

Report on the

Mobile County Commission

Mobile County, Alabama

October 1, 2019 through September 30, 2020

Filed: October 15, 2021



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

An audit was conducted on the Mobile County Commission, Mobile County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Angela B. Waters, Joshua Jones and Carolina Fussell. I, Angela B. Waters, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Angela B. Waters
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Mobile County Commission
October 1, 2019 through September 30, 2020**

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 16. 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.

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, 2020.

AUDIT FINDING

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit, as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below:

- ◆ 2020-001 relates to the Commission’s noncompliance with Sections 94 and 94.01 of the Alabama Constitution.

EXIT CONFERENCE

The Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference held at the Commission's office. Individuals in attendance were: Glenn Hodge, County Administrator; Eddie Kerr, Deputy County Administrator; Dana Foster-Allen, Director of Finance; and Commissioners: Connie Hudson and Merceria Ludgood. Also in attendance were representatives from the Department of Examiners of Public Accounts: Ashli Page, Assistant Director, Brian Wheeler, Audit Manager and Angela Waters, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2020

Ref. No.	Finding/Noncompliance
2020-001	<p><u>Finding:</u> Section 94 of the Alabama Constitution states “The legislature shall not have power to authorize any county, city, town, or other subdivision of the state to lend it credit, or to grant public money or thing of value in aid of, or to any individual, association, or corporation whatsoever, or to become a stockholder in any such corporation, association, or company, by issuing bonds or otherwise.” To ensure compliance with Section 94 of the Alabama Constitution, the Commission must ensure that the funds of the county are appropriated for a “public purpose.” The paramount test should be whether the expenditure confers a direct public benefit of a reasonably general character to a significant part of the public, as distinguished from a remote and theoretical benefit. In addition, the Commission must look to the statutes setting forth the powers of the county and if such power exists to promote the action at issue, then the county would need only decide whether the expenditure will accomplish that purpose. While Section 94.01(a)(3) (Amendment 772) allows the governing body of any county to “lend its credit to or grant public funds and things of value in aid of or to any individual, firm, corporation, or other business entity, public or private, for the purpose of promoting the economic and industrial development of the county” and remain in compliance with Section 94, the definition of “economic and industrial development,” for purposes of Amendment 772, requires that the benefit conferred be a direct public benefit of a reasonably general character to a significant part of the public</p> <p>The Commission made a \$500,000 payment with local funds to the Mobile Area Chamber of Commerce Small Business Relief Fund Program, a pass-through entity, to be granted to small businesses in Mobile County as relief from the effects of COVID-19 pandemic. The grants awarded to businesses under this Program were given to pay the rent, utilities, and payroll expenses of each business.</p> <p><u>Recommendation:</u> The Commission should ensure all public funds are expended for a public purpose and are in compliance with Sections 94 and 94.01 of the Alabama Constitution.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of the Mobile County Commission, County Administrator,
Deputy County Administrator and Director of Finance
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, 2020, and the related notes to the financial statements, which collectively comprise the Mobile County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

Management 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, 2020, 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), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 14), 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.

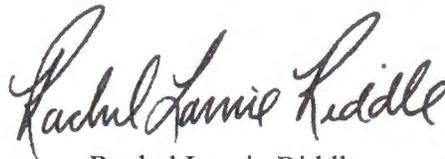
Supplementary Information

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 15), 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 the 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 September 17, 2021, 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 on 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

September 17, 2021

Management's Discussion and Analysis
(Required Supplementary Information)

MOBILE COUNTY COMMISSION

County Commissioners

Connie Hudson, Commission President

Merceria Ludgood, Commissioner

Jerry Carl, Commissioner

Administration

Glenn Hodge, County Administrator

Eddie Kerr, 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, 2020. 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

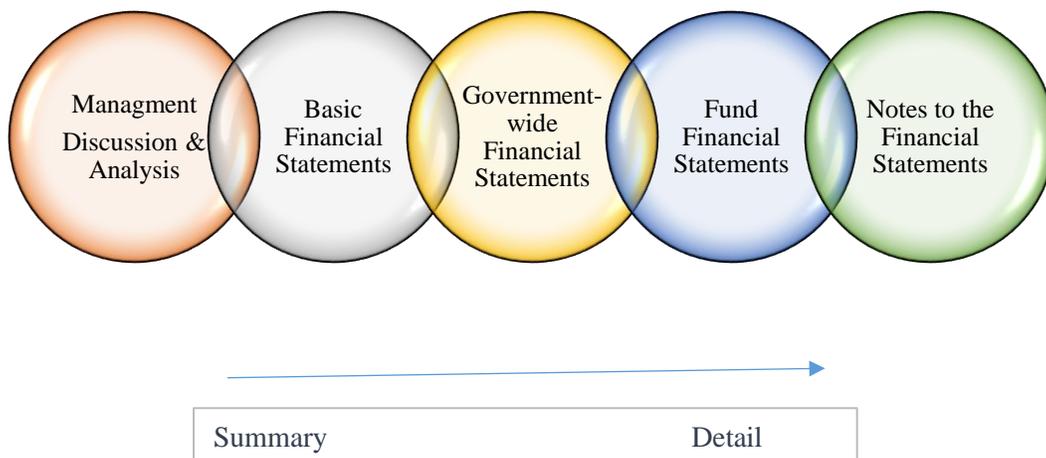
-  The County's governmental funds reported ending fund balances totaling \$275,009,939, of which 29% or \$80,729,872 is unassigned.
-  At the end of the fiscal year, the County's unassigned fund balance in the general fund increased by \$9,902,176. The ending fund balance in the general fund as of September 30, 2020 was \$82,403,085.

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, 2020. 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, 2020.

Comparative Statement of Net Position

Stated in Thousands

	2020	2019	\$ Change	% Change
Assets				
Current and Other Assets	\$ 379,192	\$ 356,764	\$ 22,428	6.29%
Capital Assets, Net	451,179	438,282	12,897	2.94%
Total Assets	<u>830,371</u>	<u>795,046</u>	<u>35,325</u>	<u>4.44%</u>
Deferred Outflows of Resources				
Loss on Refunding of Debt	1,989	2,282	-293	-12.84%
Employer Pension Contributions	6,615	6,272	343	5.47%
Proportionate share of deferred outflows related to pension liability	9,083	8,082	1,001	12.39%
Proportionate share of deferred outflows related to pension liability	551		551	100.00%
Total Deferred Outflows of Resources	<u>18,238</u>	<u>16,636</u>	<u>1,602</u>	<u>9.63%</u>
Liabilities				
Current Liabilities	26,155	22,364	3,791	16.95%
Noncurrent Liabilities	295,022	297,496	-2,474	-0.83%
Total Liabilities	<u>321,177</u>	<u>319,860</u>	<u>1,317</u>	<u>0.41%</u>
Deferred Inflows of resources				
Unavailable Revenue - Property Taxes	75,918	73,858	2,060	2.79%
Revenue Received in Advance - Motor Vehicle Taxes	3,444	3,322	122	3.67%
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	3,468	11,592	-8,124	-70.08%
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	23,641	14,510	9,131	62.93%
Total Deferred Inflows of Resources	<u>106,471</u>	<u>103,282</u>	<u>3,189</u>	<u>3.09%</u>
Net Position				
Invested in Capital Assets	385,007	381,459	3,548	0.93%
Restricted for:				
Debt Service	55,821	24,295	31,526	129.76%
Road Projects	88,615	104,947	-16,332	-15.56%
Other Purposes	2,469	1,962	507	25.84%
Unrestricted	-110,951	-124,123	13,172	-10.61%
Total Net Position	<u>\$ 420,961</u>	<u>\$ 388,540</u>	<u>\$ 32,421</u>	<u>8.34%</u>

As shown on the statement, the County's total assets increased by 4.44% or \$35.3 million. The County's total liabilities increased nominally by \$1.3 million, which is less than 1%. Overall, the County's liabilities and deferred inflows exceeded assets and deferred outflows by \$420.9 million. The County increased its net position by 8.34% over the period ended September 30, 2020.

The table on the following page displays a condensed statement reflecting the changes in net position fiscal year 2019 to fiscal year 2020.

Changes in Net Position

Stated in Thousands

	2020	2019	\$ Change	% Change
Revenues:				
Program Revenues				
Charges for Services	\$ 22,031	\$ 22,102	-71	-0.32%
Operating Grants and Contributions	45,694	37,075	8,619	23.25%
Capital Grants and Contributions	2,600	5,578	-2,978	-53.39%
Total Program Revenues	<u>70,325</u>	<u>64,755</u>	<u>5,570</u>	<u>8.60%</u>
General Revenues:				
Taxes				
Property Taxes for General Purpose	30,089	29,133	956	3.28%
Property Taxes for Specific Purpose	56,780	54,740	2,040	3.73%
General Sales Tax	70,752	67,308	3,444	5.12%
County Gasoline Sales Tax	352	367	-15	-4.09%
Other County Sales and Use Taxes	10,279	7,798	2,481	31.82%
Miscellaneous Taxes	2,555	1,943	612	31.50%
Grants and Contributions Not Restricted for Specific Purposes	4,254	3,890	364	9.36%
Investment Earnings	4,165	6,123	-1,958	-31.98%
Miscellaneous	1,679	3,640	-1,961	-53.87%
Gain on Sale of Capital Assets	120	-	120	100.00%
Total General Revenues	<u>181,025</u>	<u>174,942</u>	<u>6,083</u>	<u>3.48%</u>
Total Revenues	<u>251,350</u>	<u>239,697</u>	<u>11,653</u>	<u>4.86%</u>
Program Expenses				
General Government	76,556	61,112	15,444	25.27%
Public Safety	72,767	74,219	-1,452	-1.96%
Highways and Roads	37,823	33,779	4,044	11.97%
Sanitation	6,492	9,779	-3,287	-33.61%
Health	7,826	5,210	2,616	50.21%
Welfare	3,385	4,897	-1,512	-30.88%
Culture and Recreation	3,631	3,194	437	13.68%
Education	3,839	2,768	1,071	38.69%
Interest and Fiscal Charges	6,610	6,762	-152	-2.25%
Total Expenses	<u>218,929</u>	<u>201,720</u>	<u>17,209</u>	<u>8.53%</u>
Change in Net Position	32,421	37,977	-5,556	-14.63%
Net Position, Beginning of Year	<u>388,540</u>	<u>350,563</u>	<u>37,977</u>	<u>10.83%</u>
Net Position, September 30	<u>\$420,961</u>	<u>\$388,540</u>	<u>32,421</u>	<u>8.34%</u>

The County recorded program revenue of \$70.3 million for the fiscal year ended September 30, 2020. 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 2020 represents a 8.60% increase over fiscal year 2019 collections.

The County's recorded general revenues of \$181 million for the fiscal year ended September 30, 2020. 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 3.48% increase over fiscal year 2019 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 6% or \$9.5 million over fiscal year 2019. In total, revenue increased \$11.7 million or 4.86% over fiscal year 2019.

For the period ended September 30, 2020, expenditures remained relatively unchanged. Notable expenses during fiscal year 2020 are as follows:

1. The County Commission approved a 2.5% merit raise in October 2019 for all eligible employees.
2. The County absorbed the projected 2021 increase in employees benefit without passing the costs to the employees.

The County's expenditures on general government activities increased by 25.27% and its expenditures for public safety decreased by 1.96%, or \$1.5 million. Expenditures for general government activities increased due to the unforeseen expenditures incurred as a result of the COVID-19 pandemic. Expenditures on all other categories decreased by a cumulative amount of \$3.2 million.

Governmental Funds

Governmental funds presented individually in Mobile County Commission's 2020 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 June 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>	
	2020	2019	2020	2019	2020	2019
Total Assets	<u>\$ 138,374</u>	<u>\$ 126,283</u>	<u>\$ 10,215</u>	<u>\$10,109</u>	<u>\$ 85,078</u>	<u>\$ 53,701</u>
Total Liabilities	<u>11,722</u>	<u>11,508</u>	<u>2,749</u>	<u>2,811</u>		
Total Deferred Inflows of Resources	<u>44,249</u>	<u>42,274</u>	<u>7,466</u>	<u>7,298</u>	<u>27,647</u>	<u>27,608</u>
Fund Balances						
Nonspendable						
Inventories	192	135				
Prepaid Items	1,481	1,281				
Restricted For:						
Debt Service					57,431	26,093
Highways and Roads						
Assigned To:						
Other Purposes						
Unassigned	<u>80,730</u>	<u>71,085</u>				
Total Fund Balances	<u>82,403</u>	<u>72,501</u>			<u>57,431</u>	<u>26,093</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 138,374</u>	<u>\$ 126,283</u>	<u>\$ 10,215</u>	<u>\$10,109</u>	<u>\$ 85,078</u>	<u>\$ 53,701</u>

In Governmental funds, the ending fund balance is a reflection of the resources that are available for carry over to future years. The fund balance is also a reflection of the County's ability to respond to emergencies or to take advantage of opportunities that may 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, 2020, the Commission maintained the unassigned fund balance in the general fund at \$80.7 million.

**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>	
	2020	2019	2020	2019	2020	2019
Revenue and Other Sources	\$ 173,233	\$ 185,522	\$ 7,311	\$ 6,933	\$ 36,762	\$ 33,083
Expenses and Other Uses	163,331	176,378	7,311	6,933	5,424	60,105
Increase (Dec) in Fund Balance	9,902	9,144	-	-	31,338	-27,022
Fund Balance at Beg of Year	72,501	63,357	-	-	26,093	53,115
Fund Balance at Year End	\$ 82,403	\$ 72,501	\$ -	\$ -	\$ 57,431	\$ 26,093

The statement above presents consolidated revenue and expenditure information for the County's major funds. The General Fund increased its fund balance by \$9.9 million while the Special Highway Tax Fund increased its fund balance by \$31.3 million.

Debt Administration

As of September 30, 2020, the County had \$295 million in outstanding bonds, notes payable and other long-term liabilities as shown in the table below:

**Outstanding Long Term Debt
September 30, 2020 and 2019
(amounts expressed in thousands)**

Governmental Activities:	2020	2019	\$ Change	% Change
Bonds/warrants net	\$ 173,403	\$ 176,106	-2,703	-1.5%
Net Pension Liability	70,271	58,696	11,575	19.7%
Other Postemployment Benefits	39,485	50,254	-10,769	-21.4%
Other Liabilities	11,863	12,440	-577	-4.6%
Total Long-Term Liabilities	\$ 295,022	\$ 297,496	-\$2,474	-0.8%

The balance at September 30, 2019 was \$297.5 million. Debt decreased by \$2.5 million due to the repayment of existing debt.

Capital Assets

The table below displays capital assets as of September 30, 2020 and September 30, 2019.

Capital Assets September 30, 2020 and 2019 (amounts expressed in thousands)

Governmental Activities:	2020	2019	\$ Change
Non depreciable capital assets:			
Land	\$61,008	\$52,670	\$8,338
Construction in Progress	6,484	4,623	1,861
Infrastructure in Progress	62,351	59,703	2,648
Capital Assets Being Depreciated:			
Infrastructure	254,679	250,472	4,207
Buildings	179,591	179,399	192
Equipment and Furniture	23,175	22,219	956
Vehicles and Heavy Equipment	41,241	37,398	3,843
Accumulated Depreciation	-177,350	-168,203	-9,147
Capital Assets, Net	\$451,179	\$438,281	\$12,898

As shown above, the County's beginning balance of net capital assets was \$438.2 million. During 2020, the County increased its land holdings due, in part, to the purchase of land for the Mobile County Soccer Complex. Construction in progress increased due to the start of new projects. Infrastructure in progress increased due to the continued construction of existing infrastructure projects that began construction in fiscal year 2019. The County increased its depreciable capital assets nominally. At the end of fiscal year 2020, the County had \$451.2 million invested in capital assets. This is an increase of \$12.9 million over fiscal year 2019.

General Fund Budgetary Highlights

On a budgetary basis, the County ended fiscal year 2020 with an excess of revenue over expenditures in the amount of \$9.1 million. The County projected it would utilize \$13.6 million of its budgeted reserve during FY 2020. The County did not utilize any of its budgeted reserve.

Economic Factor's and Next Years's Budget

When developing the budget for fiscal year 2020, the County considered several factors:

- Estimated revenue
- Projected financial results for FY 2020
- Projected local economic growth

2020 General Fund Budget

The chart below provides a comparison of amounts budgeted for revenue and expenditures for 2021 and 2020 respectively:

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Revenue				
Taxes	\$ 98,515,468	\$ 98,083,708	431,760	0.44%
Licenses and permits	1,603,312	1,683,968	-80,656	-4.79%
Intergovernmental	25,058,556	22,479,293	2,579,263	11.47%
Charges for services	16,679,306	17,010,791	-331,485	-1.95%
Miscellaneous	2,493,833	2,949,490	-455,657	-15.45%
Total revenue	<u>144,350,475</u>	<u>142,207,250</u>	<u>2,143,225</u>	<u>1.51%</u>
Budgeted fund balance	12,320,993	10,915,509	1,405,484	12.88%
Total revenue and budgeted fund balance	156,671,468	153,122,759	3,548,709	2.32%
Expenditures				
General government	55,288,735	53,469,309	1,819,426	3.40%
Public safety	77,012,160	75,028,687	1,983,473	2.64%
Environmental compliance	4,234,477	4,148,728	85,749	2.07%
Health	871,984	869,875	2,109	0.24%
Social services	783,554	783,554	0.00	0.00%
Culture and recreation	3,310,818	2,841,084	469,734	16.53%
Education	3,069,019	2,861,997	207,022	7.23%
Debt service	8,698,328	9,480,021	-781,693	-8.25%
Capital outlay	327,186	453,284	-126,098	-27.82%
Total expenditures	153,596,261	149,936,539	3,659,722	2.44%
Other financing uses				
Transfers out	<u>2,975,207</u>	<u>3,186,220</u>	<u>-211,013</u>	<u>-6.62%</u>
Total expenditures and other	\$ 156,571,468	\$ 153,122,759	\$ 3,448,709	2.25%

The FY 2021 general fund budget has projected revenue of \$144,350,475. This is \$2.1 million or 1.51% above the budget approved for FY 2020. The Commission budgeted \$12,320,993 of its unrestricted reserve, which resulted in a total revenue budget of \$156,671,468.

For FY 2021, general fund expenditures are budgeted \$153,596,261. This is \$3.6 million above the FY 2020 general fund budget. The County's FY 2021 budget was developed to reflect its most pressing needs. A conservative approach was utilized and most departments received no budgetary increases.

The table on the following page display expenditures by major category:

General Fund Budgeted Expenditures by Category

Category	2021	2020	Increase/ (Decrease)	%
Personnel	\$ 86,804,995	\$ 85,924,323	880,672	1.02%
Operations	43,006,058	38,997,314	4,008,744	10.28%
Utilities	5,620,177	6,022,455	-402,278	-6.68%
Capital	327,186	453,284	-126,098	-27.82%
Appropriations	9,139,517	9,059,142	80,375	0.89%
Debt Service	8,698,328	9,480,021	-781,693	-8.25%
Transfers Out	2,975,207	3,186,220	-211,013	-6.62%
	<u>\$156,571,468</u>	<u>\$153,122,759</u>	<u>\$3,448,709</u>	2.25%

Personnel costs increased due to the County absorbing the increased cost of employee health insurance. Operational expenses increased due to increased expenditures surrounding COVID-19. Utilities decreased due to the transfer of the county's emergency radio towers to E911. Capital expenditures decreased based on needs. Appropriations remained relatively unchanged. Debt service decrease due to the October refunding of several debt issues. Transfer out decreased due to fiscal year 2021 requirements.

Subsequent Events

1. On October 6, 2020, the Commission issued the following debt:
 - Series 2020A Bonds in the amount of \$35,790,000 for the purpose of refunding the 2010 Series C Bonds
 - Series 2020B Warrants in the amount of \$7,580,000 for the purpose of refunding the County's General Obligation Build America Warrants Series 2010A (taxable) and the County's 2010B (taxable)
 - Series 2020C Warrants in the amount of \$22,800,000 for the purpose of advance refunding all or a portion of the County's General Improvement Warrants, Series 2012C and all or a portion of the County's General Obligation Improvement Warrants, Series 2015
 - Series 2020 Limited Obligation Warrants (GOMESA Projects) in the amount of \$28,090,000 for the purpose of financing projects under the Gulf of Mexico Energy Security Act. Debt service for the warrants will be paid annually out of the County's distribution of GOMESA funding.
2. On November 11, 2020, Mobile County swore in a new Commissioner representing District 3, Commissioner Randall Dueitt.

3. On February 1, 2021, the Commission issued the following debt:
 - Series 2018B Pay-As-You-Go Road, Bridge, and Drainage and Facilities Bonds in the amount of \$20,000,000. This was authorized under the 2018 Referendum.
 - Series 2020A Pay-As-You-Go Road, Bridge, and Drainage and Facilities Bonds in the amount of \$29,000,000. This was authorized under the 2020 Referendum.
4. On May 20, 2021, the Commission issued Series 2021 General Obligation Warrants in the amount of \$17,010,000 to provide for county-wide construction projects.
5. Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by Mobile County Commission will be impacted by this pandemic. Additionally, there exists the potential for an increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be difficult for Mobile County Commission to estimate the effect of the pandemic on its budgetary process for the upcoming fiscal year. Mobile County Commission anticipates that its financial operations will be impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time. Mobile County Commission does not anticipate any financial impact to create going-concern issues or financial instability in terms of adequate reserves or its ability to meet its obligations.

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 Director of Finance at 205 Government St., Mobile, Alabama 36644-1801, or call (251) 574-5588. You may also contact the County's Comptroller at (251) 574-4905.

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Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 117,533,612.00
Cash with Fiscal Agents	6,846,977.00
Investments	168,560,592.00
Receivables (Note 4)	8,297,619.00
Ad Valorem Property Taxes Receivable	75,918,484.00
Inventories	691,468.00
Prepaid Items	1,343,477.00
Capital Assets (Note 5):	
Nondepreciable	129,842,930.00
Depreciable, Net	321,336,736.00
Total Assets	<u>830,371,895.00</u>
Deferred Outflows of Resources	
Loss on Refunding of Debt	1,988,867.00
Employer Pension Contributions	6,614,954.00
Deferred Outflows Related to Net Pension Liability	9,082,858.00
Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	551,412.00
Total Deferred Outflows of Resources	<u>18,238,091.00</u>
Liabilities	
Payables (Note 8)	11,170,527.00
Unearned Revenues	9,868,155.00
Accrued Wages Payable	2,626,691.00
Employee Benefits Payable	879,474.00
Accrued Interest Payable	1,610,035.00
Long-Term Liabilities (Note 9):	
Portion Payable Within One Year:	
Worker's Compensation Claims Payable	258,811.00
Compensated Absences	4,756,461.00
Bonds/Warrants Payable	9,323,385.00
Less: Unamortized Discount	(73,447.00)
Plus: Unamortized Premium	1,029,192.00
Portion Payable After One Year:	
Worker's Compensation Claims Payable	3,382,118.00
Compensated Absences	3,466,365.00
Bonds/Warrants Payable	151,268,999.00
Less: Unamortized Discount	(1,080,120.00)
Plus: Unamortized Premium	12,934,623.00
Net Pension Liability	70,270,770.00
Other Postemployment Benefits (OPEB) Liability	39,484,601.00
Total Liabilities	<u>\$ 321,176,640.00</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	\$ 75,918,484.00
Revenue Received in Advance - Motor Vehicle Taxes	3,443,859.00
Deferred Inflows Related to Net Pension Liability	3,468,452.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	23,641,121.00
Total Deferred Inflows of Resources	<u>106,471,916.00</u>
<u>Net Position</u>	
Net Investment in Capital Assets	385,007,105.00
Restricted for:	
Debt Service	55,821,203.00
Road Projects	88,615,275.00
Other Purposes	2,468,606.00
Unrestricted	<u>(110,950,759.00)</u>
Total Net Position	<u>\$ 420,961,430.00</u>

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Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 76,556,485.00	\$ 20,885,601.00	\$ 7,746,497.00	\$	\$ (47,924,387.00)
Public Safety	72,767,435.00	256,125.00	17,171,396.00		(55,339,914.00)
Highways and Roads	37,823,481.00	489,751.00	9,683,524.00	2,600,115.00	(25,050,091.00)
Sanitation	6,491,648.00	156,363.00	7,753,675.00		1,418,390.00
Health	7,826,126.00	42,787.00	19,151.00		(7,764,188.00)
Welfare	3,384,957.00	15,615.00	2,661,915.00		(707,427.00)
Culture and Recreation	3,630,918.00	184,323.00	657,420.00		(2,789,175.00)
Education	3,837,800.00				(3,837,800.00)
Interest and Fiscal Charges	6,609,985.00				(6,609,985.00)
Total Governmental Activities	\$ 218,928,835.00	\$ 22,030,565.00	\$ 45,693,578.00	\$ 2,600,115.00	(148,604,577.00)

General Revenues:

Taxes:		
Property Taxes for General Purposes		30,089,551.00
Property Taxes for Specific Purposes		56,779,916.00
General Sales Tax		70,751,792.00
County Gasoline Sales Tax		352,081.00
Other County Sales and Use Taxes		10,278,858.00
Miscellaneous Taxes		2,554,934.00
Grants and Contributions Not Restricted for Specific Purposes		4,254,335.00
Investment Earnings		4,164,783.00
Miscellaneous		1,678,858.00
Gain on Sale of Capital Assets		120,248.00
Total General Revenues		181,025,356.00
Changes in Net Position		32,420,779.00
Net Position - Beginning of Year		388,540,651.00
Net Position - End of Year		\$ 420,961,430.00

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 42,063,244.00	\$ 2,170,661.00	\$ 497,760.00	\$ 72,801,947.00	\$ 117,533,612.00
Cash with Fiscal Agents	280.00		6,846,697.00		6,846,977.00
Investments	45,408,379.00	535,159.00	51,473,310.00	71,143,744.00	168,560,592.00
Receivables (Note 4)	725,051.00			7,572,568.00	8,297,619.00
Ad Valorem Property Taxes Receivable	42,191,986.00	7,466,498.00	26,260,000.00		75,918,484.00
Due from Other Funds	6,485,872.00	3,155.00		622,443.00	7,111,470.00
Inventories	191,688.00			499,780.00	691,468.00
Prepaid Items	1,297,347.00	40,000.00		6,130.00	1,343,477.00
Total Assets	138,363,847.00	10,215,473.00	85,077,767.00	152,646,612.00	386,303,699.00
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables (Note 8)	8,022,212.00	357,066.00		2,791,249.00	11,170,527.00
Due to Other Funds	44,830.00	18,387.00		7,048,253.00	7,111,470.00
Unearned Revenues	22,243.00	2,223,632.00		7,622,280.00	9,868,155.00
Accrued Wages Payable	2,512,585.00	109,425.00		4,681.00	2,626,691.00
Employee Benefits Payable	834,476.00	40,465.00		4,533.00	879,474.00
Worker's Compensation Claims Payable	258,811.00				258,811.00
Compensated Absences	16,289.00				16,289.00
Total Liabilities	11,711,446.00	2,748,975.00		17,470,996.00	31,931,417.00
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	42,191,986.00	7,466,498.00	26,260,000.00		75,918,484.00
Revenue Received in Advance - Motor Vehicle Taxes	2,057,330.00		1,386,529.00		3,443,859.00
Total Deferred Inflows of Resources	\$ 44,249,316.00	\$ 7,466,498.00	\$ 27,646,529.00	\$	\$ 79,362,343.00

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Inventories	\$ 191,688.00	\$	\$	\$ 499,780.00	\$ 691,468.00
Prepaid Items	1,297,347.00			6,130.00	1,303,477.00
Restricted for:					
Debt Service			57,431,238.00		57,431,238.00
Highways and Roads				88,615,275.00	88,615,275.00
Capital Projects				36,627,682.00	36,627,682.00
Other Purposes				2,468,606.00	2,468,606.00
Assigned to:					
Highways and Roads				5,584,660.00	5,584,660.00
Capital Projects				1,173,377.00	1,173,377.00
Other Purposes				200,106.00	200,106.00
Unassigned	80,914,050.00				80,914,050.00
Total Fund Balances	<u>82,403,085.00</u>		<u>57,431,238.00</u>	<u>135,175,616.00</u>	<u>275,009,939.00</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 138,363,847.00</u>	<u>\$ 10,215,473.00</u>	<u>\$ 85,077,767.00</u>	<u>\$ 152,646,612.00</u>	<u>\$ 386,303,699.00</u>

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 275,009,939.00

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	\$ 628,529,607.00	
Accumulated Depreciation is	<u>(177,349,941.00)</u>	451,179,666.00

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. 1,988,867.00

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

Deferred Outflows Related to Employer Pension Contributions	\$ 6,614,954.00	
Deferred Outflows Related to Net Pension Liability	9,082,858.00	
Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	551,412.00	
Deferred Inflows Related to Net Pension Liability	(3,468,452.00)	
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	<u>(23,641,121.00)</u>	(10,860,349.00)

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

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	\$ 9,323,385.00	\$ 151,268,999.00	
Unamortized Premium	1,029,192.00	12,934,623.00	
Unamortized Discounts	(73,447.00)	(1,080,120.00)	
Worker's Compensation		3,382,118.00	
Accrued Interest Payable	1,610,035.00		
Compensated Absences	4,740,172.00	3,466,365.00	
Net Pension Liability		70,270,770.00	
Other Postemployment Benefits (OPEB) Liability		39,484,601.00	
Total Long-Term Liabilities	<u>\$ 16,629,337.00</u>	<u>\$ 279,727,356.00</u>	<u>(296,356,693.00)</u>
Total Net Position - Governmental Activities (Exhibit 1)			<u><u>\$ 420,961,430.00</u></u>

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Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 123,814,692.00	\$ 7,262,703.00	\$ 31,953,139.00	\$ 7,776,602.00	\$ 170,807,136.00
Licenses and Permits	1,527,709.00			789,644.00	2,317,353.00
Intergovernmental	22,613,241.00		464,776.00	31,074,345.00	54,152,362.00
Charges for Services	17,419,116.00			693,792.00	18,112,908.00
Miscellaneous	2,819,410.00	48,461.00	1,091,210.00	1,880,526.00	5,839,607.00
Total Revenues	168,194,168.00	7,311,164.00	33,509,125.00	42,214,909.00	251,229,366.00
Expenditures					
Current:					
General Government	50,231,199.00	6,655,442.00		15,275,868.00	72,162,509.00
Public Safety	69,489,798.00			1,595,126.00	71,084,924.00
Highways and Roads	14,804,152.00			19,241,972.00	34,046,124.00
Sanitation	3,477,599.00			2,784,145.00	6,261,744.00
Health	869,875.00			6,956,251.00	7,826,126.00
Welfare	783,554.00			2,593,018.00	3,376,572.00
Culture and Recreation	2,731,400.00			657,421.00	3,388,821.00
Education	3,831,275.00				3,831,275.00
Capital Outlay	740,791.00	655,722.00		22,368,638.00	23,765,151.00
Debt Service:					
Principal	4,268,327.00		2,490,000.00		6,758,327.00
Interest and Fiscal Charges	4,568,705.00		2,934,149.00		7,502,854.00
Debt Issuance Costs	29,000.00				29,000.00
Total Expenditures	155,825,675.00	7,311,164.00	5,424,149.00	71,472,439.00	240,033,427.00
Excess (Deficiency) of Revenues Over/Under Expenditures	12,368,493.00		28,084,976.00	(29,257,530.00)	11,195,939.00
Other Financing Sources/Uses					
Transfers In			3,253,463.00	7,583,576.00	10,837,039.00
Sale of Capital Assets	27,550.00			96,400.00	123,950.00
Long-Term Debt Issued	5,011,000.00				5,011,000.00
Transfers Out	(7,504,867.00)			(3,332,172.00)	(10,837,039.00)
Total Other Financing Sources/Uses	(2,466,317.00)		3,253,463.00	4,347,804.00	5,134,950.00
Net Changes in Fund Balances	9,902,176.00		31,338,439.00	(24,909,726.00)	16,330,889.00
Fund Balances - Beginning of Year	72,500,909.00		26,092,799.00	160,085,342.00	258,679,050.00
Fund Balances - End of Year	\$ 82,403,085.00	\$	\$ 57,431,238.00	\$ 135,175,616.00	\$ 275,009,939.00

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

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, 2020

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 16,330,889.00

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 (\$23,765,151.00) exceeded depreciation (\$10,110,902.00) in the current period. 13,654,249.00

In the Statement of Activities, only the gain of \$120,248.00 on the sale/disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale/disposal (\$123,950.00) are reported. Thus the changes in net position differs from the change in fund balance by the costs of the assets sold. (3,702.00)

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. 6,758,327.00

The issuance of debt is reported as other financing sources in governmental funds and thus contributes to the change in fund balance. However, in the Statement of Net Position, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (5,011,000.00)

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	\$	(73,447.00)	
Amortization of Deferred Amounts on Refunding		(251,044.00)	
Amortization of Premiums on Debt Issued		1,029,192.00	
Total			704,701.00

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

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 Increase in Estimated Liability for Compensated Absences	\$	(328,921.00)	
Net Decrease in Estimated Liability for Worker's Compensation		840,288.00	
Net Decrease in Accrued Interest Payable		188,168.00	
Net Increase in Pension Expense		(2,107,719.00)	
Net Decrease in OPEB Expense		1,395,499.00	
Total Additional Expenditures			<u>(12,685.00)</u>

Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 32,420,779.00</u></u>
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Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 13,379,169.00	\$ 589,345.00
Total Assets	<u>13,379,169.00</u>	<u>589,345.00</u>
<u>Liabilities</u>		
Due to Individuals		<u>\$ 589,345.00</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>13,379,169.00</u>	
Total Net Position	<u>\$ 13,379,169.00</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, 2020***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Inmate Deposits	\$ 3,714,908.00
Fiduciary Deposits	253,298.00
Fees	1,046,062.00
Interest	3,969.00
Total Additions	<u>5,018,237.00</u>
<u>Deductions</u>	
Administrative Expenses	3,517,814.00
Payments to Beneficiaries	1,171,297.00
Distribution of Fees	1,046,062.00
Total Deductions	<u>5,735,173.00</u>
Changes in Net Position	(716,936.00)
Net Position - Beginning of Year	<u>14,096,105.00</u>
Net Position - End of Year	<u><u>\$ 13,379,169.00</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, 2020

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, 2020

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. The fund is also 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 self-insurance expenditures.
- ◆ **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, 2020

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, 2020

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, and certificates of deposit, which are reported at 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 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 by the Commission. 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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the government-wide 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 applicable premium or discount reported separately. 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, 2020

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, 2020

The *Code of Alabama 1975*, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

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. 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.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **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 the following five categories:

- A. Nonspendable fund balances include 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 of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items and long-term receivables.
- B. Restricted fund balances consist 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.
- C. Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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, 2020

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.

E. 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.

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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 (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

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 \$21,352,247.00 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

B. Cash with Fiscal Agent

As of September 30, 2020, the Commission's cash with fiscal agent was invested as follows:

Investment Type	Rating Agency	Rating	Maturities	Value
Money Market Funds:				
Regions Select Treasury Money Market	Standard & Poor's	AAAm	Unknown	\$ 280.00
Raymond James Money Market		Unrated	Unknown	6,846,697.00
Total				<u>\$6,846,977.00</u>

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, 2020, the Commission had the following investments and maturities:

Investments	Maturities	Fair Value
Bonds and Notes by Fund:		
General Fund	Less than 10 years	\$ 38,557,071.00
Special Highway Tax Fund	Less than 10 years	40,739,388.00
Other Governmental Funds	Less than 10 years	62,110,260.00
General Fund	More than 10 years	2,837,091.00
Special Highway Tax Fund	More than 10 years	2,538,562.00
Other Governmental Funds	More than 10 years	425,973.00
Total Bonds and Notes		<u>\$147,208,345.00</u>

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, 2020

As of September 30, 2020, 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:			
U. S. Treasury Securities	\$113,460,000.00	\$113,460,000.00	\$
Fixed Government Agency Securities	20,150,000.00		20,150,000.00
Fixed Certificates of Deposits	14,510,000.00		14,510,000.00
Mortgage-Backed Securities	4,410,000.00		4,410,000.00
Commercial Mortgage-Backed Securities	4,370,000.00		4,370,000.00
Collateralized Mortgage Obligations	5,580,000.00		5,580,000.00
Total Investment by Fair Value Level	\$162,480,000.00	\$113,460,000.00	\$

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 – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. Investments are rated from AA+ to Aaa. The Commission has a formal investment policy that addresses credit risk. To minimize credit risk, the Mobile County Commission’s policy limits investments in the types of securities that the Commission may invest in; requires financial institutions, brokers/dealers, intermediaries and advisers to be prequalified based on policies established by the Commission; and requires their investment portfolio be diversified so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Accounts	\$ 26,092.00	\$1,103,899.00	\$1,129,991.00
Intergovernmental	698,959.00	6,468,669.00	7,167,628.00
Total Receivables	<u>\$725,051.00</u>	<u>\$7,572,568.00</u>	<u>\$8,297,619.00</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, 2020, the various components of unearned revenue reported in the governmental funds were as follows:

<u>Governmental Funds:</u>	
Grant Funds Received Prior to Meeting Eligibility Requirements	\$7,644,523.00
Unexpended Reappraisal Funds	2,223,632.00
Total Unearned Revenue for Governmental Funds	<u>\$9,868,155.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,670,296.00	\$ 8,338,109.00	\$	\$ 61,008,405.00
Construction in Progress	4,622,795.00	1,860,811.00		6,483,606.00
Infrastructure in Progress	59,702,524.00	7,283,825.00	(4,635,430.00)	62,350,919.00
Total Capital Assets, Not Being Depreciated	116,995,615.00	17,482,745.00	(4,635,430.00)	129,842,930.00
Capital Assets Being Depreciated:				
Infrastructure	250,472,122.00	4,206,679.00		254,678,801.00
Buildings	179,399,378.00	192,096.00		179,591,474.00
Equipment and Furniture	22,218,738.00	956,625.00		23,175,363.00
Vehicles and Heavy Equipment	37,398,241.00	4,810,309.00	(967,511.00)	41,241,039.00
Total Capital Assets Being Depreciated	489,488,479.00	10,165,709.00	(967,511.00)	498,686,677.00
Less Accumulated Depreciation for:				
Infrastructure	(41,729,356.00)	(2,417,746.00)		(44,147,102.00)
Buildings	(81,180,503.00)	(3,641,778.00)		(84,822,281.00)
Equipment and Furniture	(14,566,034.00)	(1,708,301.00)		(16,274,335.00)
Vehicles and Heavy Equipment	(30,726,940.00)	(2,343,077.00)	963,794.00	(32,106,223.00)
Total Accumulated Depreciation	(168,202,833.00)	(10,110,902.00)	963,794.00	(177,349,941.00)
Total Capital Assets Being Depreciated, Net	321,285,646.00	54,807.00	(3,717.00)	321,336,736.00
Total Governmental Activities Capital Assets, Net	\$ 438,281,261.00	\$ 17,537,552.00	\$(4,639,147.00)	\$ 451,179,666.00
(*) The additions and retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of \$3,883,303.00.				

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 4,164,123.00
Public Safety	1,682,511.00
Highways and Roads	3,777,357.00
Sanitation	229,904.00
Welfare	8,385.00
Culture and Recreation	242,097.00
Education	6,525.00
Total Depreciation Expense – Governmental Activities	\$10,110,902.00

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent 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 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, 2020

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	98
Total	93,986

The County membership includes approximately 2,641 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	910
Vested inactive members	38
Non-vested inactive members	154
Active Members	1,535
Post-DROP participants who are still in active service	4
Total	2,641

Contributions

Tier 1 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020, the Mobile County Commission's active employee contribution rate was 5.18% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 8.34% of covered employee payroll.

The Mobile County Commission's contractually required contribution rate for the year ended September 30, 2020 was 10.54% of pensionable pay for Tier 1 employees, and 7.77% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$6,615,000 for the year ended September 30, 2020.

Notes to the Financial Statements
For the Year Ended September 30, 2020

B. Net Pension Liability

The Mobile County Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$260,193,174	\$261,726,132
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2018 - September 30, 2019	5,258,541	5,258,541
(d) Transfers Among Employers		1,215,990
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	(17,641,395)	(17,641,395)
(f) Total Pension Liability as of September 30, 2019 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$267,166,001	\$270,032,987
(g) Difference between Expected and Actual		\$ 2,866,986
(h) Less Liability Transferred for Immediate Recognition		1,215,990
(i) Experience (Gain)/Loss = (g) - (h)		\$ 1,650,996

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, 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 (*)	7.70%
(*) Net of pension plan investment expense, including inflation	

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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 2.75%.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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.

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, 2018	\$260,193,174	\$201,497,558	\$58,695,616
Changes for the Year:			
Service Cost	5,258,541		5,258,541
Interest	19,355,681		19,355,681
Differences Between Expected and Actual Experience	1,650,996		1,650,996
Contributions – Employer		6,053,778	(6,053,778)
Contributions – Employee		3,549,805	(3,549,805)
Net Investment Income		5,086,481	(5,086,481)
Benefit Payments, including Refunds of Employee Contributions	(17,641,395)	(17,641,395)	
Transfers among Employers	1,215,990	1,215,990	
Net Changes	9,839,813	(1,735,341)	11,575,154
Balances at September 30, 2019	\$270,032,987	\$199,762,217	\$70,270,770

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

The following table presents the Commission’s net pension liability calculated using the discount rate of 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission’s Net Pension Liability	\$98,767,040	\$70,270,770	\$46,015,475

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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

For the year ended September 30, 2020, the Mobile County Commission recognized pension expense of \$8,504,034. At September 30, 2020, 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	\$ 3,826,891	\$3,468,452
Changes of assumptions	3,031,254	
Net difference between projected and actual earnings on pension plan investments	2,224,713	
Employer contributions subsequent to the measurement date	6,615,000	
Total	\$15,697,858	\$3,468,452

The \$6,615,000 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other 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, 2021	\$ 707,562
2022	\$1,238,949
2023	\$1,579,040
2024	\$1,938,764
2025	\$ 150,091
Thereafter	\$ 0

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Mobile County Commission (the “Commission”) provides certain continuing health care and life insurance benefits for its retired employees. The Mobile County Commission’s OPEB Plan (the “OPEB Plan”) is a single-employer defined benefit OPEB plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, ***Postemployment Benefits Other Than Pensions – Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit.***

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013, (called “Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	489
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	1,498
Total	<u>1,987</u>

Total OPEB Liability

The Commission’s total OPEB liability of \$39,484,601 as of the reporting date of September 30, 2020 was measured as of September 30, 2019 and was determined by an actuarial valuation as of October 1, 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Cost-of-Living Increases	Assumed to increase in accordance with the healthcare cost trend rates
Salary Increases	3.00%, including inflation
Discount Rate	3.58% annually
Healthcare Cost Trend Rates	4.00% for each fiscal year

The discount rate was based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Mortality rates were based on the sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, will full generational improvements in mortality using Scale MP-2017.

Changes in the Total OPEB Liability

Balance at September 30, 2018	\$ 50,254,066
Changes for the Year:	
Service Cost	1,883,062
Expected Interest Growth	1,869,794
Unexpected Investment Growth	(3,950)
Demographic Experience	(14,350,064)
Benefit Payments and Refunds	(824,153)
Assumption Changes	655,846
Net Changes	<u>(10,769,465)</u>
Balance at September 30, 2019	<u>\$ 39,484,601</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current discount rate:

	1.0% Decrease (2.58%)	Current Discount Rate (3.58%)	1.0% Increase (4.58%)
Total OPEB liability	\$44,652,125	\$39,484,601	\$35,226,904

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (3.00%) or 1-percentage point higher (5.00%) than the current healthcare trend rates:

	1.0% Decrease (3.00%)	Current Trend (4.00%)	1.0% Increase (5.00%)
Total OPEB liability	\$36,770,806	\$39,484,601	\$42,551,142

Notes to the Financial Statements
For the Year Ended September 30, 2020

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Commission recognized OPEB income of \$2,189,998. At September 30, 2020, the deferred outflows and deferred inflows reported on the Commission's balance sheet are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2018	\$	\$14,510,242
Change due to:		
Amortization Payments	(104,434)	(5,223,135)
Investment Gain/Loss		3,950
Demographic Gain/Loss		14,350,064
Assumption Changes	655,846	
Total Change	551,412	9,130,879
Balance as of September 30, 2019	\$ 551,412	\$23,641,121

Note 8 – Payables

On September 30, 2020, 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	\$3,785,577.00	\$357,066.00	\$2,122,257.00	\$ 6,264,900.00
Other Payables	300.00			300.00
Intergovernmental	464,756.00		668,992.00	1,133,748.00
Health Insurance Pool	121,598.00			121,598.00
Automobile Liability Claims	184,314.00			184,314.00
General Liability	3,465,667.00			3,465,667.00
Total Payables	\$8,022,212.00	\$357,066.00	\$2,791,249.00	\$11,170,527.00

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 9 – Long-Term Debt

Mobile County has outstanding general obligation bonds and warrants totaling \$173,402,633. All of the County's outstanding bonds and warrants were sold in public offerings. The County does not have any outstanding debt obligations which have been privately placed with banks or other lenders. The County does not have any unused lines of credit.

Of the total general obligation indebtedness, \$62,585,000 is in the form of bonds issued under and payable from the proceeds of a special property tax levied under a constitutional provision. Other than the source of payment the terms of the bonds are substantially identical to the terms of other general obligation debt.

The County's full faith and credit have been irrevocably pledged towards its bond and warrant obligations.

The extent of the remedies afforded the holders of the County's bonds and warrants are subject to the provisions of existing Alabama law exempting from levy and sale under any process, judgement or decree all property (real or personal) belonging to counties in Alabama and used for public purposes.

Rights of the holders of the County's bonds and warrants and the enforceability thereof may also be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases, including the law imposed requirement that the County may pay, prior to debt service on its obligations, the expenses of providing necessary and appropriate governmental services.

The remedies available to the Bank and the owners of the County's bonds and warrants are in many respects dependent upon regulatory and judicial actions and enforcement thereof may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity applicable to the availability of specific performance. Under existing law and judicial decisions, the remedies provided for under the Authorizing Resolution may not be readily available, may be limited, or may be substantially delayed in the event of litigation or statutory remedy procedures.

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, 2020

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 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 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 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The General Obligation Improvement Warrants, Series 2017, dated December 27, 2017, were issued for the purposes of funding the cost of various capital improvements in the County's capital improvement plan, including renovations and improvements to the County Metro Jail and improvements to parks and other facilities. A portion of the remaining proceeds of the Series 2017 Warrants will refund certain maturities of the County's outstanding General Obligation Improvement Warrants, Series 2012C, and paying the expenses of issuing the Series 2017 Warrants.

The General Obligation Improvement Warrants, Series 2019, dated March 27, 2019, were issued for the purposes of funding the cost of various capital improvements and paying the expenses of issuing the Series 2019 Warrants.

The General Obligation Warrants, Series 2019B, dated November 21, 2019, were issued for the purposes of providing funds for the purchase of equipment for use by the county and paying expenses for the 2019B General Obligation Warrants. Per the terms and conditions of the agreement, if at any time (i) the County is in default in its obligations to pay the principal hereof or interest hereon as and when due or (ii) upon the occurrence of an Act of Insolvency, and during the time such default continues, this Warrant shall bear interest at a rate per annum equal to the rate of interest otherwise applicable plus 3.0%. For purposes hereof "Act of Insolvency" shall mean the appointment of a receiver liquidator or trustee of the County or any of its assets; or a general assignment by the County for the benefit of the creditors thereof; or the commencement of proceedings by the County, or against the County and not dismissed or unstayed for a period of 60 days, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or any jurisdiction, now or hereafter in effect.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants and Notes Payable:					
General Obligation Warrants	\$162,339,711.00	\$5,011,000.00	\$ (6,758,327.00)	\$160,592,384.00	\$ 9,323,385.00
Unamortized Amounts:					
Less: Unamortized Discount	(1,227,013.00)		73,447.00	(1,153,566.00)	(73,447.00)
Add: Unamortized Premium	14,993,007.00		(1,029,192.00)	13,963,815.00	1,029,192.00
Total Bonds/Warrants and Notes Payable	176,105,705.00	5,011,000.00	(7,714,073.00)	173,402,632.00	10,279,130.00
Other Liabilities:					
Compensated Absences	7,902,745.00	320,081.00		8,222,826.00	4,756,461.00
Worker's Compensation	4,537,466.00		(896,537.00)	3,640,929.00	258,811.00
Other Postemployment Benefits	50,254,066.00		(10,769,465.00)	39,484,601.00	
Net Pension Liability	58,695,616.00		11,575,154.00	70,270,770.00	
Total Other Liabilities	121,389,893.00	320,081.00	(90,848.00)	121,619,126.00	5,015,272.00
Total Governmental Activities Long-Term Liabilities	\$297,495,598.00	\$5,331,081.00	\$ (7,804,921.00)	\$295,021,758.00	\$15,294,402.00

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, 2020

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, 2021	\$ 9,323,384.00	\$ 7,290,610.00	\$ 16,613,994.00
2022	8,652,000.00	6,970,334.00	15,622,334.00
2023	8,933,000.00	6,609,561.00	15,542,561.00
2024	9,309,000.00	6,231,506.00	15,540,506.00
2025	7,605,000.00	5,850,965.00	13,455,965.00
2026-2030	46,455,000.00	23,176,579.00	69,631,579.00
2031-2035	48,060,000.00	11,531,450.00	59,591,450.00
2036-2040	22,255,000.00	2,033,925.00	24,288,925.00
Total	<u>\$160,592,384.00</u>	<u>\$69,694,930.00</u>	<u>\$230,287,314.00</u>

Discounts and Premiums

The Commission has a premium in connection with the issuance of its Series 2019 General Obligation Improvement Warrants. The premium is being amortized using the straight-line method over a period of twenty-one years.

The Commission has a premium in connection with the issuance of its Series 2017 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 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 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-C General Obligation Warrants. The premium is being amortized using the straight-line method over a period of fifteen years.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

	Discount	Premium
Total Discount and Premium	\$1,961,481.00	\$21,658,778.00
Amount Amortized Prior Years	734,468.00	6,665,771.00
Balance Discount and Premium	1,227,013.00	14,993,007.00
Current Amount Amortized	73,447.00	1,029,192.00
Balance Discount and Premium	\$1,153,566.00	\$13,963,815.00

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, 2020, the total of \$14,920,000.00 of general obligation warrants outstanding are considered defeased.

Note 10 – 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 \$350,000 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. Effective December 31, 2019, coverage is provided up to \$350,000 per claim with \$10,000,000 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, 2020

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 \$350,000 per claim with \$5,000,000 aggregate limit for automobile liability. Effective December 31, 2019, coverage is provided up to \$500,000 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 Plan (LGHIP). 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 11 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2020, were as follows:

	Due From Other Funds			Totals
	General Fund	Reappraisal Fund	Other Governmental Funds	
Due To Other Funds:				
General Fund	\$	\$3,155.00	\$ 41,675.00	\$ 44,830.00
Reappraisal Fund	18,387.00			18,387.00
Other Governmental Funds	6,467,485.00		580,768.00	7,048,253.00
Totals	\$6,485,872.00	\$3,155.00	\$622,443.00	\$7,111,470.00

Notes to the Financial Statements
For the Year Ended September 30, 2020

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
Transfer In:			
Special Highway Tax Fund	\$	\$3,253,463.00	\$ 3,253,463.00
Other Governmental Funds	7,504,867.00	78,709.00	7,583,576.00
Totals	\$7,504,867.00	\$3,332,172.00	\$10,837,039.00

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 12 – 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, 2020

Note 13 – Construction and Other Significant Commitments

As of September 30, 2020, the Commission was obligated for the remaining amounts unpaid under the following construction contracts:

ADA Upgrades at Various Buildings	\$ 902,992.00
Renovations to the Davis Avenue Library	286,649.00
Elevator Maintenance and Service for Mobile County Facilities	1,908,156.00
Odd Fellows Festival Park Improvements and ADA Upgrades in Grand Bay	456,627.00
Three Year Floor Covering Replacement/Installation at Mobile County Facilities	11,750.00
Isolation Kennel Building for the Mobile County Animal Shelter	851,581.00
New Fire Alarm Upgrades at Various Mobile County Facilities	
Renovation and ADA Upgrades of Clayton Park	511,349.00
Addition to the Mobile County Metro Jail	13,426,934.00
Semmes Senior Center Addition	13,746.00
Detention Lock Inspection and Cleaning	136,198.00
Metro Jail Lock Upgrades Phase 3	132,037.00
Repairs to Strickland Youth Center Gymnasium Floor	1,206.00
Africatown Heritage House	1,303,000.00
Government Plaza Window Cleaning and Sealant Maintenance	448,146.00
Various Small Projects for Government Plaza	19,120.00
Total	<u>\$20,409,491.00</u>

Note 14 – Subsequent Events

On October 6, 2020, the Commission approved the issuance of \$28,090,000.00 of Limited Obligation Warrants (GOMESA Projects), Series 2020 to provide for the: (i) funding the GOMESA Projects; (ii) financing capitalized interest on the Warrants; and (iii) paying the costs of issuance of the Warrants.

On October 13, 2020, the Commission approved the issuance of \$35,790,000.00 of General Obligation Refunding Warrants Series 2020A to provide for the purchase of equipment to be used throughout the County and the cost of issuance.

On October 13, 2020, the Commission approved the issuance of \$7,580,000.00 of General Obligation Build America Warrants Series 2020B to provide for the purchase of equipment to be used throughout the County and the cost of issuance.

On October 13, 2020, the Commission approved the issuance of \$22,800,000.00 of General Obligation Improvement Warrants Series 2020C to provide for the purchase of equipment to be used throughout the County and the cost of issuance.

Notes to the Financial Statements
For the Year Ended September 30, 2020

On February 8, 2021, the Commission approved the issuance of \$20,000,000.00 of Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds Series 2018B.

On February 8, 2021, the Commission approved the issuance of \$29,000,000.00 of Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds Series 2020A.

On May 20, 2021, the Commission approved the issuance of \$17,010,000.00 of General Obligation Warrants Series 2021 to provide for county-wide construction projects and the cost of issuance.

Note 15 – Tax Abatements

The Mobile County Commission is subject to tax abatements granted by the Industrial Development Board of the City of Mobile, Alabama. These governments entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama*, Section 40-9B-(1-13). Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Mobile County. These programs have the stated purpose of increasing business activity and employment in the County.

For fiscal year ended September 30, 2020, total property taxes abated were \$9,322,537.00 as follows:

Granting Jurisdiction	Type	Property Tax
Industrial Development Board of the City of Mobile	Steel Processing	\$7,275,760.00
Industrial Development Board of the City of Mobile	Port & Integrated Inland Service Networks	171,930.00
Industrial Development Board of the City of Mobile	Specialty Chemicals	55,986.00
Industrial Development Board of the City of Mobile	Aircraft Motor Manufacturing	2,378.00
Industrial Development Board of the City of Mobile	Paper Product Distributor	66,834.00
Industrial Development Board of the City of Mobile	Laboratory Cold Storage	10,054.00
Industrial Development Board of the City of Mobile	Textile Manufacturer	35,303.00
Industrial Development Board of the City of Mobile	Manufacture Pipelines and Catenary	37,917.00
Industrial Development Board of the City of Mobile	Manufacture Flat-Rolled Steel & Steel Fabrication	311,236.00
Industrial Development Board of the City of Mobile	Agriculture Products	460,633.00
Industrial Development Board of the City of Mobile	Jetliner Manufacturer	252,945.00
Industrial Development Board of the City of Mobile	Welding Company	1,060.00
Industrial Development Board of the City of Mobile	Spiral Steel Tube Manufacturer	69,492.00
Industrial Development Board of the City of Mobile	Distribution Center	550,828.00
Industrial Development Board of the City of Mobile	Fulfillment Center	16,648.00
Industrial Development Board of the City of Mobile	Real Estate Developer	3,533.00
Total County Abated Taxes		<u>\$9,322,537.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

The following tax abatements exceeded 10 percent of the total amount abated:

- ◆ A 67 percent property tax abatement to a steel processing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$7,275,760.00.

Industrial Development Board of the City of Mobile also granted sales tax abatements in the amount of \$357,877.00. This amount is attributed to numerous abatements granted to businesses within the county.

Required Supplementary Information

***Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020***

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 5,258,541	\$ 5,093,407	\$ 5,186,720	\$ 5,009,574	\$ 4,778,134	\$ 5,011,299
Interest	19,355,681	19,218,927	18,355,453	17,684,340	17,357,467	16,775,274
Difference between expected and actual experience	1,650,996	(4,944,484)	4,373,697	1,493,494	(3,188,431)	
Changes of assumptions		1,261,013		7,445,547		
Benefit payments, including refunds of employee contributions	(17,641,395)	(16,750,614)	(17,271,975)	(14,828,567)	(14,893,952)	(14,124,377)
Transfers among employers	1,215,990	(46,543)	237,027	207,628		
Net change in total pension liability	9,839,813	3,831,706	10,880,922	17,012,016	4,053,218	7,662,196
Total pension liability - beginning	260,193,174	256,361,468	245,480,546	228,468,530	224,415,312	216,753,116
Total pension liability - ending (a)	\$ 270,032,987	\$ 260,193,174	\$ 256,361,468	\$ 245,480,546	\$ 228,468,530	\$ 224,415,312
Plan fiduciary net position						
Contributions - employer	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 5,557,273	\$ 5,732,134
Contributions - employee	3,549,805	3,622,035	3,279,680	3,353,801	3,062,045	2,982,538
Net investment income	5,086,481	17,382,071	22,170,982	16,599,516	1,980,229	18,520,541
Benefit payments, including refunds of employee contributions	(17,641,395)	(16,750,614)	(17,271,975)	(14,828,567)	(14,893,952)	(14,124,377)
Other (Transfers among employers)	1,215,990	(46,543)	237,027	207,628	(262,359)	(290,505)
Net change in plan fiduciary net position	(1,735,341)	9,976,117	14,559,916	11,335,425	(4,556,764)	12,820,331
Plan fiduciary net position - beginning	201,497,558	191,521,441	176,961,525	165,626,100	170,182,864	157,362,533
Plan fiduciary net position - ending (b)	\$ 199,762,217	\$ 201,497,558	\$ 191,521,441	\$ 176,961,525	\$ 165,626,100	\$ 170,182,864
Net pension liability (asset) - ending (a) - (b)	\$ 70,270,770	\$ 58,695,616	\$ 64,840,027	\$ 68,519,021	\$ 62,842,430	\$ 54,232,448
Plan fiduciary net position as a percentage of the total pension liability	73.98%	77.44%	74.71%	72.09%	72.49%	75.83%
Covered payroll (*)	\$ 74,167,519	\$ 72,709,580	\$ 71,419,053	\$ 64,775,709	\$ 65,145,725	\$ 63,771,767
Commission's net pension liability (asset) as a percentage of covered payroll	94.75%	80.73%	90.79%	105.78%	96.46%	85.04%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

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 - Pension
For the Year Ended September 30, 2020

	2020	2019	2019	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 6,615,000	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 1,515,594	\$ 1,463,836
Contributions in relation to the actuarially determined contribution (*)	\$ 6,615,000	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 1,515,594	\$ 1,463,836
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 79,319,314	\$ 74,167,519	\$ 72,709,580	\$ 71,419,053	\$ 64,775,709	\$ 26,549,073	\$ 23,806,739
Contributions as a percentage of covered payroll	8.34%	8.16%	7.93%	8.60%	9.27%	5.71%	6.15%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.6 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, 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.

***Schedule of Changes in the Employer's
Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2020***

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,883,062	\$ 2,346,653	\$ 2,203,398
Expected Interest Growth	1,869,794	2,413,569	2,108,224
Unexpected Investment Income	(3,950)	(197)	
Demographic Experience	(14,350,064)	(9,512,312)	
Employer Contributions		(500,000)	
Benefit Payments and Refunds	(824,153)	(1,028,420)	(1,131,640)
Assumption Changes	655,846	(7,935,036)	
Net change in total OPEB liability	(10,769,465)	(14,215,743)	3,179,982
Total OPEB Liability - Beginning	50,254,066	64,469,809	61,289,827
Total OPEB Liability - Ending	<u>\$ 39,484,601</u>	<u>\$ 50,254,066</u>	<u>\$ 64,469,809</u>
Covered-employee payroll	\$ 58,563,567	\$ 55,299,727	\$ 49,479,393
Employer's total OPEB liability as a percentage of covered-employee payroll	67.42%	90.88%	130.30%

Notes to Schedule

Benefit Changes There were no changes of benefit terms for the year ended September 30, 2020.

Changes in assumptions Since the prior measurement date, the discount was decreased from 3.64% per annum to 3.58% per annum.

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 -
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020***

	2020 (*)	2019	2018 (*)
Actuarially determined contribution	\$	\$ 500,000	\$
Contributions in relation to the actuarially determined contribution	\$	\$ 500,000	\$
Contribution deficiency (excess)	\$	\$	\$
Covered-employee payroll	\$ 58,563,567	\$ 55,299,727	\$ 49,479,393
Contributions as a percentage of covered-employee payroll	0.00%	0.90%	0.00%

(*) Per Actuary Report, there were no actuarial determined contributions. Additionally, there are no minimum required employer contributions other than the premium charged to the employer by the LGHIP.

Notes to Schedule

Valuation date: October 1, 2018

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Asset Valuation Method	N/A
Inflation	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare Cost Trend Rates	Increases in healthcare costs are assumed to be 4.00% for each fiscal year.
Salary Increases	3.00% per annum
Discount Rate	3.58% per annum
Retirement Age	For employees hired prior to 2013, the earlier of 25 years of service at any age or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are assumed to retire at the later of age 70 and attainment of 10 years of service.
Mortality	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2017.

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 98,083,708.00	\$ 98,083,708.00	\$ 106,257,465.00	(1)	\$ 17,557,227.00	\$ 123,814,692.00
Licenses and Permits	1,683,968.00	1,683,968.00	1,527,709.00			1,527,709.00
Intergovernmental	22,479,293.00	22,479,293.00	22,273,085.00	(1)	340,156.00	22,613,241.00
Charges for Services	17,010,791.00	17,010,791.00	17,243,999.00	(1)	175,117.00	17,419,116.00
Miscellaneous	2,949,490.00	2,949,490.00	2,819,410.00			2,819,410.00
Total Revenues	142,207,250.00	142,207,250.00	150,121,668.00		18,072,500.00	168,194,168.00
Expenditures						
Current:						
General Government	53,469,309.00	56,342,978.70	50,231,199.00			50,231,199.00
Public Safety	75,028,687.00	75,459,566.00	69,489,798.00			69,489,798.00
Highways and Roads				(2)	(14,804,152.00)	14,804,152.00
Sanitation	4,148,728.00	4,165,664.00	3,464,683.00	(2)	(12,916.00)	3,477,599.00
Health	869,875.00	869,875.00	869,875.00			869,875.00
Welfare	783,554.00	783,554.00	783,554.00			783,554.00
Culture and Recreation	2,841,084.00	2,823,302.00	2,731,400.00			2,731,400.00
Education	2,861,997.00	4,689,010.00	3,831,275.00			3,831,275.00
Capital Outlay	453,284.00	1,116,176.30	740,791.00			740,791.00
Debt Service:						
Principal Retirement	4,768,327.00	4,768,327.00	4,268,327.00			4,268,327.00
Interest and Fiscal Charges	4,676,694.00	4,676,694.00	4,568,705.00			4,568,705.00
Debt Issuance Costs	35,000.00	35,000.00	29,000.00			29,000.00
Total Expenditures	149,936,539.00	155,730,147.00	141,008,607.00		(14,817,068.00)	155,825,675.00
Excess (Deficiency) of Revenues Over Expenditures	(7,729,289.00)	(13,522,897.00)	9,113,061.00		3,255,432.00	12,368,493.00
Other Financing Sources (Uses)						
Sale of Capital Assets			27,550.00			27,550.00
Long-Term Debt Issued			5,011,000.00			5,011,000.00
Transfers Out	(3,186,220.00)	(3,186,220.00)	(7,504,867.00)			(7,504,867.00)
Total Other Financing Sources (Uses)	(3,186,220.00)	(3,186,220.00)	(2,466,317.00)			(2,466,317.00)
Net Change in Fund Balances	(10,915,509.00)	(16,709,117.00)	6,646,744.00		3,255,432.00	9,902,176.00
Fund Balances - Beginning of Year	10,915,509.00	16,709,117.00	63,193,501.00	(3)	9,307,408.00	72,500,909.00
Fund Balances - End of Year	\$	\$	\$ 69,840,245.00		\$ 12,562,840.00	\$ 82,403,085.00

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

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	\$ 18,064,170.00	
Special Events Fund	<u>8,330.00</u>	\$ 18,072,500.00
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$ 14,804,152.00	
Special Events Fund	<u>12,916.00</u>	<u>(14,817,068.00)</u>
Net Change in Fund Balance - Budget to GAAP		<u>\$ 3,255,432.00</u>

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$	\$	\$ 7,262,703.00	\$	\$ 7,262,703.00
Intergovernmental	8,833,790.00	9,090,890.00			
Miscellaneous	75,000.00	75,000.00	48,461.00		48,461.00
Total Revenues	8,908,790.00	9,165,890.00	7,311,164.00		7,311,164.00
Expenditures					
Current:					
General Government	8,021,790.00	8,275,140.00	6,655,442.00		6,655,442.00
Capital Outlay	887,000.00	890,750.00	655,722.00		655,722.00
Total Expenditures	8,908,790.00	9,165,890.00	7,311,164.00		7,311,164.00
Excess (Deficiency) of Revenues Over Expenditures					
Other Financing Sources (Uses)					
Transfers In					
Sale of Capital Assets					
Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Expenditures
<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	\$	\$ 46,274.88
National School Lunch Program:				
Cash Assistance	10.555	N/A		74,297.70
Non-Cash Assistance (Commodities)	10.555	N/A		6,393.27
Sub-Total National School Lunch Program				<u>80,690.97</u>
Total Child Nutrition Program				<u>126,965.85</u>
Total U. S. Department of Agriculture				<u>126,965.85</u>
<u>U. S. Department of Housing and Urban Development</u>				
<u>Direct Program</u>				
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-01-0002		
Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-01-0002		
Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-01-0002		90,816.67
Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-01-0002		3,938.98
Community Development Block Grants/Entitlement Grants	14.218	B-16-UC-01-0002	55,994.45	75,767.52
Community Development Block Grants/Entitlement Grants	14.218	B-17-UC-01-0002	67,588.99	320,061.39
Community Development Block Grants/Entitlement Grants	14.218	B-18-UC-01-0002	330,961.10	563,955.36
Community Development Block Grants/Entitlement Grants	14.218	B-19-UC-01-0002	182,443.36	544,001.72
Community Development Block Grants/Entitlement Grants	14.218	B-20-UC-01-0003	5,480.01	8,072.75
Sub-Total Community Development Block Grants/Entitlement Grants			642,467.91	<u>1,606,614.39</u>
Home Investment Partnerships Program	14.239	M-15-UC-01-0206		42,872.78
Home Investment Partnerships Program	14.239	M-16-UC-01-0206		69,150.00
Home Investment Partnerships Program	14.239	M-17-UC-01-0206		86,505.56
Home Investment Partnerships Program	14.239	M-18-UC-01-0206		111.66
Home Investment Partnerships Program	14.239	M-19-UC-01-0206		53,683.00
Sub-Total Home Investment Partnerships Program				<u>252,323.00</u>
Total U. S. Department of Housing and Urban Development			642,467.91	<u>1,858,937.39</u>
Sub-Total Forward			\$ 642,467.91	\$ 1,985,903.24

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 642,467.91	\$ 1,985,903.24
<u>U. S. Department of Interior</u>				
<u>Direct Programs</u>				
Payments in Lieu of Taxes	15.226	N/A		24,325.00
Gulf of Mexico Energy Security Act	15.435	N/A		6,759,718.30
National Wildlife Refuge Fund	15.659	N/A		5,320.00
National Fish and Wildlife Foundation	15.663	MBNEP-NFWF-NRDA-62871		386,081.46
National Fish and Wildlife Foundation	15.663	57972		569,332.32
Sub-Total National Fish and Wildlife Foundation				<u>955,413.78</u>
Total U. S. Department of Interior				<u>7,744,777.08</u>
<u>U. S. Department of Justice</u>				
<u>Direct Program</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0433		154,716.77
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0736		62,512.04
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0779		170,944.92
Sub-Total Edward Byrne Memorial Justice Assistance Grant Program				<u>388,173.73</u>
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0663		21,261.87
Bulletproof Vest Partnership Program	16.607	N/A		18,852.72
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Violence Against Women Formula Grant	16.588	18-WF-PR-005		18,026.09
Violence Against Women Formula Grant	16.588	19-WF-PR-005		38,555.47
Sub-Total Violence Against Women Formula Grant				<u>56,581.56</u>
Total U. S. Department of Justice				<u>484,869.88</u>
Sub-Total Forward			\$ 642,467.91	\$ 10,215,550.20

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 642,467.91	\$ 10,215,550.20
<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		3,195.11
Airport Improvement Program	20.106	3-01-0023-016-2020		59,823.61
Sub-Total Airport Improvement Program				63,018.72
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Recreational Trails Program	20.219	17-RT-54-10		45,262.53
Highway Safety Cluster:				
State and Community Highway Safety	20.600	20-FP-PT-004	282,278.85	359,256.86
State and Community Highway Safety	20.600	20-FP-CP-004		134,083.88
State and Community Highway Safety	20.600	20-FP-PT-008	24,312.05	33,079.49
Sub-Total State and Community Highway Safety			306,590.90	526,420.23
National Priority Safety Programs	20.616	20-ID-M5-004	57,539.37	107,980.83
National Priority Safety Programs	20.616	20-ID-M5-008	34,368.90	49,519.61
Sub-Total National Priority Safety Programs			91,908.27	157,500.44
Total Highway Safety Cluster			398,499.17	683,920.67
Total U. S. Department of Transportation			398,499.17	792,201.92
Sub-Total Forward			\$ 1,040,967.08	\$ 11,007,752.12

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 1,040,967.08	\$ 11,007,752.12
<u>U. S. Department of Treasury</u>				
<u>Direct Program</u>				
Equitable Sharing Program	21.016	N/A		273,588.36
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>				
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	RST M1A02-BLBD		27,248.00
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	RST M1A03-WDSU		632.81
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	RST M1A04-SWSP		9,788.81
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	RST M1A05-MVWT		285.41
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	RST M1A06-MCBT		292.07
Sub-Total of Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States				<u>38,247.10</u>
<u>Passed Through Alabama Department of Finance</u>				
Coronavirus Relief Fund	21.019	N/A		<u>6,339,665.38</u>
Total U. S. Department of Treasury				<u>6,651,500.84</u>
<u>Gulf Coast Ecosystem Restoration Council</u>				
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>				
Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	87.052	RST S1P09-BLBE		295.57
<u>U. S. Election Assistance Commission</u>				
<u>Passed Through Alabama Secretary of State</u>				
2020 Supplemental COVID-19 Election Security Grants	90.404	N/A		<u>400,439.64</u>
Sub-Total Forward			\$ 1,040,967.08	\$ 18,059,988.17

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 1,040,967.08	\$ 18,059,988.17
<u>Corporation for National and Community Service</u>				
<u>Direct Programs</u>				
Retired and Senior Volunteer Program	94.002	18SRSAL004	68,756.00	68,756.00
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparent Program	94.011	18SFSAL006	382,663.95	382,663.95
Senior Companion Program	94.016	17SCSAL001	351,558.24	351,558.24
Sub-Total Foster Grandparent/Senior Companion Cluster			<u>734,222.19</u>	<u>734,222.19</u>
Total Corporation for National and Community Service			<u>802,978.19</u>	<u>802,978.19</u>
<u>U. S. Department of Homeland Security</u>				
<u>Passed Through Alabama Department of Homeland Security</u>				
Homeland Security Grant	97.067	8OSF		205,956.62
Homeland Security Grant	97.067	9OSF		96,897.86
Sub-Total Homeland Security Grant				<u>302,854.48</u>
Total U. S. Department of Homeland Security				<u>302,854.48</u>
Total Expenditures of Federal Awards			<u>\$ 1,843,945.27</u>	<u>\$ 19,165,820.84</u>

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.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2020***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Mobile County Commission under programs of the federal government for the year ended September 30, 2020. 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 or changes in net position 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 not elected to use the 10-percent de minimis indirect cost rate as allowed by the *Uniform Guidance*.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members

Term Expires

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

Administrative Personnel

Mr. Glenn L. Hodge	County Administrator
Mr. Eddie Kerr	Deputy County Administrator
Ms. 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, County Administrator,
Deputy County Administrator and Director of Finance
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, 2020, 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 September 17, 2021.

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) as a basis for designing 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.

***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***

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.

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 financial statements. 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***. However, we noted a certain matter that we have reported to the management of the Commission in the Schedule of State and Local Compliance and Other Findings.

The Commission's Response to the Finding

The Commission's response to the finding identified in our audit on the Schedule of State and Local Compliance and Other Findings is described in the accompanying Auditee Response. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

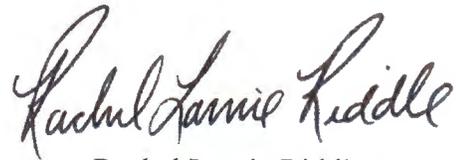
Auditor's Response

We appreciate the Commission's response. However, our audit position remains that the Commission should ensure all public funds are expended for a public purpose and in compliance with the Sections 94 and 94.01 of the Alabama Constitution. We reaffirm our finding.

***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***

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

September 17, 2021

***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, County Administrator,
Deputy County Administrator and Director of Finance
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, 2020. 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 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 the major federal programs. 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 its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

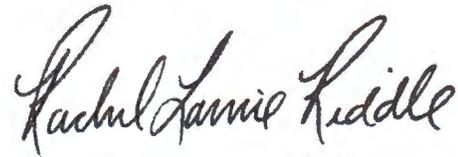
Management of the Mobile County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mobile County Commission's internal 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 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

September 17, 2021

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

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 federal 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 federal 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 federal programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
14.218	Community Development Block Grants/Entitlement Grants

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, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Auditee Response

MOBILE COUNTY COMMISSION

COUNTY COMMISSIONERS
MERCERIA LUDGOOD, PRESIDENT
CONNIE HUDSON, COMMISSIONER
RANDALL DUEITT, COMMISSIONER
TELEPHONE (251) 574-5077



ADMINISTRATION
GLENN L. HODGE
COUNTY ADMINISTRATOR
EDDIE KERR
DEPUTY ADMINISTRATOR
TELEPHONE (251) 574-5073
FAX (251) 574-5080

Auditee Response

For the Year Ended September 30, 2020

The Mobile County Commission has prepared and hereby submits the following Auditee Response for the finding (other matter) which is included in the Schedule of State and Local Compliance and Other Findings for the year ended September 30, 2020.

Finding

Ref.

No.

Corrective Action Plan Details

2020-001

Finding:

Section 94 of the Alabama Constitution states “The legislature shall not have power to authorize any county, city, town, or other subdivision of the state to lend it credit, or to grant public money or thing of value in aid of, or to any individual, association, or corporation whatsoever, or to become a stockholder in any such corporation, association, or company, by issuing bonds or otherwise.” To ensure compliance with Section 94 of the Alabama Constitution, the Commission must ensure that the funds of the county are appropriated for a “public purpose.” The paramount test should be whether the expenditure confers a direct public benefit of a reasonably general character to a significant part of the public, as distinguished from a remote and theoretical benefit. In addition, the Commission must look to the statutes setting forth the powers of the county and if such power exists to promote the action at issue, then the county would need only decide whether the expenditure will accomplish that purpose. While Section 94.01(a)(3) (Amendment 772) allows the governing body of any county to “lend its credit to or grant public funds and things of value in aid of or to any individual, firm, corporation, or other business entity, public or private, for the purpose of promoting the economic and industrial development of the county” and remain in compliance with Section 94, the definition of “economic and industrial development,” for purposes of Amendment 772, requires that the benefit conferred be a direct public benefit of a reasonably general character to a significant part of the public.

The Commission made a \$500,000 payment with local funds to the Mobile Area Chamber of Commerce Small Business Relief Fund Program, a pass-through entity, to be granted to small businesses in Mobile County as relief from the effects of

COVID-19 pandemic. The grants awarded to businesses under this Program were given to pay the rent, utilities, and payroll expenses of each business.

Recommendation:

The Commission should ensure all public funds are expended for a public purpose and are in compliance with Sections 94 and 94.01 of the Alabama Constitution.

Response/Views:

The Commission disagrees with the finding because 1) it does not fully consider the Alabama Supreme Court’s interpretation of a “public purpose”; 2) decisions as to whether an expenditure serves a public purpose are wholly within the discretion of the Commission; and 3) the expenditure was appropriated in compliance with Amendment 772 of the Alabama Constitution. Although the finding does not expressly state *how* the expenditure may have violated Section 94 or Amendment 772 of the Constitution, the Commission asserts that there was no violation for the reasons set forth below:

What constitutes a public purpose? The Alabama Supreme Court has described “public purpose” as one that “promotes the health, safety, morals, security, prosperity, contentment, and general welfare of the community.” *Slawson v. Alabama Forestry Commission*, 631 So. 2d 953, 956 (Ala. 1994).

As McQuillin notes in his treatise on municipal corporations, “[w]hat is a public purpose cannot be precisely defined, since it changes to meet new developments and conditions of the times.” While it does not have to serve the needs of the public as a whole, “[e]ach case must be decided with reference to the object sought to be accomplished and to the degree and manner in which that object affects the public welfare.” McQuillin, *Municipal Corporations* Section 39.19 (3d Ed. Rev.).

In *Opinion of the Justices No. 269*, the Alabama Supreme Court declined to provide a specific definition, stating, “What is ‘a public purpose’ depends in part upon the time (age), place, objects to be obtained, modus operandi, economics involved, and countless other attendant circumstances. Generally speaking, however, it has for its objective the promotion of public health, safety, morals, security, prosperity, contentment, and the general welfare of the community.” *Opinion of the Justices*, 384 So. 2d 1051, 1053 (Ala. 1980). The Court further adopted the following explanation of what may constitute a public purpose:

There is no fixed static definition of ‘public purpose.’ It is a concept which expands with the march of time. It changes with the changing conditions of our society. What today is not a public purpose may to future generations yet unborn be unquestionably a public purpose. ‘Public purpose’ is a flexible phrase which expands to meet the needs of a complex society even though the need was unheard of when our State Constitution was adopted.

Id. (quoting *Opinion to the Governor*, 112 R.I. 151, 308 A.2d 809 (1973)) (emphasis added).

In mid-March of 2020, the “conditions of our society” abruptly changed in unprecedented ways, as state and local governmental and health authorities across the U.S. began implementing measures recommended by the Centers for Disease Control and Prevention (CDC) to combat the public health emergency caused by the 2019 novel coronavirus (COVID-19) global pandemic. Governor Ivey declared a statewide public health emergency on March 13, 2020. On March 18, 2020, Governor Ivey issued a Proclamation calling for the “implementation of additional

extraordinary measures ... in order to guard public health and protect human life.” Elections were postponed and schools were closed. On March 19, 2020, the State Health Officer issued an order of statewide application, and on March 20, 2020, March 27, 2020, April 3, 2020, April 28, 2020, May 8, 2020, and May 21, 2020, amended orders, suspending certain public gatherings and forcing many small businesses deemed “non-essential” to close or greatly limit capacity. Hundreds of small businesses in Mobile County were shuttered and many more had restrictions imposed on their ability to operate.

The unemployment rate in Mobile County exponentially increased from 3.5% in March 2020 to 14.2% in April 2020.¹ Federal resources were quickly provided to eligible individuals and businesses, but those resources did not outlast the effects of the pandemic and the restrictive health orders imposed on small businesses. This is evidenced by the decrease in Mobile County’s unemployment rate to 10.0% in May 2020, followed by consecutive increases in June and July 2020 to 11.3% and 11.7%, respectively.

Pursuant to a resolution of the Commission adopted during a public meeting held on June 8, 2020, the Small Business Relief Grant Program (the “Program”) was created to provide financial incentives to eligible small businesses that were experiencing financial difficulties during the COVID-19 health crisis.² These incentives and the application review process were designed to keep small businesses in Mobile County from closing and employees from losing their jobs. Eight (8) days prior to the adoption of the resolution by the Commission in a public meeting, a notice was published in the *Press Register*, the newspaper having the largest circulation in the County, on May 31, 2020, describing in detail the action proposed to be taken and the public benefits sought to be achieved by the action.³

The Program was implemented in conjunction with the Mobile Area Chamber of Commerce (the “Chamber”), an advocate for business needs to promote the Mobile area’s economic well-being, which served as the Program Administrator to manage the application process and distribution of funds. (Applicants were not required to be members of the Chamber, and no preference was given to Chamber members or non-members.) An all-volunteer Review Committee was established and appointed by the Commission to (i) review applications to determine whether each application met certain criteria established by the Commission and (ii) make recommendations to the Commission for awards.

No Program grant was awarded without approval by the County Commission in a public meeting and the execution by each small business grant recipient of an Economic Development Small Business Relief Grant Program Agreement (an “Agreement”).⁴ Each Agreement contained the following recitals:

WHEREAS, the County long-recognized the need to enter agreements and other arrangements to incentivize commercial and other enterprises to locate to, expand operations, and remain in business in Mobile County in order to (i) promote

¹ All unemployment rates cited herein are sourced from the Alabama Department of Labor.

² See June 8, 2020, Resolution of the Mobile County Commission, attached hereto as [Exhibit A](#).

³ See Amendment 772 Notice Order Confirmation for run date May 31, 2020, attached hereto as [Exhibit B](#).

⁴ See example Agreement between the County and The Cheese Cottage, LLC, dated as of June 29, 2020, attached hereto as [Exhibit C](#).

local economic development and stimulate the local economy, (ii) maintain existing and create additional employment opportunities in the County, (iii) maintain the County's tax base, resulting in sustained tax revenues for the County, and (iv) promote the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens; and

* * *

WHEREAS, the County has determined it necessary, wise, and in the public interest to provide a Program grant to the Company so as to promote local economic development and stimulate the local economy; maintain existing and create additional employment opportunities in the County; protect, maintain, and secure tax revenues in the County; promote the location, expansion, and retention of commercial and industrial enterprises and activity in the County; and improve the overall quality of life for citizens in the County; and

WHEREAS, the agreement of the County to fund the Program grant herein described is being made under and in furtherance of any power and authority authorized by Amendment 772 to the Constitution of Alabama of 1901, as amended, and the County has determined that the expenditure of public funds for the purposes herein specified will serve a valid and sufficient public purpose, namely protecting, maintaining, and securing the commercial tax base of the County to ensure adequate funding of the County's General Fund, notwithstanding any incidental benefit accruing to any private entity or entities.

The Agreements required each recipient to certify that the grant was necessary for the company to remain in business in the County or to retain one or more employees. Each grant was subject to recapture of the funds granted if the small business failed to use monies received under the Agreement for the purposes allowed.

Prior to the execution of an Agreement and any payment of public funds to a small business grantee, a public notice was published in the *Press Register* at least seven (7) days prior to the meeting at which a grant would be approved.⁵ In each such public notice, the action to be taken by the Commission was described in detail and the following description was made regarding the public benefits sought to be achieved by the action:

The public benefits to the County to be derived from the covenants and agreements included within the Agreement(s) include (i) promoting local economic development and stimulating the local economy, (ii) maintaining existing and creating additional employment opportunities in the County, (iii) maintaining the County's tax base, resulting in sustained tax revenues for the County, and (iv) promoting the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens.

⁵ See, e.g., Amendment 772 Notice Order Confirmation for run date June 28, 2020, for meeting to be held on July 6, 2020, attached hereto as Exhibit D.

Each such Amendment 772 Notice also identified by name the individual business entities to whom the County proposed to grant public funds, along with the number of employees each small business would be able to retain if awarded a grant.

As referenced in the finding, the Mobile County Commission authorized the transfer of \$500,000 from the County's Industrial Development Funds held by the Chamber to the Program during FY 2019-2020. In total, 221 small businesses in Mobile County submitted applications to the Program. Of those applications, 115 small businesses received a grant.⁶ In total **675 jobs were protected or saved** by the Program.⁷

The actions of the County Commission in creating, funding, and implementing the Program, and in granting public funds to 115 small businesses, pursuant to the Agreements and after timely public notice in accordance with Amendment 772, were completely consistent with the Alabama Constitution and established case law regarding the Commission's discretion to determine whether an expenditure serves a public purpose.

The decision as to whether an expenditure serves a public purpose is wholly within the discretion of the County Commission. *Opinion of the Justices*, 384 So. 2d 1051, 1052 (Ala. 1980).

The [county commission] has to a great extent the right to determine the question, and **its determination is conclusive when it does not clearly appear to be wrong**, assuming that we have a right to differ with them in their finding. Taken on its face, it is our duty to assume that the [county commission] acted within constitutional limits and did not make a donation when such construction is not inconsistent with the recitals of the act.

Id. (emphasis added). *See also, Norton v. Lusk*, 26 So. 2d 849, 858-59 (Ala. 1946) (“[A] construction not emanating from judicial decision, but adopted by the legislative or executive departments of the state and, moreover, long accepted by the various agencies of government and the people, will usually be accepted as correct by the judicial department”).

The COVID-19 public health emergency, and more specifically, the restrictive measures put in place by local and state health authorities and governments, presented radically different “conditions of our society” from what had been the norm since the 1940s when the Public Purpose Doctrine was first discussed by the Alabama Supreme Court and 2004 when Amendment 772 was ratified and added to the Constitution as Section 94.01. The very definition of “economic development” changed during the summer of 2020 in the face of such measures. For the period of time during which the Program was implemented, the only mechanism the County had to develop its local economy was to save it from collapsing under the weight of the pandemic.

Irrespective of the COVID-19 pandemic, though, there is nothing in the plain language of Amendment 772 precluding appropriations to existing businesses if the governing body determines that it will (i) promote the economic development of the county and (ii) serve a valid public

⁶ Forty-nine (49) applications were withdrawn or abandoned; 17 applications were denied because the applicant could not establish a financial loss due to COVID-19; 26 applications were denied because the applicant received grant funding from another source; 12 applications were denied because the applicant was a non-profit organization and, thus, not a “small business”; and 2 applications were denied because the applicant did not open for business until after the onset of the pandemic.

⁷ *See* September 3, 2021 Letter from William B. Sisson, President and CEO of the Mobile Area Chamber of Commerce, to County Commission President Merceria Ludgood, attached hereto as Exhibit E.

purpose. The language of the Amendment is very broad – its reference to “*any* individual, firm, corporation, or other business entity” certainly is not limiting. Year after year, municipalities and counties throughout the State of Alabama grant public funds to private entities pursuant to Amendment 772 without scrutiny from the Office of Examiners of Public Accounts, including large companies such as Amazon, Walmart, and Airbus, and covering both new facilities and existing businesses. The public purpose most often cited in conjunction with such expenditures is to promote economic development through the creation of jobs. Local governments regularly grant public funds in much greater amounts to a single business entity for the creation of far fewer jobs than the 675 jobs that were protected or saved by the Program. A few local examples include:

- Wal-Mart Stores, Inc. – 550 jobs, combined \$9,100,000 granted to or expended for the benefit of the company by the State of Alabama, Mobile County and the City of Mobile (FY 2016)
- Rohr, Inc. – 260 jobs, combined \$3,000,000 granted to the company by Baldwin County and the City of Foley (FY 2016)
- CSALP US, Inc. – 432 jobs, combined \$800,000 granted to the company by Mobile County and the City of Mobile (FY 2019)
- Continental Motors, Inc. – 300 jobs, combined \$435,000 granted to the company by Mobile County and the City of Mobile (FY 2018)
- Lenzing Fibers, Inc. – 163 jobs, \$300,000 granted to the company by Mobile County (FY 2018)

Even the Examiners’ finding does not include any explanation of why the Mobile County Commission’s express findings of public purpose are not adequate under Amendment 772; there is only an apparent assumption that a public purpose is lacking for this program, contrary to the Examiners’ apparent acceptance of countless grants of public funds under authority of Amendment 772 and similar amendments.

In dozens of cases throughout the State, courts have upheld grants of funds for the benefit of private business based upon the authority granted municipalities and counties in Amendment 772. A few examples include:

- City of Thomasville, Alabama v. Taxpayers & Citizens of Thomasville, Alabama, Civil No. 16-CV-2020-900126, Circuit Court of Clarke County, Alabama, validating issuance of Limited Obligation Certificate of Indebtedness in an amount up to \$500,000 to induce Jack’s Family Restaurants, LP, to develop one fast food restaurant.
- City of Tarrant v. The Taxpayers and Citizens of the City of Tarrant, Alabama, Civil No. 01-CV-2013-902069, Circuit Court of Jefferson County, Alabama, validating issuance of warrants to induce Birmingham Realty Company to make renovations to its retail shopping center.
- City of Leeds v. The Taxpayers and Citizens of Leeds, Alabama, Civil No. 01-CV-2011-001450, Circuit Court of Jefferson County, Alabama, validating issuance of Taxable General Obligation Warrants to induce Bass Pro Alabama Development Company, LLC to develop a retail store.

- Dothan-Houston County Airport Authority v. The Taxpayers and Citizens of the City of Dothan, Alabama, Civil No. 38-CV-2013-900314, Circuit Court of Houston County, Alabama, validating issuance of Revenue Bond for improvements to aircraft hangars and other related facilities.
- The Public Athletic, Cultural and Entertainment Facilities Board of the City of Birmingham v. The Taxpayers and Citizens of the City of Birmingham, Alabama and City of Birmingham, Alabama, Civil No. 01-CV-2011-001692, Circuit Court of Jefferson County, Alabama, validating issuance of Revenue Bonds for museums, a stadium, and related facilities.
- City of Lincoln, Alabama v. The Taxpayers and Citizens of Lincoln, Alabama, Civil No. 61-CV-2013-900009, Circuit Court of Talladega County, Alabama, validating issuance of General Obligation Warrants for acquiring, constructing, and improving library facilities, recreation facilities, and road and bridge improvements.
- City of Mobile v. Taxpayers and Citizens of the City of Mobile, Civil No. 02-CV-2013-000200, and Mobile County v. Taxpayers and Citizens of Mobile County, Civil No. 02-CV-2013-000199, Circuit Court of Mobile County, Alabama, validating issuance of Limited Obligation Revenue Warrants for a retail development project.
- Town of Shorter, Alabama and Mayor and Council v. The Taxpayers and Citizens of Shorter, Alabama, Civil No. 46-CV-2009-900058, Circuit Court of Macon County, Alabama, validating issuance of General Obligation Warrant.
- Talladega County, Alabama v. The Taxpayers and Citizens of Talladega County, Alabama, Civil No. 61-CV-2013-900016, Circuit Court of Talladega County, Alabama, validating issuance of General Obligation Warrants to refund bonds for the Honda Expansion Project.
- City of Vestavia Hills, Alabama and Mayor and City Council of Vestavia Hills, Alabama v. The Taxpayers and Citizens of Vestavia Hills, Alabama; Serra Automotive, Inc., Civil No. 01-CV-2012-900101, Circuit Court of Jefferson County, Alabama, validating issuance of Limited Obligation Special Project Revenue Warrant for Sierra Automotive Group Project.
- Trojan Marketplace Cooperative District; City of Troy, Alabama; and Pike County, Alabama v. The Taxpayers and Citizens of Troy, Alabama and Pike County, Alabama, Civil No. 55-CV-2019-900166, Circuit Court of Pike County, Alabama, validating issuance of Limited Obligation Project Revenue Warrants for the development of a commercial retail center consisting of national, major anchor tenants and smaller, component retailers, restaurants, and service enterprises.

The Mobile County Commission, prior to implementing the Program and expending the funds, sought advice from legal counsel in two separate law firms experienced in Section 94 and Amendment 772 of the Constitution. In each step of the process, the Commission abided by the

notice requirements of Amendment 772 and made a determination that the expenditure would serve a public purpose.

For these reasons, the Mobile County Commission disagrees with the finding of the Office of Examiners of Public Accounts that the \$500,000 payment somehow violated Section 94 of the Alabama Constitution.

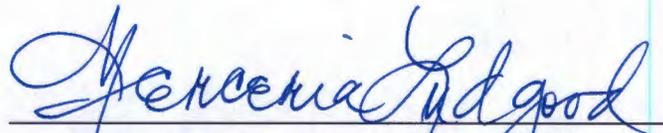
*

Corrective Action Planned: No corrective action is necessary. The Commission will continue to review each proposed expenditure to ensure compliance with Section 94 and Amendment 772 of the Alabama Constitution, and will continue to rely upon guidance provided by the Commission's legal advisors. The Small Business Relief Fund Program referenced in the finding has exhausted all funding and implementation of said program has ceased, so there will be no additional appropriations by the Commission to said program.

Reason for the Recurrence: N/A (not a repeat finding).

Anticipated Completion Date: N/A

Contact Person(s): Jay M. Ross, Esq., County Attorney.


Merceria Ludgood, Commission President

RESOLUTION

Authorizing the creation of a Small Business Relief Grant Program to promote economic development by providing funding to eligible small businesses that are experiencing financial hardships during the COVID-19 public health crisis.

WHEREAS, in December 2019, a novel human coronavirus type ("SARS-CoV-2") emerged and began to spread throughout the globe; and

WHEREAS, COVID-19, the infectious disease caused by SARS-CoV-2, is now a pandemic affecting many countries globally, including the United States which leads the globe in confirmed cases and deaths; and

WHEREAS, on March 13, 2020, on recommendation of the State Health Officer, Kay Ivey, Governor of the State of Alabama, declared that a statewide public health emergency exists due to the presence of COVID-19 in the State of Alabama; and

WHEREAS, on March 19, 2020, the State Health Officer issued an order, and on March 20, 2020, March 27, 2020, April 3, 2020, April 28, 2020, May 8, 2020, and May 21, 2020, amended orders, of statewide application suspending certain public gatherings and forcing many small businesses deemed "non-essential" to close or greatly limit capacity; and

WHEREAS, restrictions put in place by the State Health Officer's orders have resulted in great financial loss to many small businesses in Mobile County and forced many businesses to lay-off or furlough employees; and

WHEREAS, according to the Alabama Department of Labor, from March 2020, to April 2020, the unemployment rate increased from 3.8% to 15.1%, representing a loss of approximately 21,000 jobs in Mobile County; and

WHEREAS, the Mobile County Commission (hereinafter referred to as the "Commission" and the "County") desires to create a Small Business Relief Grant Program (the "Program"), under which the County will provide financial incentives to eligible small businesses ("Applicants") that are experiencing financial hardships during the COVID-19 public health crisis, subject to certain criteria as set forth herein; and

WHEREAS, each Applicant will be evaluated separately as to its qualification for an incentive grant and presented to the Commission for approval pursuant to Amendment 772 to the Constitution of Alabama of 1901, codified as Section 94.01 thereof ("Amendment No. 772").

NOW, THEREFORE, BE IT RESOLVED BY THE MOBILE COUNTY COMMISSION, as follows:

Section 1. The County has heretofore, upon evidence duly presented to and considered by it, found and determined, and does hereby find, determine and declare that:

(a) Pursuant to Amendment No. 772, the County has caused the Notice attached hereto as Exhibit A (the "Notice") to be published on May 31, 2020, in *The Mobile Press-Register/AL.com* with respect to certain actions proposed to be taken by the County to provide for incentives for the economic development in the County thereby.

(b) The expenditure of public funds for the purposes specified in the Notice and this Resolution will serve a valid and sufficient public purpose, notwithstanding any incidental benefit accruing to any private entity or entities.

(c) The public benefits to be derived from the Program include (i) promoting local economic development and stimulating the local economy, (ii) maintaining existing and creating additional employment opportunities in the County, (iii) maintaining the County's tax base, resulting in sustained tax revenues for the County, and (iv) promoting the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens.

(d) It is necessary, desirable, and in the best interests of the taxpayers and citizens of the County for the County to create and fund the Program.

Section 2. The County does hereby approve, ratify, and confirm (i) the form and content of, and the statements set forth in, the Notice and (ii) the publication of the Notice as set forth in Section 1 of this resolution.

Section 3. The County does hereby authorize the County Administrator to establish the Small Business Relief Program to provide financial incentives to qualified businesses within Mobile County and to utilize Amendment 772 in connection therewith. The County hereby directs that up to \$1,000,000 be transferred from the County's Industrial Development Funds and the remaining funds, if necessary, from the Mobile County General Fund.

Section 4. The County does hereby authorize the Mobile Area Chamber of Commerce (the "Chamber"), a progressive advocate for business needs to promote the Mobile area's economic well-being, to serve as the Program Administrator to manage the application process and distribution of funds. (Applicants are not required to be members of the Chamber, and no preference will be given to Chamber members over non-members.)

Section 5. Eligible small businesses may obtain up to \$25,000 in grant funding based on demonstration of need. Applicants must complete the Program Application to be considered for grant funding. All applications will be reviewed by a five-member committee of Commission-approved volunteers comprised of representatives from banking, accounting, county government, legal, and the Small Business Development Center of South Alabama ("SBDCSA"). This Review Committee will (i) review applications to determine whether each applicant meets certain criteria established by the Commission and (ii) make recommendations to the Commission for awards. The following individuals are hereby appointed as members of the Review Committee:

- i) Tyrone Fenderson, Synovus (Banking Industry)
- ii) Mel Washington, SBDCSA (Small Business Industry)
- iii) Preston Bolt, Hand Arendall (Legal Industry)
- iv) Gina McKellar, Crow Shields Bailey (Accounting Industry)
- v) Dana Foster-Allen, Director of Finance, Mobile County Commission

Section 6. The Commission will review each recommendation from the Review Committee and grant funds upon a determination that such appropriation will promote the economic development of the County and serve a valid and sufficient public purpose, notwithstanding any incidental benefit accruing to the awarded entities or any other private entity or entities.

Section 7. For consideration under the Program, Applicants must meet the following criteria:

- (a) Must have experience and able to demonstrate a financial hardship as a result of COVID-19;
- (b) Must have employed 100 or fewer full time employees as of February 29, 2020;
- (c) Must be in good standing with State and Local government jurisdictions; and
- (d) Must be located within Mobile County.

Section 8. Applicants meeting the criteria set forth in Section 7 of this resolution will be considered for approval by the Commission at a public meeting following public notice in accordance with Amendment 772, a public hearing, and vote by the Commission.

Section 9. Eligible expenditures using Program funds shall be limited to the following:

- (a) Employee compensation and payroll costs (salary, wage, commission, payment of cash tips or equivalent) including healthcare and insurance benefit costs included in employee benefit packages. Medical leave for which a credit is allowed under the Families First Coronavirus Response Act is not an allowable use of grant proceeds.
- (b) Payments of interest on any mortgage obligation (shall not include any prepayment of or payment of principal on a mortgage obligation).
- (c) Rent or lease payments.
- (d) Utilities payments.
- (e) Interest on debt obligations incurred prior to February 29, 2020.

STATE OF ALABAMA
COUNTY OF MOBILE

I, Eddie Kerr, Deputy County Administrator, certify that the foregoing is a true and correct copy of a resolution adopted by the Mobile County Commission in regular meeting convened the 8th day of June, 2020.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal of the Mobile County Commission on this the 10th day of June, 2020.



Eddie Kerr, Deputy County Administrator
Mobile County Commission



Order Confirmation

Ad Order Number 0009619228

Customer

MOBILE COUNTY COMMISSION

Account: 2012600
 MOBILE COUNTY COMMISSION
 205 GOVERNMENT ST 8TH FL, PO BOX 1443
 MOBILE AL 36633 USA
 (334)690-8595

FAX:
 Kathy.McHugh@mobilecountyal.gov

Payor Customer

MOBILE COUNTY COMMISSION

Account: 2012600
 MOBILE COUNTY COMMISSION
 205 GOVERNMENT ST 8TH FL, PO BOX 1443
 MOBILE AL 36633 USA
 (334)690-8595

PO Number

Sales Rep. Cristy Boyington

Order Taker Cristy Boyington

Order Source

Special Pricing

Tear Sheets	0	TearsheetsCost	\$0.00	Net Amount	\$168.80
Proofs	0			Tax Amount	\$0.00
Affidavits	0	AffidavitsCost	\$0.00	Total Amount	\$168.80
Blind Box				Payment Method	Invoice
Promo Type				Payment Amount	\$0.00
Materials				Amount Due	\$168.80
Invoice Text	County Grant Program - 772 Notice				

Ad Schedule

Product	Press Register	Placement/Class	Legals
# Inserts	1	POS/Sub-Class	Legals
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Ad Type	AL Legal Liner	Ad Size	1 X 72 li
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External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICENOTICEISHEREBYGIVENTHATTHECOUNTYCOMMISSIONTHECOUNTYCOMMISSIONOFMOBILECOUN	
05/31/2020			

Product	AL.com	Placement/Class	Legals
# Inserts	1	POS/Sub-Class	Legals
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External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICENOTICEISHEREBYGIVENTHATTHECOUNTYCOMMISSIONTHECOUNTYCOMMISSIONOFMOBILECOUN	
05/31/2020			

Ad Content Proof

PUBLIC NOTICE

Notice is hereby given that the County Commission (the "County Commission") of Mobile County, Alabama (the "County") will meet in public session at 10:00 a.m. on Monday, June 8, 2020, at Mobile Government Plaza located at 205 Government Street, Mobile, Alabama for the purpose of consideration of the transaction of any business that may properly come before the County Commission; such business to include the authorization by the County Commission pursuant to Amendment No. 772 of the Constitution of Alabama of 1901, as amended, following a public hearing, of a resolution (the "Resolution") authorizing the creation of a Small Business Relief Grant Program (the "Program"), under which the County will provide funding up to \$25,000 to eligible small businesses ("Applicants") that are experiencing financial hardships during the Coronavirus (COVID-19) public health crisis, subject to certain criteria as set forth in the Resolution and subject to further Public Notice(s), public hearing(s), and determinations made by the County Commission with respect to the individual Applicants receiving grants. The County Commission expects to initially fund the Program with up to \$1 million.

The financial assistance that the County proposes to make available to approved Applicants will be provided in accordance with Amendment No. 772, which authorizes the County to lend its credit to or grant public funds and things of value in aid of or to any corporation or other business entity for the purpose of promoting the economic and industrial development of the County.

The public benefits to the County to be derived from the Program grants include (i) promoting local economic development and stimulating the local economy, (ii) maintaining existing and creating additional employment opportunities in the County, (iii) maintaining the County's tax base, resulting in sustained tax revenues for the County, and (iv) promoting the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens.

For purposes of Amendment No. 772, the entities for whose benefit the County proposes to lend its credit or grant public funds or things of value, shall be identified in one or more subsequent Public Notices prior to the County's consideration of and any appropriation to specific Applicants.

The County Commission expects to determine at its public meeting, or any continuance thereof, that the creation of the Program will serve a valid and sufficient public purpose, notwithstanding any incidental benefit accruing to the Applicants or any other private entity or entities.

All interested persons may examine and review the Resolution and all relevant docu-

ments, pursuant to which the expenditures are to be issued, by contacting the office of the Mobile County Attorney at 251-574-3333, and/or by emailing Ms. Linda Baker at linda.baker@mobilecountyal.gov, during normal business hours, before and after the scheduled meeting of the Mobile County Commission referenced herein.

PRESS REGISTER

May 31, 2020

ECONOMIC DEVELOPMENT
SMALL BUSINESS RELIEF GRANT PROGRAM AGREEMENT

This Economic Development Small Business Relief Grant Program Agreement (this “Agreement”) is made and entered into effective as of June 29, 2020 (the “Effective Date”), by and between the Mobile County, a body corporate, politic and a political subdivision of the State of Alabama, by and through the Mobile County Commission and The Cheese Cottage, LLC (the “Company”).

WHEREAS, the County has long-recognized the need to enter agreements and other arrangements to incentivize commercial and other enterprises to locate to, expand operations, and remain in business in Mobile County in order to (i) promote local economic development and stimulate the local economy, (ii) maintain existing and create additional employment opportunities in the County, (iii) maintain the County’s tax base, resulting in sustained tax revenues for the County, and (iv) promote the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens; and

WHEREAS, due to federal and state restrictions on travel, group gatherings and related activities, various forms of “social distancing,” and other limitations on personal, consumer and corporate activity designed to avoid and mitigate the effects of COVID-19, certain commercial enterprises within the County have experienced a substantial decline or total cessation in activities to the point of jeopardizing their ability to remain as corporate citizens and conduct normal business operations within Mobile County over the near-term and long-term horizon; and

WHEREAS, the County has developed a program (the “Program”) under which the County may provide funding in an amount no more than \$25,000 to eligible small businesses that are experiencing financial hardships resulting from the COVID-19 public health crisis, subject to certain criteria as set forth in a Resolution, adopted by the County Commission on June 8, 2020 (the “Authorizing Resolution”); and

WHEREAS, the County Commission has appointed a five-member Review Committee, as described in the Authorizing Resolution, that will (i) review applications to determine whether each applicant meets certain criteria established by the Commission and (ii) make recommendations to the Commission for grants under the Program; and

WHEREAS, the Review Committee has received an application (the “Application”) from the Company, which such Application is attached hereto as Exhibit A, for a grant under the Program, and which the Review Committee has determined meets the criteria established by the Commission in the Authorizing Resolution; and

WHEREAS, the County has determined it necessary, wise, and in the public interest to provide a Program grant to the Company so as to promote local economic development and stimulate the local economy; maintain existing and create additional employment opportunities in the County; protect, maintain, and secure tax revenues in the County; promote the location, expansion, and retention of commercial and industrial enterprises and activity in the County; and improve the overall quality of life for citizens in the County; and

WHEREAS, the agreement of the County to fund the Program grant herein described is being made under and in furtherance of any power and authority authorized by Amendment 772 to the Constitution of Alabama of 1901, as amended, and the County has determined that the expenditure of public funds for the purposes herein specified will serve a valid and sufficient public purpose, namely protecting, maintaining, and securing the commercial tax base of the County to ensure adequate funding of the County's General Fund, notwithstanding any incidental benefit accruing to any private entity or entities.

NOW THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. The County agrees to provide a Program grant to the Company in the amount of \$10,000.00.

2. The Company hereby acknowledges that the County is subject to the public record laws of the State of Alabama. The Company further understands and accepts that this Agreement, the Application, and all documents and information submitted to the County relating to this Agreement may be public records. The County will take reasonable steps to keep sensitive and proprietary information confidential but the Company understands the County may be required to disclose such information by court order.

3. The Company certifies that the grant being provided pursuant to this Agreement is necessary to remain in business within the County upon commencement of normal operations or to retain one or more employees.

4. The Company certifies that the information provided in the Application is true and correct and that all terms and conditions of this Agreement are acceptable.

5. The Company certifies that all monies received under this Agreement shall be used only for the following purposes: (i) Employee Compensation and payroll costs (salary, wage, commission, payment of cash tip or equivalent) including healthcare and insurance benefit costs included in employee benefit packages (Medical leave for which a credit is allowed under the Families First Coronavirus Response Act is not an allowable use of grant proceeds); (ii) Payments of interest on any mortgage obligation (shall not include any prepayment of or payment of principal on a mortgage obligation); (iii) Rent or lease payments; (iv) utilities; and (v) interest on debt obligations incurred prior to February 29, 2020. The Company's failure to use monies received under this Agreement for these purposes will terminate the Company's ability to receive any further funds under the Program, and the Company shall refund all funds not used for their intended purposes to the County.

6. Notwithstanding any of the provisions of this Agreement, it is agreed that the County has no financial interest in the business of the Company, and shall not be liable for any debts or obligations incurred by Company, nor shall the County be deemed or construed to be a partner, joint venturer, or otherwise interested in the assets of the Company, or sums earned or derived by the Company, nor shall the Company at any time or times use the name or credit of the County in purchasing or attempting to purchase any equipment, supplies or other thing or things whatsoever.

7. Any alterations, variations, modifications, or waivers of the provisions of this Agreement shall only be valid when they have been reduced to writing and signed by authorized representatives of the party against whom enforcement is sought.

8. The provisions of this Agreement shall be deemed severable. If any part of this Agreement is rendered void, invalid or unenforceable, such rendering shall not affect the enforceability of the remainder of this Agreement unless the part or parts which are void, invalid or otherwise unenforceable shall substantially impair the value of the entire agreement with respect to any party.

9. This Agreement shall be governed by the laws of the State of Alabama, and the appropriate venue for any actions arising out of this Agreement would be Mobile, Alabama.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first specified above.

THE CHEESE COTTAGE, LLC

Kristi Barber

Kristi Barber

ATTEST

MOBILE COUNTY COMMISSION

Glenn L. Hodge

Glenn L. Hodge, County Administrator

Jerry Carl

Jerry L. Carl, President



Order Confirmation

Ad Order Number 0009648173

Customer

MOBILE COUNTY COMMISSION

Account: 2012600
 MOBILE COUNTY COMMISSION
 205 GOVERNMENT ST 8TH FL, PO BOX 1443
 MOBILE AL 36633 USA
 (334)690-8595

FAX:
 Kathy.McHugh@mobilecountyal.gov

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Account: 2012600
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 205 GOVERNMENT ST 8TH FL, PO BOX 1443
 MOBILE AL 36633 USA
 (334)690-8595

PO Number

Sales Rep. Cristy Boyington

Order Taker Cristy Boyington

Order Source

Special Pricing

Tear Sheets	0	TearsheetsCost	\$0.00	Net Amount	\$427.24
Proofs	0			Tax Amount	\$0.00
Affidavits	0	AffidavitsCost	\$0.00	Total Amount	\$427.24
Blind Box				Payment Method	Invoice
Promo Type				Payment Amount	\$0.00
Materials				Amount Due	\$427.24
Invoice Text	772 Program Grants to Individual Entities				

Ad Schedule

Product	Press Register	Placement/Class	Legals
# Inserts	1	POS/Sub-Class	Legals
Cost	\$427.24	AdNumber	0009648173-01
Ad Type	AL Legal Liner	Ad Size	1 X 169 li
Pick Up #		Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	772NOTICEPUBLICNOTICENOTICEISHEREBYGIVENTHATTHECOUNTYCOMMISSIONTHECOUNTYCOMMISSIONOFM	
		06/28/2020	

Product	AL.com	Placement/Class	Legals
# Inserts	1	POS/Sub-Class	Legals
Cost	\$0.00	AdNumber	0009648173-01
Ad Type	AL Legal Liner	Ad Size	1 X 169 li
Pick Up #		Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	772NOTICEPUBLICNOTICENOTICEISHEREBYGIVENTHATTHECOUNTYCOMMISSIONTHECOUNTYCOMMISSIONOFM	
		06/28/2020	

Ad Content Proof

772 Notice

PUBLIC NOTICE

Notice is hereby given that the County Commission (the "County Commission") of Mobile County, Alabama (the "County") will meet in public session at 9:00 a.m. on Monday, July 6, 2020, at Mobile Government Plaza located at 205 Government Street, Mobile, Alabama for the purpose of consideration of the transaction of any business that may properly come before the County Commission; such business to include the authorization by the County Commission pursuant to Amendment No. 772 of the Constitution of Alabama of 1901, as amended, of several agreements, each entitled Economic Development Small Business Relief Grant Program Agreement (the "Agreement(s)") between the County and certain entities ("Applicants") that have applied to receive public funds pursuant to the County's Small Business Relief Grant Program, as created by Resolution, as adopted by the County Commission on June 8, 2020 (the "Program").

The financial assistance that the County proposes to make available to the Applicants is provided in accordance with Amendment No. 772, which authorizes the County to lend its credit to or grant public funds and things of value in aid of or to any corporation or other business entity for the purpose of promoting the economic and industrial development of the County.

The public benefits to the County to be derived from the covenants and agreements included within the Agreement(s) include (i) promoting local economic development and stimulating the local economy, (ii) maintaining existing and creating additional employment opportunities in the County, (iii) maintaining the County's tax base, resulting in sustained tax revenues for the County, and (iv) promoting the retention and maintenance of small businesses in the County, all of which inure to the economic health of the County and constitute important public benefits to the County and its citizens.

For purposes of the Amendment No. 772, the entities for whose benefit the County proposes to consider lending its credit or grant public funds or things of value to: Kingdom Finance, LLC in the amount of \$4,000 to be used for business expenses and business loans. This grant will support continued employment of one employee for the next 3 months due to hardship with COVID-19; Elite Coverage, LLC in the amount of \$24,187 to be used for rent, utilities, and payroll expenses. This grant will support continued employment for two to three employees for the next 4 months due to hardship with COVID-19; FitKits, Inc. in the amount of \$25,000 to be used for rent, loans, and payroll expenses. This grant will support continued employment for five to six employees for the next 6 months due to hardship with COVID-19; Miller Mae Freight Lines, LLC in

the amount of \$19,041 to be used for loans, business expenses, and payroll. This grant will support continued employment for one employee for the next 3 months due to hardship with COVID-19; Chic Jolie Boutique, LLC in the amount of \$10,000 to be used for rent and payroll expenses. This grant will support continued employment for 4 to 5 employees for the next 6 months due to hardship with COVID-19; Computer Hospital in the amount of \$10,278 to be used for payroll, rent, utilities, and business expenses. This grant will support continued employment for one or two employees for the next 3 to 6 months due to hardship with COVID-19; Coffee Monster, LLC in the amount of \$13,000 to be used for payroll and business expenses. This grant will support continued employment for five to six employees for the next 4 months due to hardship with COVID-19; Trademark Promotions, LLC in the amount \$25,000 to be used for inventory expenses. This grant will support continued employment for two to three employees for the next 6 months due to hardship with COVID-19; Strands Hair and Design in the amount of \$2,520 to be used for loss of revenue and business expenses. This grant will support continued employment for four to five employees for the next 3 months due to hardship with COVID-19; Ephriam & Associates Environmental Consulting, LLC in the amount of \$16,015 to be used for payroll, utilities, lease payments, and other business expenses. This grant will support continued employment for two to three employees for the next 6 months due to hardship with COVID-19; Kazoola Eatery and Entertainment, LLC in the amount of \$25,000 to be used for lease payments, payroll, utilities, and maintenance. This grant will support continued employment for nine to ten employees for the next 2 months due to hardship with COVID-19; Oculo-Facial Consultants in the amount of \$25,000 to be used for loan payments, payroll, and business expenses. This grant will support continued employment for six to seven employees for the next 6 months due to hardship with COVID-19; Dog Dreams, LLC in the amount of \$25,000 to be used for rent, utilities, and insurance. This grant will support continued employment for twenty to twenty-one employees for the next 2.5 months due to hardship with COVID-19; Akridge Family Dental in the amount of \$25,000 to be used for loans and payroll. This grant will support continued employment for six to seven employees for the next 3 months due to hardship with COVID-19; West Mobile Dental Care Corporation in the amount of \$25,000 to be used for payroll, lease, loans, and utilities. This grant will support continued employment for six to seven employees for the next 2 months due to hardship with COVID-19; Unique Destinations in the amount of \$2,940 to be used for utilities. This grant will support continued employment for one employee for the next 2 months due to hardship with COVID-19; elleJAY, LLC in the amount of \$25,000 to be used for payroll and business expenses. This grant will support continued

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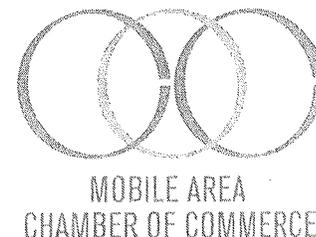
employment for eight to nine employees for the next 3 months due to hardship with COVID-19; The Way to Go LLC in the amount of \$21,040 to be used for payroll. This grant will support continued employment for four to five employees for the next 2.5 months due to hardship with COVID-19; Bare aEsthetics LLC in the amount of \$1,400 to be used for lease, utility, and business expenses. This grant will support continued employment for one employee for the next month due to hardship with COVID-19; Frogmore Boutique in the amount of \$19,083 to be used for payroll and business expenses. This grant will support continued employment for two or three employees for the next 6 months due to hardship with COVID-19; and Paula's Hair Unlimited in the amount of \$10,000 to be used for rent, utilities, and maintenance. This grant will support continued employment for four to five employees for the next 6 months due to hardship with COVID-19.

The County Commission expects to determine at its public meeting, or any continuance thereof, whether the expenditure of funds in connection with the transaction(s) described above will serve a valid and sufficient public purpose, notwithstanding any incidental benefit accruing to the Applicants or any other private entity or entities.

All interested persons may examine and review the Agreements and all relevant documents pursuant to which the expenditures are to be issued, by contacting the office of the Mobile County Attorney at 251-574-3333, and/or by emailing Ms. Linda Baker at linda.baker@mobilecountyal.gov, during normal business hours, before and after the scheduled meeting of the Mobile County Commission referenced herein.

PRESS REGISTER

June 28, 2020



September 3, 2021

Honorable Merceria Ludgood
President, Mobile County Commission
P.O. Box 1443
Mobile, AL 36633

Re: Update on Mobile County Small Business Grant Program

Dear Commissioner Ludgood:

This letter is to serve as an update on the efforts from the Mobile County Small Business Grant Program. As you will recall, the Mobile County Commission had a vision to assist small businesses in Mobile County that were negatively affected by the COVID pandemic. Small businesses make up the backbone of our community, representing over 90% of all businesses in Mobile. We are happy to report that this program was a huge success for our community. With your support, the program was able to provide \$935,000 to 115 companies supporting over 675 direct jobs in the Mobile economy.

As the voice of business in Mobile, the Mobile Area Chamber of Commerce understands the impacts of small businesses in our community. In fact, roughly 92% of our members are small businesses. The leadership of the Mobile County Commission was evident during one of the worst pandemics in our history. Our organization would like to thank you for your leadership and perseverance to put our community first.

Sincerely,



William B. Sisson
President and CEO
Mobile Area Chamber of Commerce

