u>
Program Expenses				
General Government	65,740	63,610	2,130	3.35%
Public Safety	70,300	67,217	3,083	4.59%
Highways and Roads	41,264	42,947	(1,683)	-3.92%
Sanitation	4,167	3,776	391	10.35%
Health	5,360	8,182	(2,822)	-34.49%
Welfare	3,854	3,295	559	16.97%
Culture and Recreation	2,559	3,645	(1,086)	-29.79%
Education	2,540	2,900	(360)	-12.41%
Interest and Fiscal Charges	6,019	6,378	(359)	-5.63%
Total Expenses	<u>201,803</u>	<u>201,950</u>	<u>(147)</u>	<u>-0.07%</u>
Change in Net Position	8,364	5,122	3,242	63.30%
Net Position, Beginning of Year	<u>366,808</u>	<u>361,686</u>	<u>5,122</u>	<u>1.42%</u>
Net Position, September 30	<u>\$ 375,172</u>	<u>\$ 366,808</u>	<u>\$ 8,364</u>	<u>2.28%</u>

The County recorded program revenue of \$51.4 million for the fiscal year ended September 30, 2017. Program revenues consist of revenue collected through charges for services, programs specific operating grants and program specific capital grants. The amount collected during fiscal year 2017 represents a 6.17% decrease over fiscal year 2016 collections. The decrease in program revenues can be attributed to a \$3.167 million decrease in the receipt of operating grants and contributions.

The County's recorded general revenues of \$158.68 million for the fiscal year ended September 30, 2017. General revenue consists of the following revenue categories:

1. All County taxes
2. Unrestricted grants
3. Investment earnings
4. Miscellaneous revenue
5. Gains on sale of capital assets

The amount collected represents a 4.26% increase over fiscal year 2016 collections. A major factor leading to the increase in general revenue is due to the overall increase in the collection of taxes. Revenue generated from taxes increased by 4% or \$6.05 million over fiscal year 2016 collections. In total, the County increased its revenue nominally by \$3.1 million or 1.49% over fiscal year 2016.

For the period ended September 30, 2017, expenses remained relatively unchanged. Notable expenses during fiscal year 2017 are as follows:

1. The County Commission approved a 2.5% raise and one-time incentive for employees in October 2016
2. In January 2017 the County settled a lawsuit with the District Attorney which increased its annual obligation by \$1.5 million
3. In March 2017 the County Commission raised the salaries of sworn law enforcement personnel and corrections officers by 7.5%

The County's expenditures on general government activities increased by 3.35% and its expenditures for public safety increased by 4.59%. Expenditures on all other categories decreased by a cumulative amount of \$5.3 million.

Governmental Funds

Governmental funds presented individually in Mobile County Commission's 2017 statements include three major funds: the General Fund, the Reappraisal 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 GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for fiscal years beginning after 6/15/2010. 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 Maddie's Fund and the Special Events Fund, will now be reported as part of the General Fund; however, these funds will continue to be held separately.

MAJOR FUND INFORMATION
Governmental Fund Balance Sheet
(in thousands)

	<u>General Fund</u>		<u>Reappraisal Fund</u>		<u>Special Highway Tax Fund</u>	
	2017	2016	2017	2016	2017	2016
Total Assets	\$ 117,169	\$ 116,078	\$ 9,610	\$ 9,483	\$ 80,551	\$ 74,156
Total Liabilities	12,257	10,547	3,352	3,282	5,980	1,166
Total Deferred Inflows of Resources	41,278	41,484	6,258	6,201	27,689	27,797
Fund Balances						
Nonspendable						
Inventories	219	183				
Prepaid Items	1,242	1,314				
Restricted For:						
Debt Service					46,883	45,193
Highways and Roads						
Capital Projects						
Other Purposes						
Assigned To:						
Other Purposes						
Unassigned:						
General	62,172	62,550				
Total Fund Balances	<u>63,633</u>	<u>64,047</u>			<u>46,883</u>	<u>45,193</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 117,168</u>	<u>\$ 116,078</u>	<u>\$ 9,610</u>	<u>\$ 9,483</u>	<u>\$ 80,552</u>	<u>\$ 74,156</u>

Statement of Revenues, Expenditures and Changes in Fund Balance
(in thousands)

	<u>General Fund</u>		<u>Reappraisal Fund</u>		<u>Special Highway Tax Fund</u>	
	2017	2016	2017	2016	2017	2016
Revenue and Other Sources	\$ 151,705	\$ 147,386	\$ 6,170	\$ 5,689	\$ 31,192	\$ 30,306
Expenses and Other Uses	152,119	139,193	6,170	5,689	29,502	20,500
Increase (Dec) in Fund Balance	(414)	8,193	-	-	1,690	9,806
Fund Balance at Beg of Year	<u>64,048</u>	<u>55,854</u>	<u>-</u>	<u>-</u>	<u>45,193</u>	<u>35,386</u>
Fund Balance at Year End	<u>\$ 63,634</u>	<u>\$ 64,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,883</u>	<u>\$ 45,192</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 unassigned fund balance. The Commission reevaluates the unassigned fund balance annually. The Commission’s goal is to maintain a balance between addressing capital needs and maintaining an adequate reserve. At September 30, 2017, the Commission maintained the unassigned fund balance in the General Fund at \$62.17 million.

General Fund Budgetary Highlights

On a budgetary basis, the County ended fiscal year 2017 with an excess of revenues over expenditures in the amount of \$1.5 million. The excess was derived from the following:

1. Revenue exceeded budget expectations by \$3.3 million
2. Expenditures were below final budgets amounts by 6%

Debt Administration

As of September 30, 2017, the County had \$249,628,498 in outstanding bonds, notes payable and other long term liabilities as shown in the table below:

Outstanding Long Term Debt
 September 30, 2016 and 2017
 (amounts expressed in thousands)

Governmental Activities:	2017	2016	\$ Change	% Change
Bonds/warrants net	\$ 148,817	\$ 157,838	\$ (9,021)	-5.7%
Net Pension Liability	68,519	62,842	5,677	9.0%
Other Liabilities	32,293	29,658	2,635	8.9%
Total Long-Term Liabilities	\$ 249,629	\$ 250,338	\$ (709)	-0.3%

The balance at September 30, 2016 was \$250,337,282. The overall decrease in debt in the amount of \$708,784 can be attributed to the following:

- o Principal repayments and amortization of premium and discount on Bonds/Warrants Payable of \$9,020,887
- o The County’s net pension liability increased 9%
- o Other liabilities increased 8.9%

Capital Assets

The table below displays capital assets as of September 30, 2017 and September 30, 2016.

Capital Assets
September 30, 2016 and 2017
(amounts expressed in thousands)

Governmental Activities:	2017	2016	\$ Change
Non depreciable capital assets:			
Land	\$ 46,925	\$ 46,063	\$ 862
Construction in Progress	1,094	1,355	(261)
Infrastructure in Progress	46,088	41,228	4,860
Capital Assets Being Depreciated:			
Infrastructure	235,170	233,135	2,035
Buildings	179,399	176,833	2,566
Equipment and Furniture	19,712	16,411	3,301
Vehicles and Heavy Equipment	39,866	38,993	873
Accumulated Depreciation	(153,999)	(145,915)	(8,084)
Capital Assets, Net	<u>\$ 414,255</u>	<u>\$ 408,103</u>	<u>\$ 6,152</u>

As shown above, the County's beginning balance of net capital assets was \$408,103,804. During 2017, the County increased its land holdings. Construction in progress decreased due to the completion of previously reported projects. Infrastructure in progress increased due to new infrastructure project development. The County increased its depreciable capital assets by \$8.7 million. Depreciation for assets currently in service increased by \$8 million. At the end of fiscal year 2017, the County had \$414,255,666 invested in capital assets

Economic Factor's and Next Years's Budget

When developing the budget for fiscal year 2018, the County considered several factors:

- Mobile County's estimated population of 415,990 and its per capital effective buying income of 80.9% of the national level
- Economic development and projected growth of 3%
- Capital investment

2018 General Fund Budget

The chart below provides a comparison of amounts budgeted for revenue and expenditures for 2017 and 2018 respectively:

	<u>2017</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Revenue				
Taxes	\$ 91,337,235	\$ 94,739,389	\$ 3,402,154	3.72%
Licenses and permits	1,318,500	1,672,147	353,647	26.82%
Intergovernmental	20,616,519	21,636,190	1,019,671	4.95%
Charges for services	16,709,100	16,854,019	144,919	0.87%
Miscellaneous	901,297	1,064,145	162,848	18.07%
Total revenue	<u>130,882,651</u>	<u>135,965,890</u>	<u>5,083,239</u>	<u>3.88%</u>
Budgeted fund balance	1,221,381	6,000,000	4,778,619	391.25%
Total revenue and budgeted fund balance	132,104,032	141,965,890	9,861,858	7.47%
Expenditures				
General government	46,558,534	46,910,182	351,648	0.76%
Public safety	63,506,186	67,664,178	4,157,992	6.55%
Sanitation	3,451,420	3,839,969	388,549	11.26%
Health	877,228	1,033,110	155,882	17.77%
Welfare	374,241	397,686	23,445	6.26%
Culture and recreation	2,447,364	2,537,221	89,857	3.67%
Education	2,479,711	3,181,096	701,385	28.28%
Debt service	9,428,034	9,328,206	(99,828)	-1.06%
Capital outlay	-	3,229,539	3,229,539	100.00%
Total expenditures	129,122,718	138,121,187	8,998,469	6.97%
Other financing uses				
Transfers out	<u>2,981,314</u>	<u>3,844,703</u>	<u>863,389</u>	<u>28.96%</u>
Total expenditures and other financing uses	<u>\$132,104,032</u>	<u>\$ 141,965,890</u>	<u>\$ 9,861,858</u>	<u>7.47%</u>

The fiscal year 2018 General fund budget has projected revenue of \$135,965,890. This is \$5,083,239 or 3.88% above the 2017 budget.

General Fund expenditures are \$138,121,187. This is \$8,998,469 above the FY 2017 general fund budget. The chart below provides a comparison of general fund expenditures by type between FY 2017 and FY 2018:

	<u>2017</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
General Fund				
Personnel Expenditures	\$ 74,082,645	\$ 76,993,882	\$ 2,911,237	3.93%
Operational Expenditures	38,316,797	40,264,176	1,947,379	5.08%
Capital Expenditures	-	3,229,539	3,229,539	100.00%
Debt Service Expenditures	9,428,034	9,328,206	(99,828)	-1.06%
Appropriation Expenditures	<u>7,295,242</u>	<u>8,305,384</u>	<u>1,010,142</u>	<u>13.85%</u>
TOTAL	<u>\$ 129,122,718</u>	<u>\$ 138,121,187</u>	<u>\$ 8,998,469</u>	<u>6.97%</u>

For fiscal year 2018, the County budgeted one time capital purchases in the amount of \$6 million. In addition to allowing departments to acquire much needed equipment, funds will be used for renovations of various departments.

The following personnel expenditures were budgeted in fiscal year 2018:

- 2.5% Cost of living adjustment for the Mobile County Sheriff’s Office
- All other employees will receive a 2.5% merit raise.
- The Thirteenth Judicial Police (Court Police) will receive a 7.5% pay adjustment
- In November 2017, all employees will receive a one-time nonrecurring benefit in the amount of \$500

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, Alabama 36644-1801, or call 251-574-5588. You may also contact the Comptroller at (251) 574-5053.

Basic Financial Statements

Statement of Net Position
September 30, 2017

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 83,194,650.00
Cash with Fiscal Agents	1,346,615.00
Investments	125,230,861.00
Receivables (Note 4)	6,303,331.00
Ad Valorem Property Taxes Receivable	71,693,157.00
Inventories	649,640.00
Prepaid Items	1,293,131.00
Capital Assets (Note 5):	
Nondepreciable	94,107,010.00
Depreciable, Net	320,148,656.00
Total Assets	<u>703,967,051.00</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	2,060,348.00
Employer Pension Contributions	5,987,676.00
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	8,882,727.00
Total Deferred Outflows of Resources	<u>16,930,751.00</u>
<u>Liabilities</u>	
Payables (Note 8)	11,425,703.00
Unearned Revenues	3,522,415.00
Accrued Wages Payable	1,397,188.00
Employee Benefits Payable	884,286.00
Accrued Interest Payable	1,614,419.00
Long-Term Liabilities:	
Portion Payable Within One Year:	
Worker's Compensation Claims Payable	475,665.00
Compensated Absences	4,229,924.00
Bonds/Warrants Payable	8,399,551.00
Less: Unamortized Discount	(117,461.00)
Plus: Unamortized Premium	835,394.00
Portion Payable After One Year:	
Worker's Compensation Claims Payable	5,374,560.00
Compensated Absences	3,404,516.00
Bonds/Warrants Payable	132,926,144.00
Less: Unamortized Discount	(1,256,446.00)
Plus: Unamortized Premium	8,029,630.00
Net Pension Liability	68,519,021.00
Other Postemployment Benefits	18,808,000.00
Total Liabilities	<u>\$ 268,472,509.00</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 71,693,156.00
Revenue Received in Advance - Motor Vehicle Taxes	3,531,829.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,029,001.00
Total Deferred Inflows of Resources	<u>77,253,986.00</u>
<u>Net Position</u>	
Net Investment in Capital Assets	360,148,383.00
Restricted for:	
Debt Service	45,268,132.00
Road Projects	62,849,879.00
Other Purposes	1,577,404.00
Unrestricted	<u>(94,672,491.00)</u>
Total Net Position	<u>\$ 375,171,307.00</u>

Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 65,739,679.00	\$ 20,986,600.00	\$ 774,366.00
Public Safety	70,300,334.00	280,643.00	15,668,502.00
Highways and Roads	41,264,341.00	501,960.00	7,904,449.00
Sanitation	4,167,198.00	68,766.00	1,588,652.00
Health	5,360,406.00	39,978.00	20,189.00
Welfare	3,854,015.00	10,000.00	3,277,024.00
Culture and Recreation	2,558,685.00	361,257.00	
Education	2,539,865.00		
Interest and Fiscal Charges	6,019,104.00		
Total Governmental Activities	<u>\$ 201,803,627.00</u>	<u>\$ 22,249,204.00</u>	<u>\$ 29,233,182.00</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 Position

Net Position - Beginning of Year

Net Position - 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 Position Total Governmental Activities</u>
\$	(43,978,713.00)
	(54,351,189.00)
	(32,857,932.00)
	(2,509,780.00)
	(5,300,239.00)
	(566,991.00)
	(2,197,428.00)
	(2,539,865.00)
	(6,019,104.00)
<u>\$</u>	<u>(150,321,241.00)</u>

29,416,006.00
53,179,116.00
59,523,636.00
233,361.00
7,386,622.00
1,834,123.00
3,505,606.00
834,106.00
2,658,452.00
114,065.00
<u>158,685,093.00</u>
8,363,852.00
<u>366,807,455.00</u>
<u>\$ 375,171,307.00</u>

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Reappraisal Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 34,481,016.00	\$ 791,793.00
Cash with Fiscal Agents	1,421.00	
Investments	31,877,499.00	2,506,474.00
Receivables (Note 4)	5,229,338.00	113.00
Ad Valorem Property Taxes Receivable	39,184,348.00	6,258,172.00
Due From Other Funds	4,933,867.00	13,165.00
Inventories	219,144.00	
Prepaid Items	1,241,995.00	40,295.00
Total Assets	<u>117,168,628.00</u>	<u>9,610,012.00</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	9,515,727.00	109,243.00
Due to Other Funds	18,564.00	6,956.00
Unearned Revenues	13,569.00	3,146,578.00
Accrued Wages Payable	1,341,702.00	53,725.00
Employee Benefits Payable	845,296.00	35,339.00
Worker's Compensation Claims Payable	475,665.00	
Compensated Absences	46,910.00	
Total Liabilities	<u>12,257,433.00</u>	<u>3,351,841.00</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	39,184,348.00	6,258,171.00
Revenue Received in Advance - Motor Vehicle Taxes	2,093,734.00	
Total Deferred Inflows of Resources	<u>\$ 41,278,082.00</u>	<u>\$ 6,258,171.00</u>

Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,247,256.00	\$ 43,674,585.00	\$ 83,194,650.00
1,345,194.00		1,346,615.00
48,708,400.00	42,138,488.00	125,230,861.00
	1,073,880.00	6,303,331.00
26,250,637.00		71,693,157.00
	2,591,268.00	7,538,300.00
	430,496.00	649,640.00
	10,841.00	1,293,131.00
<u>80,551,487.00</u>	<u>89,919,558.00</u>	<u>297,249,685.00</u>
	1,800,733.00	11,425,703.00
5,980,204.00	1,532,576.00	7,538,300.00
	362,268.00	3,522,415.00
	1,761.00	1,397,188.00
	3,651.00	884,286.00
		475,665.00
		46,910.00
<u>5,980,204.00</u>	<u>3,700,989.00</u>	<u>25,290,467.00</u>
26,250,637.00		71,693,156.00
1,438,095.00		3,531,829.00
<u>\$ 27,688,732.00</u>	<u>\$</u>	<u>\$ 75,224,985.00</u>

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Reappraisal Fund
<u>Fund Balances</u>		
Nonspendable:		
Inventories	\$ 219,144.00	\$
Prepaid Items	1,241,995.00	
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Highways and Roads		
Capital Projects		
Other Purposes		
Unassigned	62,171,974.00	
Total Fund Balances	<u>63,633,113.00</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 117,168,628.00</u>	<u>\$ 9,610,012.00</u>

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

Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 430,496.00	\$ 649,640.00
	10,841.00	1,252,836.00
46,882,551.00		46,882,551.00
	62,849,879.00	62,849,879.00
	17,174,219.00	17,174,219.00
	1,577,404.00	1,577,404.00
	3,619,182.00	3,619,182.00
	301,716.00	301,716.00
	254,832.00	254,832.00
		62,171,974.00
46,882,551.00	86,218,569.00	196,734,233.00
\$ 80,551,487.00	\$ 89,919,558.00	\$ 297,249,685.00

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 196,734,233.00

Amounts reported for governmental activities in the Statement of Net Position (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:

The Cost of Capital Assets is	\$ 568,255,604.00	
Accumulated Depreciation is	<u>(153,999,938.00)</u>	414,255,666.00

Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and, therefore, are deferred on the Statement of Net Position. 2,060,348.00

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflow Related to Employer Pension Contributions	\$ 5,987,676.00	
Proportionate Share of Deferred Outflow Related to Net Pension Liability	8,882,727.00	
Proportionate Share of Deferred Inflow Related to Net Pension Liability	<u>(2,029,001.00)</u>	12,841,402.00

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	
Bonds/Warrants Payable	\$ 8,399,551.00	\$ 132,926,144.00	
Unamortized Premium	835,394.00	8,029,630.00	
Unamortized Discounts	(117,461.00)	(1,256,446.00)	
Worker's Compensation		5,374,560.00	
Accrued Interest Payable	1,614,419.00		
Compensated Absences	4,183,014.00	3,404,516.00	
Net Pension Liability		68,519,021.00	
Postemployment Benefits		18,808,000.00	
Total Long-Term Liabilities	<u>\$ 14,914,917.00</u>	<u>\$ 235,805,425.00</u>	<u>(250,720,342.00)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 375,171,307.00

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, 2017

	General Fund	Reappraisal Fund
<u>Revenues</u>		
Taxes	\$ 109,221,574.00	\$ 6,102,211.00
Licenses and Permits	1,549,984.00	
Intergovernmental	22,949,937.00	
Charges for Services	16,168,032.00	
Miscellaneous	1,815,251.00	67,504.00
Total Revenues	151,704,778.00	6,169,715.00
<u>Expenditures</u>		
Current:		
General Government	42,376,379.00	5,205,313.00
Public Safety	66,377,993.00	
Highways and Roads	15,799,541.00	
Sanitation	3,211,277.00	
Health	877,228.00	
Welfare	374,241.00	
Culture and Recreation	2,328,442.00	
Education	2,533,340.00	
Capital Outlay	6,038,590.00	1,106,002.00
Debt Service:		
Principal	6,007,954.00	
Interest and Fiscal Charges	3,307,758.00	
Total Expenditures	149,232,743.00	6,311,315.00
Excess (Deficiency) of Revenues Over/Under Expenditures	2,472,035.00	(141,600.00)
<u>Other Financing Sources/Uses</u>		
Transfers In		
Sale of Capital Assets	68,859.00	141,600.00
Transfers Out	(2,955,349.00)	
Total Other Financing Sources/Uses	(2,886,490.00)	141,600.00
Net Changes in Fund Balances	(414,455.00)	
Fund Balances - Beginning of Year	64,047,568.00	
Fund Balances - End of Year	\$ 63,633,113.00	\$

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

Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,373,310.00	\$ 4,665,020.00	\$ 150,362,115.00
	1,263,427.00	2,813,411.00
454,473.00	13,705,208.00	37,109,618.00
	78,370.00	16,246,402.00
363,888.00	1,275,225.00	3,521,868.00
<u>31,191,671.00</u>	<u>20,987,250.00</u>	<u>210,053,414.00</u>
	9,545,160.00	57,126,852.00
	2,150,402.00	68,528,395.00
	21,614,129.00	37,413,670.00
	532,447.00	3,743,724.00
	4,440,239.00	5,317,467.00
	3,471,389.00	3,845,630.00
	7,961.00	2,336,403.00
		2,533,340.00
	9,269,115.00	16,413,707.00
2,295,000.00		8,302,954.00
3,200,124.00		6,507,882.00
<u>5,495,124.00</u>	<u>51,030,842.00</u>	<u>212,070,024.00</u>
<u>25,696,547.00</u>	<u>(30,043,592.00)</u>	<u>(2,016,610.00)</u>
	26,961,849.00	26,961,849.00
	41,951.00	252,410.00
(24,006,500.00)		(26,961,849.00)
<u>(24,006,500.00)</u>	<u>27,003,800.00</u>	<u>252,410.00</u>
1,690,047.00	(3,039,792.00)	(1,764,200.00)
<u>45,192,504.00</u>	<u>89,258,361.00</u>	<u>198,498,433.00</u>
<u>\$ 46,882,551.00</u>	<u>\$ 86,218,569.00</u>	<u>\$ 196,734,233.00</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, 2017

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,764,200.00)

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 (\$16,413,707.00) exceeded depreciation (\$10,123,500.00) in the current period. 6,290,207.00

In the Statement of Activities, only the gain \$114,065.00 on the sale/disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale/disposal (\$252,410.00) are reported. Thus the changes in net position differs from the change in fund balance by the costs of the assets sold. (138,345.00)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 8,302,954.00

In the Statement of Activities, the amortization of 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	\$	(117,461.00)	
Amortization of Deferred Amounts on Refunding		(294,007.00)	
Amortization of Premiums on Debt Issued		835,394.00	
Total		423,926.00	423,926.00

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	\$	329,448.00	
Net Decrease in Estimated Liability for Worker's Compensation		959,294.00	
Net Decrease in Accrued Interest Payable		64,852.00	
Net Increase in Pension Expense		(1,952,284.00)	
Net Increase in Postemployment Benefits		(4,152,000.00)	
Total Additional Expenditures		(4,750,690.00)	(4,750,690.00)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 8,363,852.00

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

Statement of Fiduciary Net Position
September 30, 2017

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,883,187.00	\$ 6,499,634.00
Total Assets	<u>2,883,187.00</u>	<u>6,499,634.00</u>
<u>Liabilities</u>		
Due to Individuals		<u>\$ 6,499,634.00</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>2,883,187.00</u>	
Total Net Position	<u>\$ 2,883,187.00</u>	

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2017***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Inmate Deposits	\$ 2,452,619.00
Fiduciary Deposits	5,020,897.00
Fees	1,119,485.00
Total Additions	<u>8,593,001.00</u>
<u>Deductions</u>	
Administrative Expenses	2,408,849.00
Payments to Beneficiaries	5,716,694.00
Distribution of Fees	1,119,485.00
Total Deductions	<u>9,245,028.00</u>
Changes in Net Position	(652,027.00)
Net Position - Beginning of Year	<u>3,535,214.00</u>
Net Position - End of Year	<u><u>\$ 2,883,187.00</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, 2017

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 Position 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, 2017

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.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.
- ◆ **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 financial resources 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, 2017

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 is both restricted and unrestricted net position 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, 2017

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/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 is assessed for taxation 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. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, and amounts due from the State for taxes and cost-sharing.

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, 2017

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. 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 Position. Bond/warrant premiums and discounts are deferred and amortized over the life of the bonds/warrants. Bonds/warrants payable are reported at gross with separate line items for the applicable premiums or discounts. Bond/warrant issuance costs are reported as an expense in the period incurred.

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

8. 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, 2017

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, 2017

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.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

11. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.

Notes to the Financial Statements

For the Year Ended September 30, 2017

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – Net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position 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.
- ◆ **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.

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, 2017

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 \$18,627,695.99 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, 2017, the Commission’s cash with fiscal agent was invested as follows:

Investment Type	Rating Agency	Rating	Maturities	Fair Value
Money Market Funds:				
Regions Select Treasury Money Market	Standard & Poor's	AAAm	Unknown	\$ 1,421.00
Raymond James Money Market		Unrated	Unknown	1,345,194.00
Total				<u>\$1,346,615.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2017

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, 2017, the Commission had the following investments and maturities:

Investments	Maturities	Fair Value
<u>Bonds and Notes by Fund:</u>		
General Fund	Less than 10 years	\$ 23,629,682.00
Special Highway Tax Fund	Less than 10 years	36,686,330.00
Reappraisal Fund	Less than 10 years	1,998,730.00
Other Governmental Funds	Less than 10 years	39,206,757.00
General Fund	More than 10 years	2,549,810.00
Special Highway Tax Fund	More than 10 years	1,983,449.00
Other Governmental Funds	More than 10 years	548,407.00
Total Bonds and Notes		\$106,603,165.00

The Commission categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB) Statement Number 72, ***Fair Value Measurement and Application***. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Notes to the Financial Statements

For the Year Ended September 30, 2017

As of September 30, 2017, the Commission had the following investments, maturities and fair market value hierarchies:

Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level			
Debt Securities:			
US Treasury Securities	\$ 38,940,000.00	\$38,940,000.00	\$
Fixed Government Agency Securities	52,670,000.00		52,670,000.00
Fixed Certificates of Deposits	11,720,000.00		11,720,000.00
Fixed Government Agency CMO's	8,910,000.00		8,910,000.00
Fixed Government MBS	1,640,000.00		1,640,000.00
Fixed Small Business Administration Securities	370,000.00		370,000.00
Total Investment by Fair Value Level	114,250,000.00	\$38,940,000.00	\$75,310,000.00
Investments Measured at the Net Asset Value (NAV)			
Cash	12,440,000.00		
Total Investments Measured at the Net Asset Value	12,440,000.00		
Total Investments Measured at Fair Value	\$126,690,000.00		

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2017

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, 2017, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Reappraisal Fund	Other Governmental Funds	Total
Receivables:				
Accounts	\$ 301,730.00	\$113.00	\$ 303,602.00	\$ 605,445.00
Intergovernmental	4,927,608.00		770,278.00	5,697,886.00
Total Receivables	<u>\$5,229,338.00</u>	<u>\$113.00</u>	<u>\$1,073,880.00</u>	<u>\$6,303,331.00</u>

Governmental funds report unearned 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, 2017, the various components of unearned revenue reported in the governmental funds were as follows:

Governmental Funds:	
Grant Funds Received Prior to Meeting Eligibility Requirements	\$ 375,837.00
Unused Reappraisal Maintenance Funds	3,146,578.00
Total Unearned Revenue	<u>\$3,522,415.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,062,967.00	\$ 862,235.00	\$	\$ 46,925,202.00
Construction in Progress	1,354,864.00	589,425.00	(849,992.00)	1,094,297.00
Infrastructure in Progress	41,228,349.00	6,827,805.00	(1,968,643.00)	46,087,511.00
Total Capital Assets, Not Being Depreciated	<u>88,646,180.00</u>	<u>8,279,465.00</u>	<u>(2,818,635.00)</u>	<u>94,107,010.00</u>
Capital Assets Being Depreciated:				
Infrastructure	233,135,052.00	2,035,200.00		235,170,252.00
Buildings	176,832,975.00	2,566,403.00		179,399,378.00
Equipment and Furniture	16,411,235.00	3,301,248.00		19,712,483.00
Vehicles and Heavy Equipment	38,993,387.00	3,050,028.00	(2,176,934.00)	39,866,481.00
Total Capital Assets Being Depreciated	<u>465,372,649.00</u>	<u>10,952,879.00</u>	<u>(2,176,934.00)</u>	<u>474,148,594.00</u>
Less Accumulated Depreciation for:				
Infrastructure	(34,113,725.00)	(2,552,830.00)		(36,666,555.00)
Buildings	(69,619,712.00)	(3,821,764.00)		(73,441,476.00)
Equipment and Furniture	(12,078,066.00)	(1,144,188.00)		(13,222,254.00)
Vehicles and Heavy Equipment	(30,103,522.00)	(2,604,718.00)	2,038,587.00	(30,669,653.00)
Total Accumulated Depreciation	<u>(145,915,025.00)</u>	<u>(10,123,500.00)</u>	<u>2,038,587.00</u>	<u>(153,999,938.00)</u>
Total Capital Assets Being Depreciated, Net	<u>319,457,624.00</u>	<u>829,379.00</u>	<u>(138,347.00)</u>	<u>320,148,656.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 408,103,804.00</u>	<u>\$ 9,108,844.00</u>	<u>\$(2,956,982.00)</u>	<u>\$ 414,255,666.00</u>
(*) The Additions and Retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of \$1,968,643.00. Also, reclassifications from Construction in Progress to Buildings and Improvements in the amount of \$849,992.00.				

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 3,797,285.00
Public Safety	1,771,939.00
Highways and Roads	3,850,671.00
Sanitation	423,474.00
Health	42,939.00
Welfare	8,385.00
Culture and Recreation	222,282.00
Education	6,525.00
Total Depreciation Expense – Governmental Activities	<u>\$10,123,500.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan (the "Plan"), was established 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 the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex-officio.
- 2) The State Treasurer, ex-officio.
- 3) The State Personnel Director, ex-officio.
- 4) The State Director of Finance, ex-officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2017

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	54,823
Post-DROP participants who are still in active service	235
Total	85,874

The County membership includes approximately 2,538 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	788
Vested inactive members	29
Non-Vested inactive members	117
Active Members	1,587
Post-DROP participants who are still in active service	17
Total	2,538

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. However, the Commission did elect to increase contribution rates for their members.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, Mobile County Commission's active employee contribution rate was 4.83 percent of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 8.38 percent of covered employee payroll.

The Mobile County Commission's contractually required contribution rate for the year ended September 30, 2017 was 10.37% of pensionable pay for Tier 1 employees, and 7.63% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$5,987,676 for the year ended September 30, 2017.

Notes to the Financial Statements
For the Year Ended September 30, 2017

B. Net Pension Liability

The Mobile County Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual – 2015 Valuation Assumptions	Actual – 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$228,468,530	\$229,851,395	\$237,410,948
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for October 1, 2015 - September 30, 2016	5,009,574	5,009,574	4,865,796
(d) Transfers Among Employers		207,628	207,628
(e) Actual Benefit Payments and Refunds for October 1, 2015 - September 30, 2016	<u>(14,828,567)</u>	<u>(14,828,567)</u>	<u>(14,828,567)</u>
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$236,333,877</u>	<u>\$238,034,999</u>	<u>\$245,480,546</u>
(g) Difference Between Expected and Actual		\$ 1,701,122	
(h) Less Liability Transferred for Immediate Recognition		<u>207,628</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 1,493,494</u>	
(j) Difference Between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption			
Change (Gain)/Loss			<u>\$ 7,445,547</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Actuarial Assumptions

The total pension liability as of September 30, 2016 was determined based on the annual actuarial valuation report as of September 30, 2015 which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

Notes to the Financial Statements
For the Year Ended September 30, 2017

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2017

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	\$228,468,530	\$165,626,100	\$ 62,842,430
Changes for the Year:			
Service Cost	5,009,574		5,009,574
Interest	17,684,340		17,684,340
Changes in Assumptions	7,445,547		7,445,547
Differences Between Expected and Actual Experience	1,493,494		1,493,494
Contributions – Employer		6,003,047	(6,003,047)
Contributions – Employee		3,353,801	(3,353,801)
Net Investment Income		16,599,516	(16,599,516)
Benefit Payments, including Refunds of Employee Contributions	(14,828,567)	(14,828,567)	
Transfers among Employers	207,628	207,628	
Net Changes	17,012,016	11,335,425	5,676,591
Balances at September 30, 2016	\$245,480,546	\$176,961,525	\$ 68,519,021

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission’s pension liability calculated using the discount rate of 7.75%, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	\$94,009,873	\$68,519,021	\$46,826,291

Notes to the Financial Statements

For the Year Ended September 30, 2017

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Mobile County Commission recognized pension expense of \$7,619,803. At September 30, 2017, the Mobile County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,231,478	\$2,029,001
Changes of assumptions	6,139,311	
Net difference between projected and actual earnings on pension plan investments	1,511,938	
Employer contributions subsequent to the measurement date	5,987,676	
Total	<u>\$14,870,403</u>	<u>\$2,029,001</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2018	\$1,319,214
2019	\$1,319,212
2020	\$2,551,123
2021	\$ 566,396
2022	\$1,097,781
Thereafter	\$

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 eligible dependents to Medicare eligibility. The Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the Local Government Health Insurance Board. The plan provides medical and dental insurance benefits to eligible retirees and their eligible dependents. The *Code of Alabama 1975*, Sections 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 stand-alone financial reports.

Funding Policy

The Commission’s contributions were on a pay-as-you-go basis as of September 30, 2017. The Commission anticipates setting up a trust fund within the near future to fund its postemployment medical and life insurance plans.

For the period of October 1, 2016 through December 31, 2017, the Commission contributed 50% of the cost of current-year premiums for eligible retirees’ medical insurance premiums for family coverage and 65% for single coverage. Effective January 1, 2017, the Commission contributed 55% of the cost of current-year premiums for eligible retirees’ medical insurance premiums for family coverage and 70% for single coverage. For fiscal year 2017, the Commission contributed \$679,759.00 to cover approximately 87 participants. For the period of October 1, 2016 through December 31, 2016, plan members receiving benefits contribute 50% for family coverage cost and 35% for single coverage costs. Effective January 1, 2017, plan members contribute 45% for family coverage cost and 30% for single coverage costs.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Retired employees also may elect to participate in a life insurance plan. For the period of October 1, 2016 through December 31, 2016, the Commission paid \$2.90 per retiree if retired after March 1, 1992, and paid \$1.45 per retiree retired prior to March 1, 1992. Effective January 1, 2017, the Commission paid \$1.53 per retiree regardless of retirement date. The Commission's expenditures for retirees' life insurance for the year ending September 30, 2017, to cover approximately 478 participants, totaled \$10,674.00.

Annual OPEB Cost

For fiscal year 2017, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical and life insurance was \$5,257,000. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2017	\$5,257,000	21%	\$18,808,000
09/30/2016	\$5,364,000	21%	\$14,656,000
09/30/2015	\$1,343,000	53%	\$10,397,000

Funded Status and Funding Progress

The funding status of the plan as of October 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$40,417,000
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$40,417,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$53,960,000
UAAL as a Percentage of Covered Payroll	74.9%

Notes to the Financial Statements

For the Year Ended September 30, 2017

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 0 percent initially, reduced by decrements to an ultimate rate of 4 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 10 years.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 8 – Payables

On September 30, 2017, payables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

	Governmental Funds			Total
	General Fund	Reappraisal Fund	Other Governmental Funds	
Vendors	\$1,901,786.00	\$104,424.00	\$1,766,553.00	\$ 3,772,763.00
Other Payables	300.00			300.00
Intergovernmental	160,043.00	4,819.00	34,180.00	199,042.00
Employee Health Claims	1,815,900.00			1,815,900.00
Health Insurance Pool	223,069.00			223,069.00
Automobile Liability Claims	370,552.00			370,552.00
General Liability	5,044,077.00			5,044,077.00
Total Payables	\$9,515,727.00	\$109,243.00	\$1,800,733.00	\$11,425,703.00

Note 9 – Short-Term Debt

During the month of May 2017, 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, 2017, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable – 2016 Pay-As-You Go	\$	\$24,000,000.00	\$24,000,000.00	\$
Total Note Payable	\$	\$24,000,000.00	\$24,000,000.00	\$

Note 10 – Long-Term Debt

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 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.

Notes to the Financial Statements

For the Year Ended September 30, 2017

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.

The General Obligation Improvement Warrants, Series 2012-C, dated October 10, 2012, were issued for the purposes of funding the cost of certain capital improvements, paying the costs of an economic development project, and paying the costs of issuance of such warrants.

The General Obligation Refunding Warrants (Taxable), Series 2013, dated March 26, 2013, were issued for the purposes of refunding a portion of the Commission's \$20,390,000 Series 2004 General Obligation Refunding and Improvement Warrants and paying the expenses of issuing the Series 2013 Warrants.

The General Obligation Refunding Bonds, Series 2014A, dated December 30, 2014, were issued for the purposes of refunding a portion of the Commission's \$25,095,000 Series 2008 General Obligation Improvement Bonds and paying the expenses of issuing the 2014A Bonds.

The General Obligation Warrants, Series 2014B, dated December 30, 2014, were issued for the purposes of funding the purchase of certain vehicles and equipment and paying the expenses of issuing the 2014B Warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The General Obligation Improvement Warrants, Series 2015, dated October 6, 2015, were issued for the purposes of funding the cost of various projects contemplated by its existing capital improvement plan, including specifically road projects, parks and recreation expansion, emergency operations center, upgrade/compliance issues at Strickland Youth Center, new building for community corrections, office space completion at Government Plaza and improvements for Metro Jail. A portion of the remaining proceeds of the Series 2015 Warrants will be applied to fund a portion of the County's financial obligations with respect to an aircraft manufacturing facility constructed for the use of Airbus Americas, Inc., and paying the expenses of issuing the Series 2015 Warrants.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2017:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants and Notes Payable:					
General Obligation Warrants	\$149,628,649.00	\$	\$ (8,302,954.00)	\$141,325,695.00	\$ 8,399,551.00
Unamortized Amounts:					
Less: Unamortized Discount	(1,491,368.00)		117,461.00	(1,373,907.00)	(117,461.00)
Add: Unamortized Premium	9,700,418.00		(835,394.00)	8,865,024.00	835,394.00
Total Bonds/Warrants and Notes Payable	<u>157,837,699.00</u>		<u>(9,020,887.00)</u>	<u>148,816,812.00</u>	<u>9,117,484.00</u>
Other Liabilities:					
Compensated Absences	7,957,203.00		(322,763.00)	7,634,440.00	4,229,924.00
Worker's Compensation	7,043,950.00		(1,193,725.00)	5,850,225.00	475,665.00
Other Postemployment Benefits	14,656,000.00	4,152,000.00		18,808,000.00	
Net Pension Liability	62,842,430.00	5,676,591.00		68,519,021.00	
Total Other Liabilities	<u>92,499,583.00</u>	<u>9,828,591.00</u>	<u>(1,516,488.00)</u>	<u>100,811,686.00</u>	<u>4,705,589.00</u>
Total Governmental Activities Long-Term Liabilities	<u>\$250,337,282.00</u>	<u>\$9,828,591.00</u>	<u>\$(10,537,375.00)</u>	<u>\$249,628,498.00</u>	<u>\$13,823,073.00</u>

Payments on the bonds/warrants payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Funds.

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, 2017

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		
	Principal	Interest	
September 30, 2018	\$ 8,399,551.00	\$ 6,274,322.00	\$ 14,673,873.00
2019	8,671,432.00	5,994,808.00	14,666,240.00
2020	5,458,327.00	5,696,014.00	11,154,341.00
2021	6,741,385.00	5,412,680.00	12,154,065.00
2022	5,985,000.00	5,175,929.00	11,160,929.00
2023-2027	31,945,000.00	21,508,178.00	53,453,178.00
2028-2032	42,115,000.00	13,173,963.00	55,288,963.00
2033-2037	27,200,000.00	4,637,514.00	31,837,514.00
2038	4,810,000.00	216,450.00	5,026,450.00
Total	<u>\$141,325,695.00</u>	<u>\$68,089,858.00</u>	<u>\$209,415,553.00</u>

Discounts and Premiums

The Commission has a premium in connection with the issuance of its Series 2015 General Obligation Improvement Warrants. The premium is being amortized using the straight-line method over a period of twenty years.

The Commission has a premium in connection with the issuance of its Series 2014A General Obligation Refunding Bonds. The premium is being amortized using the straight-line method over a period of thirteen years.

The Commission has a premium in connection with the issuance of its Series 2014B General Obligation Warrants. The premium is being amortized using the straight-line method over a period of five years.

The Commission has a premium in connection with the issuance of its Series 2012-A General Obligation Refunding Bonds. The premium is being amortized using the straight-line method over a period of twelve years.

The Commission has a premium in connection with the issuance of its Series 2012-B General Obligation Refunding Warrants. The premium is being amortized using the straight-line method over a period of seven years.

The Commission has a premium in connection with the issuance of its Series 2012-C General Obligation Warrants. The premium is being amortized using the straight-line method over a period of twenty years.

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

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

The Commission has a discount in connection with the issuance of its Series 2010C General Obligation Refunding Warrants. The discount is being amortized using the straight-line method over a period of twenty-nine years.

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

	Discount	Premium
Total Discount and Premium	\$2,035,064.00	\$16,045,483.00
Amount Amortized Prior Years	543,696.00	6,345,065.00
Balance Discount and Premium	1,491,368.00	9,700,418.00
Current Amount Amortized	117,461.00	835,394.00
Balance Discount and Premium	<u>\$1,373,907.00</u>	<u>\$ 8,865,024.00</u>

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain general obligation warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2017, the total of \$20,555,000 of general obligation warrants outstanding are considered defeased.

Note 11 – 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 \$5,000,000 aggregate limit for general liability; \$5,000,000 per occurrence and \$5,000,000 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.

Notes to the Financial Statements

For the Year Ended September 30, 2017

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 \$5,000,000 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.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the Local Government Health Insurance Board (LGHIB). The Commission participates in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2017, were as follows:

	Due From Other Funds			Totals
	General Fund	Reappraisal Fund	Other Governmental Funds	
<u>Due To Other Funds:</u>				
General Fund	\$	\$13,165.00	\$ 5,399.00	\$ 18,564.00
Reappraisal Fund	6,956.00			6,956.00
Special Highway Tax Fund	3,987,509.00		1,992,695.00	5,980,204.00
Other Governmental Funds	939,402.00		593,174.00	1,532,576.00
Totals	<u>\$4,933,867.00</u>	<u>\$13,165.00</u>	<u>\$2,591,268.00</u>	<u>\$7,538,300.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2017, were as follows:

	Transfers Out		Totals
	General Fund	Special Highway Tax Fund	
<u>Transfers In:</u>			
Other Governmental Funds	\$2,955,349.00	\$24,006,500.00	\$26,961,849.00
Totals	<u>\$2,955,349.00</u>	<u>\$24,006,500.00</u>	<u>\$26,961,849.00</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.

Note 13 – 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 related organizations 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
North Mobile County Volunteer Fire Department Board
Mobile Sports Authority |
|---|

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 14 – Construction and Other Significant Commitments

As of September 30, 2017, the Commission was obligated for the remaining amounts unpaid under the following construction contracts:

Project Name	Amount Remaining
Emergency Operations Center for the Emergency Management Agency	\$ 6,885,338.00
Facilities for Mobile Community Corrections	3,840,465.00
Elevator Service Maintenance for Mobile County Facilities	4,140.00
Three Year Floor Covering Replacement/ Installation at Mobile County Facilities	235,000.00
HVAC Replacement for the Mobile Metro Jail Kitchen	2,775.00
ADA Modification to the Jon Archer Agricultural Center	117,082.00
Tillman's Corner Senior Center Addition	41,480.00
Grand Bay Senior Center Improvement	62,950.00
Mt. Vernon Park Improvements	1,047,613.00
SYC Detention Window and Perimeter Upgrade	1,013,201.00
2017 Elevator Service Maintenance for Mobile County Facilities	316,860.00
Detention Lock Inspection and Cleaning	112,901.00
Fire Station Evaluation and Renovation of the Bullshead Fire Station	29,928.00
Total	<u>\$13,709,733.00</u>

Note 15 – Subsequent Events

On December 13, 2017, the Commission approved the issuance of, not to exceed \$37,500,000.00 in aggregate, principal amount of the County's General Obligation Warrants Series 2017 and providing for the redemption and prepayment of a portion of the County's General Obligation Improvement Warrants, Series 2012C.

On February 14, 2018, the Commission authorized the sale of \$20,000,000.00 of Series 2014B 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.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 16 – Tax Abatements

The Industrial Development Board of the City of Mobile, Alabama (hereafter, IDB), a public industrial authority, may grant agreements for certain state, county and city taxes on property within the authority’s jurisdiction.

The IDB abates taxes for entities meeting the requirements of 11-54-80 et seq., *Code of Alabama* (1975); Tax Incentive Reform Act of 1995, codified at 40-9b-1-13, et seq., *Code of Alabama* (1975); and Alabama Reinvestment and Abatement Act, 2015-24 Acts of Alabama, all as amended.

The IDB has the authority to abate Mobile County taxes without the County’s approval. If the IDB abates Mobile County taxes, the IDB must notify Mobile County by sending a copy of the abatement resolution to Mobile County by certified mail.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The Industrial Development Board negotiates property tax abatement agreements on an individual basis. The Industrial Development Board has abated Mobile County taxes and has executed tax abatement agreements with the following entities as of September 30, 2017.

Company	Code of Alabama Sections	Purpose	County Property Tax Abated	County Sales Tax Abated
Austal USA, LLC	40-9B-1	Acquisition, construction and equipping of facilities for a modular manufacturing facility, warehouse, administration building and training facility to further shipbuilding	\$ 276,276.60	\$
Airbus North America Engineering, Inc.	40-9B-3	Expansion of current engineering center and install fixtures, machinery and equipment	15,987.24	
Worthington Cryogenics	40-9B-3	Renovate facility	45.96	4,906.15
AM/NS Calvert, LLC	40-9B-3	Multi-activity expansion of Calvert facility	2,093,937.12	715,065.34
APM Terminals Mobile, LLC	40-9B-3	Capital investment in ship-to-shore cranes and ancillary equipment and also undertake an intermodal project	45,123.24	224,466.49
Evonik Corporation	40-9B-1	Purchase software and manufacturing machinery in connection with expansion of existing chemical manufacturing facility	57,174.48	
Wal-Mart Stores East LP	40-9B-1	Estimated \$110 million investment in real property and \$25 million in personal property		134,952.34
Millard Maritime, LLC	40-9B-5(d)	Construction of two (2) dry bulk warehouses to accommodate salt storage and distribution		6,155.40
Lenzing Fibers (Project Tasean)	40-9B-1	Expansion of its existing plant by construction 90,000 metric ton jumbo lyocell facility	20,914.32	
Amazon Fulfillment Services, Inc.	40-9B-1	New approximately 362,000 SF class A regional sortation center. Proposed sortation center for Amazon.com		2,688.13
Continental Motors, Inc.	40-9B-5(d)	Design and manufacture aerospace engines, products and components	1,057.08	34,319.93
Kimberly-Clark Corporation (a)	40-9B-1	Estimated \$85 million to build a new co-generation energy plant and new tissue converting line	30,423.12	49,708.45
Kimberly-Clark Corporation (b)	40-9B-1	Estimated \$25 million in replacement of key equipment on two tissue machines		29,512.49
Serda Brewing Company, Inc.	40-9B-1	Beer manufacturing and distribution facility		8,031.02
Technip and Miami Holdings, LLC	40-9B-1	Miami Holding will lease property to Technip. Technip will construct and equip facilities to manufacture and produce pipelines and catenary		1,814.73
Total			<u>\$2,540,939.16</u>	<u>\$1,211,620.47</u>

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Required Supplementary Information

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Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2017

	2016	2015	2014
<u>Total pension liability</u>			
Service cost	\$ 5,009,574	\$ 4,778,134	\$ 5,011,299
Interest	17,684,340	17,357,467	16,775,274
Differences between expected and actual experience	1,493,494	(3,188,431)	
Changes of assumptions	7,445,547		
Benefit payments, including refunds of employee contributions	(14,828,567)	(14,893,952)	(14,124,377)
Transfers among employees	207,628		
Net change in total pension liability	17,012,016	4,053,218	7,662,196
Total pension liability - beginning	228,468,530	224,415,312	216,753,116
Total pension liability - ending (a)	<u>\$ 245,480,546</u>	<u>\$ 228,468,530</u>	<u>\$ 224,415,312</u>
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 6,003,047	\$ 5,557,273	\$ 5,732,134
Contributions - employee	3,353,801	3,062,045	2,982,538
Net investment income	16,599,516	1,980,229	18,520,541
Benefit payments, including refunds of employee contributions	(14,828,567)	(14,893,952)	(14,124,377)
Other (Transfers among employers)	207,628	(262,359)	(290,505)
Net change in plan fiduciary net position	11,335,425	(4,556,764)	12,820,331
Plan fiduciary net position - beginning	165,626,100	170,182,864	157,362,532
Plan fiduciary net position - ending (b)	<u>\$ 176,961,525</u>	<u>\$ 165,626,100</u>	<u>\$ 170,182,864</u>
Commission's net pension liability - ending (a) - (b)	\$ 68,519,021	\$ 62,842,430	\$ 54,232,448
Plan fiduciary net position as a percentage of the total pension liability	72.09%	72.49%	75.83%
Covered payroll (*)	\$ 64,775,709	\$ 65,145,725	\$ 63,771,767
Commission's net pension liability as a percentage of covered payroll	105.78%	96.46%	85.04%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For the fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2017***

	2017	2016
Actuarially determined contribution	\$ 5,987,676	\$ 6,323,204
Contributions in relation to the actuarially determined contribution	<u>5,987,676</u>	<u>6,323,204</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Covered payroll (*)	\$ 71,419,053	\$ 64,775,709
Contributions as a percentage of covered-employee payroll	8.38%	9.76%

(*) Employer's covered payroll for fiscal year 2017 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



2015		2014	
\$	5,757,162	\$	5,732,134
	<u>5,757,162</u>		<u>5,732,134</u>
<hr/>		<hr/>	
\$		\$	
\$	65,145,725	\$	63,771,767
	8.84%		8.99%

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 91,337,235.00	\$ 91,337,235.00	\$ 92,633,339.00
Licenses and Permits	1,318,500.00	1,353,500.00	1,549,984.00
Intergovernmental	20,616,519.00	21,136,519.00	22,699,395.00
Charges for Services	16,709,100.00	16,709,100.00	16,168,032.00
Miscellaneous	901,297.00	901,297.00	1,777,560.00
Total Revenues	<u>130,882,651.00</u>	<u>131,437,651.00</u>	<u>134,828,310.00</u>
<u>Expenditures</u>			
Current:			
General Government	46,558,534.00	47,154,644.64	42,376,379.00
Public Safety	63,506,186.00	67,631,865.00	66,377,993.00
Highways and Roads			
Sanitation	3,451,420.00	3,612,991.91	3,201,285.00
Health	877,228.00	877,228.00	877,228.00
Welfare	374,241.00	374,241.00	374,241.00
Culture and Recreation	2,447,364.00	2,533,039.00	2,328,442.00
Education	2,479,711.00	3,994,875.00	2,533,340.00
Capital Outlay		3,024,823.78	2,504,087.00
Debt Service:			
Principal Retirement	6,006,814.00	6,006,814.00	6,007,954.00
Interest and Fiscal Charges	3,421,220.00	3,421,220.00	3,307,758.00
Total Expenditures	<u>129,122,718.00</u>	<u>138,631,742.33</u>	<u>129,888,707.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,759,933.00</u>	<u>(7,194,091.33)</u>	<u>4,939,603.00</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets			68,859.00
Transfers Out	(2,981,314.00)	(3,980,616.00)	(3,501,433.00)
Total Other Financing Sources (Uses)	<u>(2,981,314.00)</u>	<u>(3,980,616.00)</u>	<u>(3,432,574.00)</u>
Net Change in Fund Balances	(1,221,381.00)	(11,174,707.33)	1,507,029.00
Fund Balances - Beginning of Year	<u>1,221,381.00</u>	<u>11,174,707.33</u>	<u>58,991,652.00</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 60,498,681.00</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 16,588,235.00	\$ 109,221,574.00
		1,549,984.00
(1)	250,542.00	22,949,937.00
		16,168,032.00
(1)	37,691.00	1,815,251.00
	<u>16,876,468.00</u>	<u>151,704,778.00</u>
		42,376,379.00
		66,377,993.00
(2)	(15,799,541.00)	15,799,541.00
(2)	(9,992.00)	3,211,277.00
		877,228.00
		374,241.00
		2,328,442.00
		2,533,340.00
(2)	(3,534,503.00)	6,038,590.00
		6,007,954.00
		3,307,758.00
	<u>(19,344,036.00)</u>	<u>149,232,743.00</u>
	<u>(2,467,568.00)</u>	<u>2,472,035.00</u>
		68,859.00
(3)	<u>546,084.00</u>	<u>(2,955,349.00)</u>
	<u>546,084.00</u>	<u>(2,886,490.00)</u>
	(1,921,484.00)	(414,455.00)
(4)	<u>5,055,916.00</u>	<u>64,047,568.00</u>
	<u>\$ 3,134,432.00</u>	<u>\$ 63,633,113.00</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017***

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	\$	16,861,172.00
Maddie's Fund		6,031.00
Special Events Fund		9,265.00
		<hr/>
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$	19,334,044.00
Maddie's Fund		6,031.00
Special Events Fund		3,961.00
		<hr/>
(3) Other Financing Sources/(Uses), Net		
Public Buildings, Roads and Bridges Fund	\$	546,084.00
		<hr/>

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 16,876,468.00

(19,344,036.00)

546,084.00

\$ (1,921,484.00)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	\$	\$	\$ 6,102,211.00
Intergovernmental	8,714,933.00	8,863,343.00	
Miscellaneous	65,000.00	242,500.00	67,504.00
Total Revenues	8,779,933.00	9,105,843.00	6,169,715.00
Expenditures			
Current:			
General Government	7,774,933.00	7,273,343.00	5,205,313.00
Capital Outlay	1,005,000.00	1,832,500.00	1,106,002.00
Total Expenditures	8,779,933.00	9,105,843.00	6,311,315.00
Excess (Deficiency) of Revenues Over Expenditures			(141,600.00)
Other Financing Sources (Uses)			
Sale of Capital Assets			141,600.00
Total Other Financing Sources (Uses)			141,600.00
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$	\$	\$

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 6,102,211.00
	67,504.00
	<u>6,169,715.00</u>
	5,205,313.00
	<u>1,106,002.00</u>
	<u>6,311,315.00</u>
	<u>(141,600.00)</u>
	141,600.00
	<u>141,600.00</u>
<u>\$</u>	<u>\$</u>

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2017***

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]
10/01/2016	\$0	\$40,417,000	\$40,417,000	0%	\$53,960,000	74.9%
10/01/2014	\$0	\$12,312,000	\$12,312,000	0%	\$53,498,000	23.0%
07/01/2012	\$0	\$17,437,000	\$17,437,000	0%	\$53,061,000	32.9%

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	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 - Cash Assistance	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Sub-Total Community Development Block Grants/ Entitlement Grants (M)		
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Sub-Total Home Investment Partnerships Program		
Emergency Solutions Grant Program	14.231	N/A
Emergency Solutions Grant Program	14.231	N/A
Sub-Total Emergency Solutions Grant Program		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	NSP-GV-08-043
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
\$	\$ 50,291.11
	80,310.08
	<u>130,601.19</u>
	<u>130,601.19</u>
	35,144.62
	72,206.91
	83,746.63
	457,633.02
73,827.53	482,998.73
<u>317,810.51</u>	<u>1,007,125.30</u>
391,638.04	2,138,855.21
	11,146.00
	1,650.00
	89,651.89
	27,938.31
	6,046.39
	21,575.29
	<u>113,602.07</u>
	271,609.95
109,692.94	111,313.08
<u>37,534.94</u>	<u>45,560.75</u>
147,227.88	156,873.83
	6,701.87
<u>538,865.92</u>	<u>2,574,040.86</u>
\$ 538,865.92	\$ 2,704,642.05

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	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	N/A
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Coastal Impact Assistance Program	15.426	N/A
Sub-Total Coastal Impact Assistance Program		
Coastal Impact Assistance Program	15.668	N/A
Coastal Impact Assistance Program	15.668	N/A
Sub-Total Coastal Impact Assistance Program		
Total Coastal Impact Assistance Program (M)		
Gulf of Mexico Energy Security Act	15.435	N/A
National Wildlife Refuge Fund	15.659	N/A
National Fish and Wildlife Foundation	15.663	N/A
Total U. S. Department of Interior		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A
Sub-Total Edward Byrne Memorial Justice Assistance Grant Program		
Equitable Sharing Program	16.922	N/A
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Violence Against Women Formula Grants	16.588	15-WF-PR-007
Violence Against Women Formula Grants	16.588	16-WF-PR-007
Sub-Total Violence Against Women Formula Grants		
Total U. S. Department of Justice		
Sub-Total Forward		

<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
\$ 538,865.92	\$ 2,704,642.05
	22,779.00
	165,155.82
	269,272.18
	58,676.93
	166,342.46
	<u>659,447.39</u>
	87,099.49
	<u>309,659.02</u>
	<u>396,758.51</u>
	<u>1,056,205.90</u>
	103,792.60
	6,581.00
	428,653.60
	<u>1,618,012.10</u>
	30,457.48
	<u>22,756.00</u>
	53,213.48
	22,268.00
	11,782.06
	26,254.74
	<u>38,036.80</u>
	<u>113,518.28</u>
\$ 538,865.92	\$ 4,436,172.43

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Airport Improvement Program	20.106	3-01-0023-012-2015
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	17-SP-PT-002
State and Community Highway Safety	20.600	17-SP-CP-002
Sub-Total State and Community Highway Safety		
Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	16-H7-M2-003
National Priority Safety Programs	20.616	17-HB-M1-002
National Priority Safety Programs	20.616	17-HD-M5-002
Sub-Total National Priority Safety Programs		
Total Highway Safety Cluster		
Total U. S. Department of Transportation		
<u>U. S. Department of Treasury</u>		
<u>Direct Program</u>		
Equitable Sharing	21.016	N/A
<u>Corporation for National and Community Service</u>		
<u>Direct Programs</u>		
Retired and Senior Volunteer Program	94.002	N/A
Foster Grandparent/Senior Companion Cluster:		
Foster Grandparent Program	94.011	N/A
Senior Companion Program	94.016	N/A
Sub-Total Foster Grandparent/Senior Companion Cluster		
Total Corporation for National and Community Service		
Sub-Total Forward		

<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
\$ 538,865.92	\$ 4,436,172.43
	384,657.65
204,924.79	204,924.79
	140,357.83
<u>204,924.79</u>	<u>345,282.62</u>
38,130.77	38,130.77
41,044.70	41,044.70
186,541.88	186,541.88
<u>227,586.58</u>	<u>227,586.58</u>
<u>470,642.14</u>	<u>610,999.97</u>
<u>470,642.14</u>	<u>995,657.62</u>
	155,499.61
61,000.00	61,000.00
337,728.29	337,728.29
310,956.98	310,956.98
<u>648,685.27</u>	<u>648,685.27</u>
<u>709,685.27</u>	<u>709,685.27</u>
\$ 1,719,193.33	\$ 6,297,014.93

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Social Security Administration Direct Program</u>		
Social Security - Disability Insurance	96.001	N/A
<u>U. S. Department of Homeland Security Passed Through Alabama Department of Homeland Security</u>		
Homeland Security Grant Program	97.067	6OSF
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.

<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
\$ 1,719,193.33	\$ 6,297,014.93
	400.00
	<u>121,896.44</u>
<u>\$ 1,719,193.33</u>	<u>\$ 6,419,311.37</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2017***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) 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 Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Mobile County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Mobile County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Mobile County Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed by the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2016 through September 30, 2017

Commission Members

Term Expires

Merceria Ludgood	President	2020
Connie Hudson	Member	2020
Jerry Carl	Member	2020

Administrative Personnel

Mr. John F. Pafenbach	Administrator
Mrs. Dana Foster-Allen	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***

Independent Auditor's Report

Members of the Mobile County Commission and County Administrator
Mobile, Alabama

We have audited, 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, 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, 2017, and the related notes to the financial statements, which collectively comprise the Mobile County Commission's basic financial statements and have issued our report thereon dated August 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mobile County Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mobile County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mobile County Commission's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

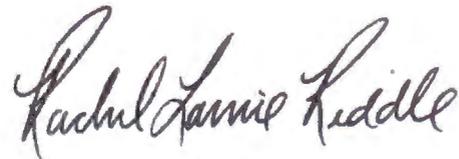
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mobile County Commission's financial statements are free from 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***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 14, 2018

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Independent Auditor's Report

Members of the Mobile County Commission and County Administrator
Mobile, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Mobile County Commission's compliance with the types of compliance requirements described in the ***OMB 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Mobile County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the ***Uniform Guidance*** 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Mobile County Commission's compliance.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Opinion on Each Major Federal Program

In our opinion, the Mobile County Commission complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

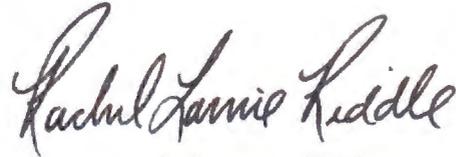
Management of the Mobile County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mobile County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 14, 2018

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 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: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants – Entitlement Grants
15.426 and 15.668	Coastal Impact Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00
 Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

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.	