

Report on the

Mobile County Commission

Mobile County, Alabama

October 1, 2020 through September 30, 2021

Filed: December 30, 2022



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, 2020 through September 30, 2021, by Examiners Carolina Fussell and Holly Henderson. I, Carolina Fussell, 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,

Carolina Fussell
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Mobile County Commission October 1, 2020 through September 30, 2021

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, 2021.

AUDIT FINDING

A problem was found with the Commission’s internal controls over financial reporting and/or its internal controls over compliance for its federal assistance programs (Exhibit 19) and it is summarized below:

- ◆ 2021-001 relates to the Commission’s failure to detect and correct errors in financial information.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Glenn L. Hodge, County Administrator; Eddie Kerr, Deputy County Administrator; Dana Foster-Allen, Director of Finance; and County Commissioners: Merceria Ludgood and Randall Dueitt. Representing the Department of Examiners of Public Accounts were Brian Wheeler, Audit Manager; Carolina Fussell, Examiner; Angie Waters, Examiner; and Ashli O. Page, Assistant Director.

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, 2021, 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 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 that 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Mobile County Commission's basic financial statements for the year ended September 30, 2021, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 84, ***Fiduciary Activities***. The Mobile County Commission implemented the requirements of GASB Statement Number 84 during the fiscal year. See Note 17 of the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

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 the 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.

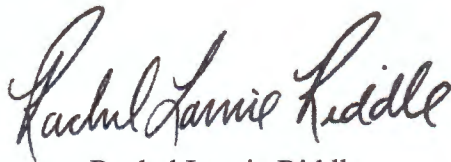
Supplementary Information

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 purpose 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 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated December 12, 2022, on our consideration of the Mobile County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mobile County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Mobile County Commission's internal control over financial reporting and compliance.



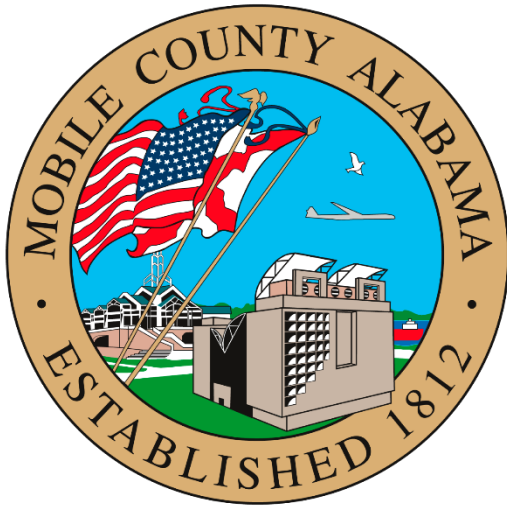
Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 12, 2022

Management's Discussion and Analysis
(Required Supplementary Information)



MOBILE COUNTY COMMISSION

County Commissioners

Connie Hudson, Commission President

Merceria Ludgood, Commissioner

Randall Dueitt, Commissioner

Jerry Carl, Commissioner (term expired
11/10/20)

Administration

Glenn Hodge, County Administrator

Eddie Kerr, Deputy Administrator

Dana Foster-Allen, Director of Finance

Angela Vreca, Comptroller

Management's Discussion and Analysis

The Mobile County Commission's Management Discussion and Analysis report (MD&A) is designed to provide an objective, easy-to-read analysis of the County's financial activities for the fiscal year that ended September 30, 2021. Please read the report in conjunction with the County's financial statements.

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

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

Financial Highlights

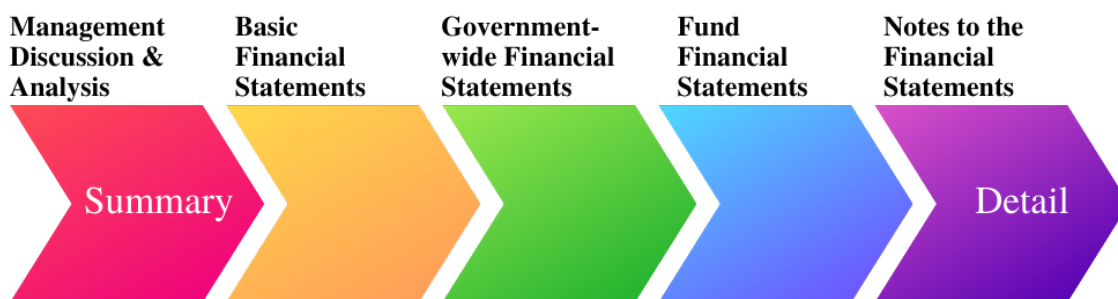
- Mobile County's governmental funds' ending balances total \$353,649,989, of which 29% (\$104,184,550) is unassigned.
- At the end of the Fiscal Year 2021, the County's unassigned fund balance in the general fund increased by \$23,393,726. The ending fund balance in the general fund as of September 30, 2021 was \$105,796,811.

Understanding the Basic Financial Statements

This discussion and the 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 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 on September 30, 2021. The difference is reported as net position. Over time, an increase or decrease in 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 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 its legal responsibilities for using certain taxes, grants, and other funding. The fund financial statements provide detailed information about the most significant funds—not about 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 Mobile 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 its financial condition. The following page presents a condensed comparative Statement of Net Position for the period that ended September 30, 2021.

Comparative Statement of Net Position

Stated in Thousands

	2021	2020	\$ Change	% Change
Assets				
Current and Other Assets	\$501,445	\$379,192	\$122,253	32%
Capital Assets, Net	463,671	451,179	12,492	3%
Total Assets	<u>965,116</u>	<u>830,371</u>	<u>134,745</u>	<u>16%</u>
Deferred Outflows of Resources				
Loss on Refunding of Debt	3,831	1,989	1,842	93%
Employer Pension Contributions	6,457	6,615	-158	-2%
Proportionate share of deferred outflows related to pension liability	13,463	9,083	4,380	48%
Proportionate share of deferred outflows related to pension liability	6,902	551		
Total Deferred Outflows of Resources	<u>30,653</u>	<u>18,238</u>	<u>12,415</u>	<u>68%</u>
Liabilities				
Current Liabilities	68,198	26,155	42,043	161%
Noncurrent Liabilities	338,922	295,022	43,900	15%
Total Liabilities	<u>407,120</u>	<u>321,177</u>	<u>85,943</u>	<u>27%</u>
Deferred Inflows of resources				
Unavailable Revenue - Property Taxes	76,702	75,918	784	1%
Revenue Received in Advance - Motor Vehicle Taxes	3,967	3,444	523	15%
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,295	3,468	-1,173	-34%
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	30,177	23,641	30,177	100%
Total Deferred Inflows of Resources	<u>113,141</u>	<u>106,471</u>	<u>30,311</u>	<u>28%</u>
Net Position				
Invested in Capital Assets	391,517	385,007	6,510	2%
Restricted for:				
Debt Service	41,482	55,821	-14,339	-26%
Road Projects	118,271	88,615	29,656	33%
Other Purposes	4,739	2,469	2,270	92%
Unrestricted	-80,501	-110,951	30,450	-27%
Total Net Position	<u>\$475,508</u>	<u>\$420,961</u>	<u>\$54,547</u>	<u>13%</u>

As shown above, Mobile County's total assets increased by 16% or \$134.7 million. The County's total liabilities increased nominally by 27% (\$85.9 million). Overall, the County's liabilities and deferred inflows exceeded assets and deferred outflows by \$475.5 million. The County increased its net position by 13% over the period that ended September 30, 2020.

The table on the following page displays a condensed statement reflecting the changes in net position from Fiscal Year 2020 to Fiscal Year 2021.

Comparative Statement of Changes in Net Position
Stated in Thousands

	2021	2020	\$ Change	% Change
Revenues:				
Program Revenues				
Charges for Services	\$26,617	\$22,031	\$4,586	21%
Operating Grants and Contributions	70,643	45,694	24,949	55%
Capital Grants and Contributions	1,190	2,600	-1,410	0%
Total Program Revenues	<u>98,450</u>	<u>70,325</u>	<u>28,125</u>	<u>40%</u>
General Revenues:				
Taxes				
Property Taxes for General Purposes	32,454	30,089	2,365	8%
Property Taxes for Specific Purposes	59,640	56,780	2,860	5%
General Sales Tax	83,982	70,752	13,230	19%
County Gasoline Sales Tax	2,063	352	1,711	486%
Other County Sales and Use Taxes	14,085	10,279	3,806	37%
Miscellaneous Taxes	0	2,555	-2,555	-100%
Grants and Contributions Not Restricted for Specific Purposes	4,754	4,254	500	12%
Investment Earnings	302	4,165	-3,863	-93%
Miscellaneous	2,285	1,679	606	36%
Gain on Sale of Capital Assets	661	120	541	100%
Total General Revenues	<u>200,226</u>	<u>181,025</u>	<u>19,201</u>	<u>11%</u>
Total Revenues	<u>298,676</u>	<u>251,350</u>	<u>47,326</u>	<u>19%</u>
Program Expenses				
General Government	86,505	76,556	9,949	13%
Public Safety	78,283	72,767	5,516	8%
Highways and Roads	39,962	37,823	2,139	6%
Sanitation	6,147	6,492	-345	-5%
Health	7,730	7,826	-96	-1%
Welfare	16,591	3,386	13,205	390%
Culture and Recreation	2,939	3,631	-692	-19%
Education	3,190	3,839	-649	-17%
Interest and Fiscal Charges	3,683	6,610	-2,927	-44%
Total Expenses	<u>245,030</u>	<u>218,930</u>	<u>26,100</u>	<u>12%</u>
Change in Net Position	53,646	32,420	21,226	65%
Net Position, Beginning of Year	<u>421,862</u>	<u>388,541</u>	<u>33,321</u>	<u>9%</u>
Net Position, September 30	<u>\$475,508</u>	<u>\$420,961</u>	<u>\$54,547</u>	<u>13%</u>

Mobile County recorded program revenue of \$98.5 million for the fiscal year that ended September 30, 2021. Program revenues consist of revenue collected through charges for services, program-specific operating grants, and preprogram-specific capital grants. The amount collected during Fiscal Year 2021 represents a 40% increase over Fiscal Year 2020 collections.

The County's recorded general revenues of \$200.2 million for the fiscal year that ended September 30, 2021. General revenue consists of the following revenue categories:

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

The amount collected represents an 11% increase over Fiscal Year 2020 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 13% or \$21.4 million over Fiscal Year 2020. In total, revenue increased by \$47.3 million, or 19%, over Fiscal Year 2021.

For the period ending September 30, 2021, expenditures remained relatively unchanged. Notable expenses during Fiscal Year 2021 are as follows:

1. During September 2021, the County Commission approved for employees both a 2.5% cost of living adjustment and a one-time non-recurring benefit of \$2,500.
2. The County absorbed the projected 2021 increase in employee benefits and did not pass those costs to the employees.

The County's expenditures on general government activities increased by 13% and its expenditures for public safety increased by 8%, due to capital equipment purchases and increased payroll costs. Expenditures on all other categories increased by a cumulative amount of \$10.6 million.

Governmental Funds

Governmental funds presented individually in Mobile County Commission's 2021 governmental fund balance sheet include four major funds:

- General Fund,
- Reappraisal Fund,
- Special Highway Tax Fund, and the
- Coronavirus Rescue Fund

The Commission's statement of revenues, expenditures, and changes in fund balance includes three major funds:

- General Fund,
- 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 that were held and reported separately, namely the Road and Bridge Fund, Maddie's Fund, and the Special Events Fund, will now be reported as part of the general fund; however, these funds continue to be held separately.

MAJOR FUND INFORMATION

Governmental Fund Balance Sheet

(in Thousands)

	<u>General Fund</u>		<u>Reappraisal Fund</u>	
	2021	2020	2021	2020
Total Assets	<u>\$ 162,427</u>	<u>\$ 138,675</u>	<u>\$ 10,311</u>	<u>\$10,215</u>
Total Liabilities	<u>11,773</u>	<u>11,722</u>	<u>2,336</u>	<u>2,749</u>
Total Deferred Inflows of Resources	<u>44,857</u>	<u>44,249</u>	<u>7,975</u>	<u>7,466</u>
Fund Balances				
Nonspendable				
Inventories	278	192		
Prepaid Items	1,334	1,482		
Restricted For:				
Debt Service				
Highways and Roads				
Assigned To:				
Other Purposes				
Unassigned	<u>104,185</u>	<u>80,729</u>	<u> </u>	<u> </u>
Total Fund Balances	<u>105,797</u>	<u>82,403</u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 162,427</u>	<u>\$ 138,374</u>	<u>\$ 10,311</u>	<u>\$10,215</u>

MAJOR FUND INFORMATION**Governmental Fund Balance Sheet**

(in Thousands)

	Special Highway Tax Fund		Coronavirus Rescue Fund	
	2021	2020	2021	2020
Total Assets	<u>\$ 67,614</u>	<u>\$ 85,078</u>	<u>\$ 40,131</u>	<u></u>
Total Liabilities	<u></u>	<u></u>	<u>40,131</u>	<u></u>
Total Deferred Inflows of Resources	<u>27,836</u>	<u>27,647</u>	<u></u>	<u></u>
Fund Balances				
Nonspendable				
Inventories				
Prepaid Items				
Restricted For:				
Debt Service	39,777	57,431		
Highways and Roads				
Assigned To:				
Other Purposes				
Unassigned				
Total Fund Balances	<u>39,777</u>	<u>57,431</u>	<u></u>	<u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 67,613</u>	<u>\$ 85,078</u>	<u>\$ 40,131</u>	<u></u>

In Governmental Funds, the ending fund balance is a reflection of the resources that are available for carryover 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 an 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. As of September 30, 2021, the unassigned fund balance in the Commission's general fund was \$104.19 million.

The statement on the following page presents its consolidated revenue and expenditure information for the County's major funds. The general fund balance by increased \$23.4 million while the special highway tax fund balance decreased by \$17.7 million.

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

	General Fund		Reappraisal Fund		Special Highway Tax Fund	
	2021	2020	2021	2020	2021	2020
Revenue and Other Sources	\$202,751	\$168,194	\$7,618	\$7,311	\$34,692	\$36,762
Expenses and Other Uses	179,358	158,292	7,618	7,311	52,346	5,424
Increase (Dec) in Fund Balance	23,393	9,902			-17,654	31,338
Fund Balance at Beg of Year	82,403	72,501			57,431	26,093
Fund Balance at Year End	\$105,796	\$82,403			\$39,777	\$57,431

Debt Administration

As of September 30, 2021, the County had \$338 million in outstanding bonds, notes payable, and other long-term liabilities as shown in the table below:

**Outstanding Long Term Debt
September 30, 2021 and 2020
(amounts expressed in thousands)**

Governmental Activities:	2021	2020	\$ Change	% Change
Bonds/warrants net	\$ 213,780	\$ 173,403	40,377	23.3%
Net Pension Liability	78,115	70,271	7,844	11.2%
Other Postemployment Benefits	34,974	39,485	-4,511	-11.4%
Other Liabilities	12,053	11,863	190	1.6%
Total Long-Term Liabilities	\$ 338,922	\$ 295,022	\$43,900	14.9%

The balance on September 30, 2020 was \$295 million. Debt increased by \$43.9 million due to the issuance and refunding of its debt.

Capital Assets

The table below displays capital assets as of September 30, 2021 and September 30, 2020.

Capital Assets
September 30, 2021 and 2020
(amounts expressed in thousands)

Governmental Activities:	2021	2020	\$ Change	% Change
Non depreciable capital assets:				
Land	\$62,389	\$61,008	\$1,381	2.26%
Construction in Progress	13,536	6,484	7,052	108.76%
Infrastructure in Progress	48,663	62,351	-13,688	-21.95%
Capital Assets Being Depreciated:				
Infrastructure	277,694	254,679	23,015	9.04%
Buildings	180,360	179,591	769	0.43%
Equipment and Furniture	24,912	23,175	1,737	7.50%
Vehicles and Heavy Equipment	39,576	41,241	-1,665	-4.04%
Accumulated Depreciation	-183,458	-177,350	-6,108	3.44%
Capital Assets, Net	\$463,672	\$451,179	\$12,493	2.77%

As shown above, the County's beginning balance of net capital assets was \$451.1 million. Construction in progress increased due to the start of new projects. Infrastructure in progress decreased due to the completion of existing infrastructure projects that began construction prior to Fiscal Year 2021. The County increased its depreciable capital assets nominally. At the end of Fiscal Year 2021, the County had \$463.6 million invested in capital assets. This is an increase of \$12.4 million over Fiscal Year 2021.

General Fund Budgetary Highlights

On a budgetary basis, the County ended Fiscal Year 2021 with an excess of revenue over expenditures of \$27.1 million. The County projected it would utilize \$15.5 million of its budgeted reserve during Fiscal Year 2021. The County did not utilize any of its budgeted reserves.

Economic Factors and Next Year's Budget

When developing the budget for Fiscal Year 2022, the County considered several factors:

- Estimated revenue
- Projected financial results for Fiscal Year 2021
- Projected local economic growth

2022 General Fund Budget

Mobile County remained resilient throughout the pandemic and will remain resilient through future challenges. The County's conservative budgetary practices and fiscal management policies have continued to position Mobile County to withstand the uncertainty that lies ahead.

Increases and decreases in revenue categories are based on either a rolling three-year average of local and statewide trends. The chart below provides a comparison of amounts budgeted for revenue for 2022 and 2021 respectively:

	2022	2021	Increase/ (Decrease)	%
Revenue				
Taxes	\$ 102,562,056	\$98,415,468	4,146,588	4.04%
Licenses and permits	1,975,000	1,603,312	371,688	18.82%
Intergovernmental	28,177,122	25,058,556	3,118,566	11.07%
Charges for services	17,474,950	16,679,306	795,644	4.55%
Miscellaneous	2,054,100	2,493,833	-439,733	-21.41%
Total revenue	152,243,228	144,250,475	7,992,753	5.25%
Budgeted fund balance	15,000,000	15,521,019	-521,019	-3.47%
Total revenue and budgeted fund balance	167,243,228	159,771,494	7,471,734	4.68%
Other financing sources				
Transfers in	25,010,267		25,010,267	100.00%
Total revenue and other financing sources	192,253,495	159,771,494	32,482,001	20.33%

The proposed Fiscal Year 2022 General Fund budget reflects carryforward, revenue, and operating transfers totaling \$192,253,495. The proposed budget includes \$16,283,544 in American Rescue Plan Revenue loss and \$8.7 million derived from transfers from other funds. The projected revenue and other financing sources are \$32.5 million more than the current budget.

The chart below provides a comparison of amounts budgeted for expenditures for 2022 and 2021 respectively

	2022	2021	Increase/ (Decrease)	%
Expenditures				
General government	70,995,336	55,825,988	15,169,348	21.37%
Public safety	83,327,296	77,414,138	5,913,158	7.10%
Environmental compliance	4,608,982	4,221,803	387,179	8.40%
Health	896,984	871,984	25,000	2.79%
Social services	805,603	783,554	22,049	2.74%
Culture and recreation	3,445,042	3,324,684	120,358	3.49%
Education	3,290,979	4,337,735	-1,046,756	-31.81%
Debt service	10,220,066	8,698,328	1,521,738	14.89%
Capital outlay	4,893,265	1,318,073	3,575,192	73.06%
Total expenditures	182,483,553	156,796,287	25,687,266	14.08%
Other financing uses				
Transfers in	9,769,942	2,975,207	6,794,735	69.55%
Total expenditures and other financing uses	\$192,253,495	\$159,771,494	\$32,482,001	20.33%

For Fiscal Year 2022, the general fund budget for expenditures and other financing uses totaled \$192,253,495 which includes \$9.7 million in transfers to other funds.

The Fiscal Year 2022 budget included funding for the following initiatives:

- Expanded inspections department
- Capital investment in County ERP Software
- Five percent (5%) COLA
- \$2,500 one-time non-recurring benefit
- 5.9% increase in health insurance
- Capital equipment
- Investments in the County's future Aquatic Center and District 3 improvements
- Commission District allocations
- Increased Information Technology Personnel

Subsequent Events

- Mobile County received an allocation of approximately \$80 million from the Coronavirus Rescue Act (American Rescue Plan Act or ARPA) funds, 50% of which was received in Fiscal Year 2022.

The Commission approved its Strategic Spending Plan for ARPA, obligating \$58.1 million of the County's allocation during a special meeting on Aug. 1, 2022.

Mobile County Commissioners Merceria Ludgood, Connie Hudson, and Randall Dueitt approved

32 projects for funding. These aim to respond to the public health crisis, improve public facilities and infrastructure, provide aid to the most vulnerable populations, strengthen local government operations and increase economic recovery and growth efforts.

- On November 8, 2022, Mobile County residents approved the issuance of \$69 million of 2022 Pay-As-You-Go Bonds, a method of financing road and bridge improvements with no new taxes and no borrowed money because funds are collected in advance of each two-year road program

The 2022 PAYG program commits \$73.8 million to improve 73.2 miles of roadways and seven bridges throughout Mobile County. The 2022 PAYG program incorporates federal funding matches of \$4.8 million. .

Contacting the County's Financial Management Team

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 Mobile 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.

Basic Financial Statements

Statement of Net Position

September 30, 2021

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 257,455,642.00
Cash with Fiscal Agents	14,374,850.00
Investments	130,956,417.00
Receivables (Note 4)	19,645,271.00
Ad Valorem Property Taxes Receivable	76,701,709.00
Inventories	928,744.00
Prepaid Items	1,382,474.00
Capital Assets (Note 5):	
Nondepreciable	124,587,200.00
Depreciable, Net	339,084,345.00
Total Assets	<u>965,116,652.00</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	3,830,792.00
Employer Pension Contributions	6,457,241.00
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	13,462,936.00
Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	6,902,373.00
Total Deferred Outflows of Resources	<u>30,653,342.00</u>
<u>Liabilities</u>	
Payables (Note 8)	11,400,581.00
Unearned Revenues	52,012,183.00
Accrued Wages Payable	2,591,351.00
Employee Benefits Payable	902,522.00
Accrued Interest Payable	1,292,020.00
Long-Term Liabilities:	
Portion Payable Within One Year:	
Worker's Compensation Claims Payable	207,539.00
Compensated Absences	5,645,303.00
Bonds/Warrants Payable	9,202,000.00
Plus: Unamortized Premium	1,545,896.00
Portion Payable After One Year:	
Worker's Compensation Claims Payable	2,443,564.00
Compensated Absences	3,755,851.00
Bonds/Warrants Payable	179,657,000.00
Plus: Unamortized Premium	23,375,588.00
Net Pension Liability	78,115,515.00
Net Other Postemployment Benefits (OPEB) Liability	34,973,741.00
Total Liabilities	<u>\$ 407,120,654.00</u>

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

	Governmental Activities
<hr/>	
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 76,701,709.00
Revenue Received in Advance - Motor Vehicle Taxes	3,967,148.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,295,652.00
Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	<u>30,176,656.00</u>
Total Deferred Inflows of Resources	<u>113,141,165.00</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	391,517,153.00
Restricted for:	
Debt Service	41,481,703.00
Road Projects	118,271,118.00
Other Purposes	4,739,396.00
Unrestricted	<u>(80,501,195.00)</u>
Total Net Position	<u><u>\$ 475,508,175.00</u></u>

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Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 86,504,864.00	\$ 25,300,569.00	\$ 19,457,100.00	\$	(41,747,195.00)
Public Safety	78,283,015.00	344,057.00	30,275,855.00		(47,663,103.00)
Highways and Roads	39,961,959.00	542,081.00	11,065,079.00	1,189,918.00	(27,164,881.00)
Sanitation	6,147,210.00	135,626.00	7,851,171.00		1,839,587.00
Health	7,729,864.00	48,163.00	17,555.00		(7,664,146.00)
Welfare	16,591,549.00	15,859.00	1,933,102.00		(14,642,588.00)
Culture and Recreation	2,939,133.00	230,250.00	43,539.00		(2,665,344.00)
Education	3,189,702.00				(3,189,702.00)
Interest and Fiscal Charges	3,682,854.00				(3,682,854.00)
Total Governmental Activities	<u>\$ 245,030,150.00</u>	<u>\$ 26,616,605.00</u>	<u>\$ 70,643,401.00</u>	<u>\$ 1,189,918.00</u>	<u>(146,580,226.00)</u>
General Revenues:					
Taxes:					
Property Taxes for General Purposes					32,453,889.00
Property Taxes for Specific Purposes					59,640,094.00
General Sales Tax					83,981,806.00
County Gasoline Sales Tax					2,063,075.00
Other County Sales and Use Taxes					14,085,341.00
Grants and Contributions Not Restricted for Specific Purposes					4,754,025.00
Investment Earnings					301,981.00
Miscellaneous					2,285,245.00
Gain on Sale of Capital Assets					660,611.00
Total General Revenues					<u>200,226,067.00</u>
Changes in Net Position					53,645,841.00
Net Position - Beginning of Year, as Restated (Note 17)					<u>421,862,334.00</u>
Net Position - End of Year				\$	475,508,175.00

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

Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$ 71,942,722.00	\$ 2,282,572.00	\$ 3,392,263.00	\$ 40,130,599.00	\$ 139,707,486.00	\$ 257,455,642.00
Cash with Fiscal Agents	280.00		14,374,570.00			14,374,850.00
Investments	27,957,120.00		23,587,145.00		79,412,152.00	130,956,417.00
Receivables (Note 4)	15,252,239.00				4,393,032.00	19,645,271.00
Ad Valorem Property Taxes Receivable	42,466,456.00	7,975,253.00	26,260,000.00			76,701,709.00
Due From Other Funds	3,196,282.00	10,914.00			352,102.00	3,559,298.00
Inventories	277,976.00				650,768.00	928,744.00
Prepaid Items	1,334,285.00	42,633.00			5,556.00	1,382,474.00
Total Assets	162,427,360.00	10,311,372.00	67,613,978.00	40,130,599.00	224,521,096.00	505,004,405.00
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Payables (Note 8)	8,148,758.00	59,198.00			3,192,625.00	11,400,581.00
Due to Other Funds	52,903.00	25,264.00			3,481,131.00	3,559,298.00
Unearned Revenues	33,076.00	2,086,563.00		40,130,599.00	9,761,945.00	52,012,183.00
Accrued Wages Payable	2,463,462.00	122,578.00			5,311.00	2,591,351.00
Employee Benefits Payable	855,566.00	42,516.00			4,440.00	902,522.00
Worker's Compensation Claims Payable	207,539.00					207,539.00
Compensated Absences	12,085.00					12,085.00
Total Liabilities	11,773,389.00	2,336,119.00		40,130,599.00	16,445,452.00	70,685,559.00
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue - Property Taxes	42,466,456.00	7,975,253.00	26,260,000.00			76,701,709.00
Revenue Received in Advance - Motor Vehicle Taxes	2,390,704.00		1,576,444.00			3,967,148.00
Total Deferred Inflows of Resources	\$ 44,857,160.00	\$ 7,975,253.00	\$ 27,836,444.00	\$	\$	\$ 80,668,857.00

Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
<u>Fund Balances</u>						
Nonspendable:						
Inventories	\$ 277,976.00	\$	\$	\$	\$ 650,768.00	\$ 928,744.00
Prepaid Items	1,334,285.00				5,556.00	1,339,841.00
Restricted for:						
Debt Service			39,777,534.00		2,996,189.00	42,773,723.00
Highways and Roads					118,271,118.00	118,271,118.00
Capital Projects					70,889,499.00	70,889,499.00
Other Purposes					4,739,396.00	4,739,396.00
Assigned to:						
Highways and Roads					8,213,747.00	8,213,747.00
Capital Projects					1,250,302.00	1,250,302.00
Other Purposes					1,059,069.00	1,059,069.00
Unassigned	104,184,550.00					104,184,550.00
Total Fund Balances	105,796,811.00		39,777,534.00		208,075,644.00	353,649,989.00
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 162,427,360.00	\$ 10,311,372.00	\$ 67,613,978.00	\$ 40,130,599.00	\$ 224,521,096.00	\$ 505,004,405.00

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, 2021***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 353,649,989.00

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	\$ 647,129,395.00	
Accumulated Depreciation is	<u>(183,457,850.00)</u>	463,671,545.00

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. 3,830,792.00

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

Deferred Outflows Related to Employer Pension Contributions	\$ 6,457,241.00	
Proportionate Share of Deferred Outflows		
Related to Net Pension Liability	13,462,936.00	
Deferred Outflows Related to Net Other Postemployment		
Benefits (OPEB) Liability	6,902,373.00	
Proportionate Share of Deferred Inflows		
Related to Net Pension Liability	(2,295,652.00)	
Deferred Inflows Related to Net Other Postemployment		
Benefits (OPEB) Liability	<u>(30,176,656.00)</u>	(5,649,758.00)

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	\$ 9,202,000.00	\$ 179,657,000.00	
Unamortized Premium	1,545,896.00	23,375,588.00	
Worker's Compensation		2,443,564.00	
Accrued Interest Payable	1,292,020.00		
Compensated Absences	5,633,218.00	3,755,851.00	
Net Pension Liability		78,115,515.00	
Net Other Postemployment Benefits (OPEB) Liability		34,973,741.00	
Total Long-Term Liabilities	\$ 17,673,134.00	\$ 322,321,259.00	<u>(339,994,393.00)</u>
Total Net Position - Governmental Activities (Exhibit 1)			<u>\$ 475,508,175.00</u>

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Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Reappraisal Fund	Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 133,279,983.00	\$ 7,603,567.00	\$ 34,223,811.00	\$ 8,100,292.00	\$ 183,207,653.00
Licenses and Permits	2,239,599.00			842,290.00	3,081,889.00
Intergovernmental	46,208,276.00		468,261.00	41,835,638.00	88,512,175.00
Charges for Services	19,032,122.00			1,828,089.00	20,860,211.00
Miscellaneous	1,991,084.00	14,688.00		347,681.00	2,353,453.00
Total Revenues	202,751,064.00	7,618,255.00	34,692,072.00	52,953,990.00	298,015,381.00
Expenditures					
Current:					
General Government	61,233,708.00	6,956,565.00		12,368,907.00	80,559,180.00
Public Safety	74,280,352.00			2,303,950.00	76,584,302.00
Highways and Roads	14,947,869.00			21,198,205.00	36,146,074.00
Sanitation	3,421,307.00			2,515,460.00	5,936,767.00
Health	871,984.00			6,857,880.00	7,729,864.00
Welfare	783,554.00			15,799,610.00	16,583,164.00
Culture and Recreation	2,643,397.00			43,539.00	2,686,936.00
Education	3,183,177.00				3,183,177.00
Capital Outlay	1,204,176.00	835,180.00		21,709,630.00	23,748,986.00
Debt Service:					
Principal	7,208,385.00		2,480,000.00		9,688,385.00
Interest and Fiscal Charges	5,137,156.00		846,720.00	639,828.00	6,623,704.00
Debt Issuance Costs	705,067.00			449,839.00	1,154,906.00
Total Expenditures	175,620,132.00	7,791,745.00	3,326,720.00	83,886,848.00	270,625,445.00
Excess (Deficiency) of Revenues Over/Under Expenditures	27,130,932.00	(173,490.00)	31,365,352.00	(30,932,858.00)	27,389,936.00
Other Financing Sources/Uses					
Transfers In				105,977,594.00	105,977,594.00
Sale of Capital Assets	346,623.00	173,490.00		427,111.00	947,224.00
Long-Term Debt Issued	83,180,000.00			28,090,000.00	111,270,000.00
Premiums on Long-Term Debt Issued	16,163,441.00				16,163,441.00
Transfers Out	(25,731,734.00)		(49,019,056.00)	(31,226,804.00)	(105,977,594.00)
Payment to Refunding Bond Escrow Agent	(77,695,536.00)				(77,695,536.00)
Total Other Financing Sources/Uses	(3,737,206.00)	173,490.00	(49,019,056.00)	103,267,901.00	50,685,129.00
Net Changes in Fund Balances	23,393,726.00		(17,653,704.00)	72,335,043.00	78,075,065.00
Fund Balances - Beginning of Year, as Restated (Note 17)	82,403,085.00		57,431,238.00	135,740,601.00	275,574,924.00
Fund Balances - End of Year	\$ 105,796,811.00	\$	\$ 39,777,534.00	\$ 208,075,644.00	\$ 353,649,989.00

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, 2021***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 78,075,065.00

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 (\$23,748,986.00)
exceeded depreciation (\$10,225,611.00) in the current period. 13,523,375.00

In the Statement of Activities, only the gain of \$660,611.00 on the sale of
capital assets is reported, whereas in the governmental funds, the proceeds
from the sale/disposal (\$947,224.00) are reported. Thus the changes in net
position differs from the change in fund balance by the costs of the assets sold. (286,613.00)

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. 9,688,385.00

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. (111,270,000.00)

Premiums on debt issuance are recorded as other financing sources in the governmental
funds, but are amortized in the Statement of Activities. (16,163,441.00)

Payments to refunding escrow agent are recorded as expenditures or other financing
uses in the governmental funds, but reductions to long-term liabilities in the Statement
of Net Position and do not affect the Statement of Activities. 77,695,536.00

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 Deferred Amounts on Refunding	\$	(344,260.00)	
Amortization of Premiums on Debt Issued		2,967,095.00	
Total		2,622,835.00	2,622,835.00

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	\$ (1,182,532.00)	
Net Decrease in Estimated Liability for Worker's Compensation	938,554.00	
Net Decrease in Accrued Interest Payable	318,015.00	
Net Increase in Pension Expense	(2,449,626.00)	
Net Decrease in OPEB Expense	<u>2,136,288.00</u>	
Total Additional Expenditures		<u>(239,301.00)</u>

Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 53,645,841.00</u></u>
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Statement of Fiduciary Net Position
September 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
<hr/>		
<u>Assets</u>		
Cash and Cash Equivalents	\$ 507,039.00	\$ 14,335,565.00
Total Assets	<u>507,039.00</u>	<u>14,335,565.00</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	507,039.00	14,335,565.00
Total Net Position	<u>\$ 507,039.00</u>	<u>\$ 14,335,565.00</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, 2021

	Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from:		
Taxes	\$	\$ 205,041,110.00
Probate Court		1,617,226.00
Licenses and Fees		68,612,184.00
Interest	617.00	730.00
Inmate Deposits		4,446,520.00
Total Additions	617.00	279,717,770.00
<u>Deductions</u>		
Administrative Expenses		953,557.00
Taxes and Fees Paid to Other Governments		273,299,152.00
Payments to Beneficiaries		4,514,462.00
Total Deductions		278,767,171.00
Changes in Net Position	617.00	950,599.00
Net Position - Beginning of Year, as Restated (Note 17)	506,422.00	13,384,966.00
Net Position - End of Year	\$ 507,039.00	\$ 14,335,565.00

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, 2021

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, 2021

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.
- ◆ **Coronavirus Rescue Act Fund** – This fund is used to account for the funds appropriated and expenditures of the American Rescue Plan Act-State and Local Fiscal Recovery Funds.

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, 2021

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.
- ◆ **Custodial 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

- ◆ **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, 2021

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 Annual Comprehensive 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, 2021

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 and Certificates of Deposit

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

The Commission has \$8,922,745.00 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, 2021

B. Cash with Fiscal Agents

As of September 30, 2021, the Commission's cash with fiscal agent was invested as follows:

Investment Type	Rating Agency	Rating	Maturities	Fair Value
Money Market Funds:				
Regions Select Treasury Money Market	Standard & Poor's	AAAm	Unknown	\$ 280.00
Morgan Stanley/Regions Money Market		Unrated	Unknown	14,374,570.00
Total				<u>\$14,374,850.00</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 acceptance.

As of September 30, 2021, the Commission had the following investments and maturities:

Investments	Maturities	Fair Value
Bonds and Notes by Fund:		
General Fund	Less than 10 years	\$ 26,887,930.00
Special Highway Tax Fund	Less than 10 years	17,921,431.00
Other Governmental Funds	Less than 10 years	77,224,309.00
Total Bonds and Notes		<u>\$122,033,670.00</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 the 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, 2021

As of September 30, 2021, the Commission had the following investments, maturities and fair market value hierarchies:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets			Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)		
Debt Securities:						
U. S. Treasury Securities	\$119,802,898.00	\$		\$119,802,898.00	\$	
Fixed Government Agency Securities	2,011,897.00			2,011,897.00		
Fixed Certificates of Deposits	8,922,745.00			8,922,745.00		
Total Investment by Fair Value Level	\$130,737,540.00	\$		\$130,747,540.00	\$	

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 sell 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, 2021

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, 2021, 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	\$ 952,114.00	\$1,423,809.00	\$ 2,375,923.00
Intergovernmental	14,300,125.00	2,969,223.00	17,269,348.00
Total Receivables	<u>\$15,252,239.00</u>	<u>\$4,393,032.00</u>	<u>\$19,645,271.00</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, 2021, 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	\$49,925,620.00
Unexpended Reappraisal Funds	<u>2,086,563.00</u>
Total Unearned Revenue for Governmental Funds	<u>\$52,012,183.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 10/01/2020	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2021
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 61,008,405.00	\$ 1,491,561.00	\$ (110,967.00)	\$ 62,388,999.00
Construction in Progress	6,483,606.00	7,710,823.00	(658,786.00)	13,535,643.00
Infrastructure in Progress	62,350,919.00	9,083,161.00	(22,771,522.00)	48,662,558.00
Total Capital Assets, Not Being Depreciated	129,842,930.00	18,285,545.00	(23,541,275.00)	124,587,200.00
Capital Assets Being Depreciated:				
Infrastructure	254,678,801.00	23,014,968.00		277,693,769.00
Buildings	179,591,474.00	769,023.00		180,360,497.00
Equipment and Furniture	23,175,363.00	1,737,007.00		24,912,370.00
Vehicles and Heavy Equipment	41,241,039.00	2,627,867.00	(4,293,347.00)	39,575,559.00
Total Capital Assets Being Depreciated	498,686,677.00	28,148,865.00	(4,293,347.00)	522,542,195.00
Less Accumulated Depreciation for:				
Infrastructure	(44,147,102.00)	(2,418,352.00)		(46,565,454.00)
Buildings	(84,822,281.00)	(3,668,978.00)		(88,491,259.00)
Equipment and Furniture	(16,274,335.00)	(1,679,552.00)		(17,953,887.00)
Vehicles and Heavy Equipment	(32,106,223.00)	(2,458,729.00)	4,117,702.00	(30,447,250.00)
Total Accumulated Depreciation	(177,349,941.00)	(10,225,611.00)	4,117,702.00	(183,457,850.00)
Total Capital Assets Being Depreciated, Net	321,336,736.00	17,923,254.00	(175,645.00)	339,084,345.00
Total Governmental Activities Capital Assets, Net	\$ 451,179,666.00	\$ 36,208,799.00	\$ (23,716,920.00)	\$ 463,671,545.00
(*) The additions and retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of \$22,026,641.00. The additions and retirements columns include a reclassification from Construction in Progress to Buildings and Improvements in the amount of \$658,786.00.				

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 4,233,462.00
Public Safety	1,698,713.00
Highways and Roads	3,815,886.00
Sanitation	210,443.00
Welfare	8,385.00
Culture and Recreation	252,197.00
Education	6,525.00
Total Depreciation Expense – Governmental Activities	<u>\$10,225,611.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

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, 2021

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.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active Members	56,369
Post-DROP participants who are still in active service	97
Total	<u>101,245</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

The County membership includes approximately 2,662 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	934
Vested Inactive Members	39
Non-Vested Inactive Members	175
Active Members	1,510
Post-DROP participants who are still in active service	4
Total	<u>2,662</u>

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.

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, 2021, the Mobile County Commission's active employee contribution rate was 5.28% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 8.44% of covered employee payroll.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Mobile County Commission's contractually required contribution rate for the year ended September 30, 2021 was 10.44% of pensionable pay for Tier 1 employees, and 7.65% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 \$6,457,241 for the year ended September 30, 2021.

B. Net Pension Liability

The Mobile County Commission's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019, rolled forward to September 30, 2020 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	\$270,032,987	\$273,653,060
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2018 - September 30, 2019	5,299,315	5,299,315
(d) Transfers Among Employers		(155,514)
(e) Actual Benefit Payments and Refunds for the Period October 1, 2018 - September 30, 2019	(17,912,433)	(17,912,433)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$277,522,780</u>	<u>\$281,266,085</u>
(g) Difference between Expected and Actual		\$ 3,743,305
(h) Less Liability Transferred for Immediate Recognition		(155,514)
(i) Experience (Gain)/Loss		<u>\$ 3,898,819</u>

Actuarial Assumptions

The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019, 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, 2021

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, 2019, 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	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

Notes to the Financial Statements

For the Year Ended September 30, 2021

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, 2019	\$270,032,987	\$199,762,217	\$ 70,270,770
Changes for the Year:			
Service cost	5,299,315		5,299,315
Interest	20,102,911		20,102,911
Changes in assumptions			
Difference between expected and actual experience	3,898,819		3,898,819
Contributions – employer		6,434,136	(6,434,136)
Contributions – employee		3,830,157	(3,830,157)
Net investment income		11,192,007	(11,192,007)
Benefit payments, including refunds of employee contributions	(17,912,433)	(17,912,433)	
Administrative expense			
Transfers among employers	(155,514)	(155,514)	
Net Changes	11,233,098	3,388,353	7,844,745
Balances at September 30, 2020	\$281,266,085	\$203,150,570	\$ 78,115,515

Notes to the Financial Statements

For the Year Ended September 30, 2021

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	\$107,564,989	\$78,115,515	\$53,020,304

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 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, 2021

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

For the year ended September 30, 2021, the Mobile County Commission recognized pension expense of \$8,726,003. At September 30, 2021, 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	\$ 5,632,723	\$2,295,652
Changes of assumptions	1,499,837	
Net difference between projected and actual earnings on pension plan investments	6,330,376	
Employer contributions subsequent to the measurement date	6,457,241	
Total	\$19,920,177	\$2,295,652

The \$6,457,241 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, 2022. 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, 2022	\$2,766,571
2023	\$3,106,662
2024	\$3,466,386
2025	\$1,677,711
2026	\$ 149,954
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2021

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	450
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	1,458
Total	<u>1,908</u>

Total OPEB Liability

The Commission’s total OPEB liability of \$34,973,741 as of the reporting date of September 30, 2021 was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2021, 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	2.14% annually
Healthcare Cost Trend Rates	5.00% 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 Net OPEB Liability

Balance at September 30, 2019	\$ 39,484,601
Changes for the Year:	
Service Cost	1,794,195
Expected Interest Growth	884,400
Unexpected Investment Growth	(2,276)
Demographic Experience	(13,906,181)
Benefit Payments and Refunds	(916,538)
Assumption Changes	7,635,540
Net Changes	(4,510,860)
Balance at September 30, 2020	\$ 34,973,741

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.14%) or 1-percentage point higher (3.14%) than the current discount rate:

	1.0% Decrease (1.14%)	Current Discount Rate (2.14%)	1.0% Increase (3.14%)
Net OPEB liability	\$38,333,639	\$34,973,741	\$32,060,224

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

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current healthcare trend rates:

	1.0% Decrease (4.00%)	Current Discount Rate (5.00%)	1.0% Increase (6.00%)
Net OPEB liability	\$31,933,75	\$34,973,741	\$38,449,132

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

For the year ended September 30, 2021, the Commission recognized OPEB income of \$4,326,286. At September 30, 2021, 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, 2019	\$ 551,412	\$23,641,121
Change due to:		
Amortization Payments	(1,284,579)	(7,372,922)
Investment Gain/Loss		2,276
Demographic Gain/Loss		13,906,181
Assumption Changes	7,635,540	
Total Change	6,350,961	6,535,535
Balance as of September 30, 2020	\$6,902,373	\$30,176,656

Note 8 – Payables

On September 30, 2021, payables for the Commission's individual major funds and other governmental funds in the aggregate are as follows:

	Governmental Funds			
	General Fund	Reappraisal Fund	Other Governmental Funds	Total
Vendors	\$3,100,389.00	\$59,198.00	\$2,403,324.00	\$ 5,562,911.00
Other Payables	300.00			300.00
Intergovernmental	1,038,023.00		789,301.00	1,827,324.00
Health Insurance Pool	90,582.00			90,582.00
Automobile Liability Claims	169,409.00			169,409.00
General Liability	3,750,055.00			3,750,055.00
Total Payables	\$8,148,758.00	\$59,198.00	\$3,192,625.00	\$11,400,581.00

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 9 – Short-Term Debt

During the month of February 2021, the Commission issued and redeemed a short-term note payable to free up property taxes in the Special Highway Tax Fund that are to be used for the retirement of long-term debt.

During the month of February 2021, the Commission issued and redeemed a short-term note payable to free up property taxes in the Special Highway Tax Fund that are to be used for the retirement of long-term debt.

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable – 2018B Pay-As-You Go	\$	\$20,000,000.00	\$20,000,000.00	\$
Note Payable – 2020A Pay-As-You Go		29,000,000.00	29,000,000.00	
Total Notes Payable	\$	\$49,000,000.00	\$49,000,000.00	\$

Note 10 – Long-Term Debt

Mobile County has outstanding general obligation bonds and warrants totaling \$213,780,485. 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, \$35,258,800 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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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.

The General Obligation Improvement Warrants, Series 2020A, dated October 13, 2020, were issued for the purposes of refunding the cost of Series 2010C bonds and paying the expenses of issuing the Series 2020A Warrants.

The General Obligation Improvement Warrants, Series 2020B, dated October 13, 2020, were issued for the purposes of refunding the cost of Series 2010A and Series 2010B bonds and paying the expenses of issuing the Series 2020B Warrants.

The General Obligation Improvement Warrants, Series 2020C, dated October 13, 2020, were issued for the purposes of refunding the cost of Series 2012C and Series 2015 bonds and paying the expenses of issuing the Series 2020C Warrants.

The 2020 GOMESA Warrant, dated October 1, 2020, was issued for the purposes of providing funds to finance coastal protection and mitigate the effects of Outer Continental Shelf drilling activities by paying costs associated with qualified projects within the County permitted under the provisions of the Gulf of Mexico Energy Security Act of 2006.

The General Obligation Warrants, Series 2021, dated May 20, 2021, were issued for the purposes of funding the cost of various capital improvements in the County’s capital improvement plan, and paying the expenses of issuing the Series 2021 Warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2021:

	Debt Outstanding 10/01/2020	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2021	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds/Warrants and Notes Payable:					
General Obligation Warrants	\$160,592,385.00	\$111,270,000.00	\$(83,003,385.00)	\$188,859,000.00	\$ 9,202,000.00
Unamortized Amounts:					
Less: Unamortized Discount	(1,153,566.00)		1,153,566.00		
Add: Unamortized Premium	13,963,814.00	16,163,441.00	(5,205,771.00)	24,921,485.00	1,545,896.00
Total Bonds/Warrants and Notes Payable	173,402,633.00	127,433,441.00	(87,055,590.00)	213,780,485.00	10,747,896.00
<u>Other Liabilities:</u>					
Compensated Absences	8,222,826.00	1,178,328.00		9,401,154.00	5,645,303.00
Worker's Compensation	3,640,929.00		(989,826.00)	2,651,103.00	207,539.00
Other Postemployment Benefits	39,484,601.00		(4,510,860.00)	34,973,741.00	
Net Pension Liability	70,270,770.00		7,844,745.00	78,115,515.00	
Total Other Liabilities	121,619,126.00	1,178,328.00	2,344,059.00	125,141,513.00	5,852,842.00
Total Governmental Activities Long-Term Liabilities	\$295,021,759.00	\$128,611,769.00	\$(84,711,531.00)	\$338,921,998.00	\$16,600,738.00

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, 2021

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

Fiscal Year Ending	Governmental Activities General Obligation Bonds/Warrants		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2022	\$ 9,202,000.00	\$ 7,525,281.00	\$ 16,727,281.00
2023	9,658,000.00	7,496,422.00	17,154,422.00
2024	10,054,000.00	7,110,920.00	17,164,920.00
2025	9,140,000.00	6,707,625.00	15,847,625.00
2026	9,575,000.00	6,285,477.00	15,860,477.00
2027-2031	55,330,000.00	24,997,630.00	80,327,630.00
2032-2036	50,320,000.00	13,454,769.00	63,774,769.00
2037-2041	25,615,000.00	4,270,775.00	29,885,775.00
2042-2046	8,135,000.00	1,205,500.00	9,340,500.00
2047-2051	1,830,000.00	36,600.00	1,866,600.00
Total	\$188,859,000.00	\$79,090,999.00	\$267,949,999.00

Discounts and Premiums and Deferred Loss on Refunding

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, 2021

The Commission has a discount in connection with the issuance of its Series 2020A General Obligation Improvement Warrants. The discount is being amortized using the straight-line method over a period of eighteen years.

The Commission has a discount in connection with the issuance of its Series 2020B General Obligation Improvement Warrants. The discount is being amortized using the straight-line method over a period of eighteen years.

The Commission has a discount in connection with the issuance of its Series 2020C General Obligation Improvement Warrants. The discount is being amortized using the straight-line method over a period of eighteen years.

The Commission has a discount in connection with the issuance of its Series 2021 General Obligation Improvement Warrants. The discount is being amortized using the straight-line method over a period of twenty years.

	Discount	Premium	Loss on Refunding of Debt
Total Discount and Premium	\$1,961,481.00	\$21,658,778.00	\$5,062,413.00
Amounts from New Issue		16,163,441.00	2,186,185.00
Total Discount and Premium	1,961,481.00	37,822,219.00	7,248,598.00
Amount Amortized Prior Years	1,961,481.00	9,933,640.00	3,073,544.00
Balance Discount and Premium		27,888,579.00	4,175,052.00
Current Amount Amortized		2,967,095.00	344,260.00
Balance Discount and Premium	\$	\$24,921,484.00	\$3,830,792.00

Defeasance of Debt

On October 13, 2020, the Commission issued \$35,790,000 of 2020A (i) funding the cost of various capital improvements in the County's capital improvement plan, (ii) to refund in advance of its maturity, a portion of the Commission's \$46,095,000 General Obligation Improvement Warrants, Series 2010C, dated March 1, 2010. The net proceeds of \$46,090,095 (after payment of \$263,162 in issuance costs and original issue premium of \$10,563,258) were used to refund a portion of the General Obligation Improvement Warrants, Series 2010C. As a result, that portion of the Series 2010C General Obligation Improvement Warrants is considered to be defeased and the liability for those warrants has been removed.

The Commission decreased its total debt service payment by approximately \$14,234,255 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$12,569,810.

Notes to the Financial Statements

For the Year Ended September 30, 2021

On October 13, 2020, the Commission issued \$7,580,000 of 2020B (i) funding the cost of various capital improvements in the County's capital improvement plan, (ii) to refund in advance of its maturity, a portion of the Commission's \$6,155,000 General Obligation Improvement Warrants, Series 2010A, dated March 1, 2010 and a portion of the Commission's \$7,305,000 General Obligation Improvement Warrants, Series 2010B, dated March 1, 2010. The net proceeds of \$10,085,481 (after payment of \$71,329 in issuance costs and original issue premium of \$1,479,698) were used to refund a portion of the General Obligation Improvement Warrants, Series 2010C. As a result, that portion of the Series 2010A and 2010B General Obligation Improvement Warrants is considered to be defeased and the liability for those warrants has been removed.

The Commission decreased its total debt service payment by approximately \$920,084 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$883,334.

On October 13, 2020, the Commission issued \$22,800,000 of 2020C (i) funding the cost of various capital improvements in the County's capital improvement plan, (ii) to refund in advance of its maturity, a portion of the Commission's \$25,000,000 General Obligation Improvement Warrants, Series 2012C, dated October 10, 2012 and a portion of the Commission's \$26,285,000 General Obligation Improvement Warrants, Series 2015, dated October 6, 2015. The net proceeds of \$22,622,061 (after payment of \$177,939 in issuance costs) were used to refund a portion of the General Obligation Improvement Warrants, Series 2012C and 2015. As a result, that portion of the Series 2010C General Obligation Improvement Warrants is considered to be defeased and the liability for those warrants has been removed.

The Commission decreased its total debt service payment by approximately \$2,190,749 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,954,702.

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, 2021, the total of \$14,920,000.00 of general obligation warrants outstanding are considered defeased.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through a commercial insurance carrier. Coverage is provided up to \$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. Effective December 31, 2020, coverage is provided up to \$500,000 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.

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2021, were as follows:

	Due From Other Funds			
	General Fund	Reappraisal Fund	Other Governmental Funds	Totals
<u>Due To Other Funds:</u>				
General Fund	\$	\$	\$ 52,903.00	\$ 52,903.00
Reappraisal Fund			25,264.00	25,264.00
Other Governmental Funds	3,196,282.00	10,914.00	273,935.00	3,481,131.00
Totals	<u>\$3,196,282.00</u>	<u>\$10,914.00</u>	<u>\$352,102.00</u>	<u>\$3,559,298.00</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2021, were as follows:

	Transfers Out			
	General Fund	Special Highway Tax Fund	Other Governmental Funds	Totals
<u>Transfers In:</u>				
Other Governmental Funds	\$25,731,734.00	\$49,019,056.00	\$31,226,804.00	\$105,977,594.00
Totals	<u>\$25,731,734.00</u>	<u>\$49,019,056.00</u>	<u>\$31,226,804.00</u>	<u>\$105,977,594.00</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 13 – Related Organizations

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 14 – Construction and Other Significant Commitments

As of September 30, 2021, the Commission was obligated for the remaining amounts unpaid under the following construction contracts:

ADA Upgrades at Various Buildings	\$ 576,573.00
Renovations to the Davis Avenue Library	286,649.00
Elevator Maintenance and Service for Mobile County Facilities	754,421.00
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	844,676.00
Renovation of Property at Ann Street	(12,446.00)
Renovation and ADA Upgrades of Clayton Park	(59,513.00)
License Commission Painting and Flooring	(54,232.00)
Government Plaza Fourth Floor Annex Build Out	2,421,479.00
Government Plaza Security Control Center	167,150.00
Strickland Security Control Center	280,000.00
District Attorney's Office Expansion	41,500.00
Metro Jail Smoke Purge Ventilation System Upgrade	17,250.00
Public Works Camera System	275,000.00
License Commission Gate	36,500.00
Revenue Commission Gate	36,500.00
Africatown Historic Structures Renovation	1,918,050.00
Franklin House Renovation	498,340.00
Old Davis Avenue Library Renovation	160,610.00
Africatown House Generator Installation	125,000.00
Salt Aire Preserve Office Building	850,000.00
Minimum Security Conversion to Medium Security	6,220,000.00
West Mobile County Park	1,065,402.00
Roof Maintenance for Various Facilities	3,000,000.00
Vehicle Maintenance Facilities	2,358,220.00
Addition to 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	1,170,739.00
Government Plaza Window Cleaning and Sealant Maintenance	448,146.00
Various Small Projects for Government Plaza	19,120.00
Total	\$37,623,632.00

Note 15 – Subsequent Event

On August 8, 2022, the Commission approved the issuance of \$69,000,000.00 principal amount of Pay-As-You-Go Bonds for the Mobile County Commission 2022 Transportation Pay-As-You-Go Program.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 16 – 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 1975*, 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, 2021, total property taxes abated were \$9,359,829.00 as follows:

Granting Jurisdiction	Type	Property Tax
Industrial Development Board of the City of Mobile	Steel Processing	\$6,262,567.00
Industrial Development Board of the City of Mobile	Port & Integrated Inland Service Networks	122,051.00
Industrial Development Board of the City of Mobile	Specialty Chemicals	61,181.00
Industrial Development Board of the City of Mobile	Oil Field Equipment Manufacturing	24,448.00
Industrial Development Board of the City of Mobile	Paper Product Distributor	674,222.00
Industrial Development Board of the City of Mobile	Laboratory Cold Storage	8,271.00
Industrial Development Board of the City of Mobile	Textile Manufacturer	24,628.00
Industrial Development Board of the City of Mobile	Manufacture and Produce Pipelines and Catenary	44,321.00
Industrial Development Board of the City of Mobile	Manufacture and Distributor of Electric Furnace, Flat-Rolled Steel & Steel Fabrication	351,565.00
Industrial Development Board of the City of Mobile	Agriculture Products	420,084.00
Industrial Development Board of the City of Mobile	Jetliner Manufacturer	301,535.00
Industrial Development Board of the City of Mobile	Welding Company	1,650.00
Industrial Development Board of the City of Mobile	Post Integrated Network	61,894.00
Industrial Development Board of the City of Mobile	Distribution Center	553,026.00
Industrial Development Board of the City of Mobile	Fulfillment Center	4,350.00
Industrial Development Board of the City of Mobile	Ship Manufacturing	431,850.00
Industrial Development Board of the City of Mobile	Repair and Maintenance of Electric Furnace	12,186.00
Total County Abated Taxes		<u>\$9,359,829.00</u>

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 \$6,262,567.00.

Industrial Development Board of the City of Mobile also granted sales tax abatements in the amount of \$346,319.00. This amount is attributed to numerous abatements granted to businesses within the county.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 17 – Restatement

During the fiscal year ended September 30, 2021, the Commission adopted new accounting guidance by implementing the provisions of GASB Statement Number 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted changing the presentation of the financial statements by reclassifying funds previously reported as private-purpose trust funds and agency funds to custodial funds and governmental funds, which have beginning net position. Also, some clearing funds previously reported as agency funds were reclassified to the General Fund and some funds previously reported as private-purpose trust funds were reclassified as custodial funds. Beginning net position has been restated to reflect these changes.

	Other Governmental Funds	Total Governmental Funds	Custodial Funds	Private-Purpose Trust Funds
Fund Balance, September 30, 2020 as Previously Reported	\$135,175,616.00	\$275,009,939.00	\$	\$ 13,379,169.00
<u>Fund Restatements:</u>				
Unknown Prior Period Errors	(335,919.00)	(335,919.00)		
Funds Reclassified Due to GASB 84 Implementation	900,904.00	900,904.00	13,384,966.00	(12,872,747.00)
Fund Balance, September 30, 2020, as Restated	<u>\$135,740,601.00</u>	<u>\$275,574,924.00</u>	<u>\$13,384,966.00</u>	<u>\$ 506,422.00</u>

	Governmental Activities	Fiduciary Activities
Net Position, September 30, 2020, as Previously Reported	\$420,961,430.00	\$13,379,169.00
Funds Reclassified Due to GASB 84 Implementation	900,904.00	(512,219.00)
Net Position, September 30, 2020, as Restated	<u>\$421,862,334.00</u>	<u>\$13,891,388.00</u>

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 5,299,315	\$ 5,258,541	\$ 5,093,407	\$ 5,186,720	\$ 5,009,574	\$ 4,778,134	\$ 5,011,299
Interest	20,102,911	19,355,681	19,218,927	18,355,453	17,684,340	17,357,467	16,775,274
Difference between expected and actual experience	3,898,819	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	(17,912,433)	(17,641,395)	(16,750,614)	(17,271,975)	(14,828,567)	(14,893,952)	(14,124,377)
Transfers among employers	(155,514)	1,215,990	(46,543)	237,027	207,628		
Net change in total pension liability	11,233,098	9,839,813	3,831,706	10,880,922	17,012,016	4,053,218	7,662,196
Total pension liability - beginning	270,032,987	260,193,174	256,361,468	245,480,546	228,468,530	224,415,312	216,753,116
Total pension liability - ending (a)	\$ 281,266,085	\$ 270,032,987	\$ 260,193,174	\$ 256,361,468	\$ 245,480,546	\$ 228,468,530	\$ 224,415,312
Plan fiduciary net position							
Contributions - employer	\$ 6,434,136	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 5,557,273	\$ 5,732,134
Contributions - employee	3,830,157	3,549,805	3,622,035	3,279,680	3,353,801	3,062,045	2,982,538
Net investment income	11,192,007	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	(17,912,433)	(17,641,395)	(16,750,614)	(17,271,975)	(14,828,567)	(14,893,952)	(14,124,377)
Other (Transfers among employers)	(155,514)	1,215,990	(46,543)	237,027	207,628	(262,359)	(290,505)
Net change in plan fiduciary net position	3,388,353	(1,735,341)	9,976,117	14,559,916	11,335,425	(4,556,764)	12,820,331
Plan fiduciary net position - beginning	199,762,217	201,497,558	191,521,441	176,961,525	165,626,100	170,182,864	157,362,533
Plan fiduciary net position - ending (b)	\$ 203,150,570	\$ 199,762,217	\$ 201,497,558	\$ 191,521,441	\$ 176,961,525	\$ 165,626,100	\$ 170,182,864
Net pension liability - ending (a) - (b)	\$ 78,115,515	\$ 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	72.23%	73.98%	77.44%	74.71%	72.09%	72.49%	75.83%
Covered payroll (*)	\$ 79,319,314	\$ 74,167,519	\$ 72,709,580	\$ 71,419,053	\$ 64,775,709	\$ 65,145,725	\$ 63,771,767
Commission's net pension liability as a percentage of covered payroll	98.48%	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 2021, the measurement period is October 1, 2019 through September 30, 2020. 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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 6,457,241	\$ 6,615,000	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 5,557,273	\$ 5,732,134
Contributions in relation to the actuarially determined contribution (*)	\$ 6,457,241	\$ 6,615,000	\$ 6,053,778	\$ 5,769,168	\$ 6,144,202	\$ 6,003,047	\$ 5,557,273	\$ 5,732,134
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 76,489,586	\$ 79,319,314	\$ 74,167,519	\$ 72,709,580	\$ 71,419,053	\$ 64,775,709	\$ 65,145,725	\$ 63,771,767
Contributions as a percentage of covered payroll	8.44%	8.34%	8.16%	7.93%	8.60%	9.27%	8.53%	8.99%

(*) 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 2021 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

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 2021 were based on the September 30, 2018, actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.3 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, 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, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service Cost	\$ 1,794,195	\$ 1,883,062	\$ 2,346,653	\$ 2,203,398
Expected Interest Growth	884,400	1,869,794	2,413,569	2,108,224
Unexpected Investment Income	(2,276)	(3,950)	(197)	
Demographic Experience	(13,906,181)	(14,350,064)	(9,512,312)	
Employer Contributions			(500,000)	
Benefit Payments and Refunds	(916,538)	(824,153)	(1,028,420)	(1,131,640)
Assumption Changes	7,635,540	655,846	(7,935,036)	
Net change in total OPEB liability	(4,510,860)	(10,769,465)	(14,215,743)	3,179,982
Total OPEB liability - beginning	39,484,601	50,254,066	64,469,809	61,289,827
Total OPEB liability - ending	<u>\$ 34,973,741</u>	<u>\$ 39,484,601</u>	<u>\$ 50,254,066</u>	<u>\$ 64,469,809</u>
Covered annual payroll	\$ 58,825,167	\$ 58,563,567	\$ 55,299,727	\$ 49,479,393
Employer's net OPEB liability as a percentage of covered payroll	59.45%	67.42%	90.88%	130.30%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended September 30, 2021.

Changes in Assumptions. Since the prior measurement date, the discount was decreased from 3.58% per annum to 2.14% 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, 2021

	2021 (*)	2020 (*)	2019	2018 (*)
Actuarially determined contribution	\$ 241,764	\$ 198,199	\$ 258,012	\$ 281,744
Contributions in relation to the actuarially determined contribution	\$ 241,764	\$ 198,199	\$ 258,012	\$ 281,744
Contribution deficiency (excess)	\$	\$	\$	\$
Covered annual payroll	\$ 11,370,240	\$ 11,181,142	\$ 11,181,142	\$ 9,911,401
Contributions as a percentage of covered payroll	2.13%	1.77%	2.31%	2.84%

(*) 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.

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

Notes to Schedule

Valuation date: October 1, 2019

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 5.00% for each fiscal year.
Salary increases	3.00% per annum
Discount Rate	2.14% 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-2018.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 98,415,468.00	\$ 98,415,468.00	\$ 114,485,103.00	(1)	\$ 18,794,880.00	\$ 133,279,983.00
Licenses and Permits	1,603,312.00	1,603,312.00	2,239,599.00			2,239,599.00
Intergovernmental	25,058,556.00	25,058,556.00	45,858,300.00	(1)	349,976.00	46,208,276.00
Charges for Services	16,679,306.00	16,679,306.00	19,032,122.00			19,032,122.00
Miscellaneous	2,493,833.00	2,493,833.00	1,965,675.00	(1)	25,409.00	1,991,084.00
Total Revenues	144,250,475.00	144,250,475.00	183,580,799.00		19,170,265.00	202,751,064.00
<u>Expenditures</u>						
Current:						
General Government	55,288,735.00	55,825,987.88	61,233,708.00			61,233,708.00
Public Safety	77,012,160.00	77,414,138.00	74,280,352.00			74,280,352.00
Highways and Roads				(2)	(14,947,869.00)	14,947,869.00
Sanitation	4,234,477.00	4,221,803.00	3,411,683.00	(2)	(9,624.00)	3,421,307.00
Health	871,984.00	871,984.00	871,984.00			871,984.00
Welfare	783,554.00	783,554.00	783,554.00			783,554.00
Culture and Recreation	3,310,818.00	3,324,684.00	2,643,397.00			2,643,397.00
Education	3,069,019.00	4,337,735.00	3,183,177.00			3,183,177.00
Capital Outlay	327,186.00	1,318,073.12	1,204,176.00			1,204,176.00
Debt Service:						
Principal Retirement	4,802,000.00	4,802,000.00	7,208,385.00			7,208,385.00
Interest and Fiscal Charges	3,861,328.00	3,861,328.00	5,137,156.00			5,137,156.00
Debt Issuance Costs	35,000.00	35,000.00	705,067.00			705,067.00
Total Expenditures	153,596,261.00	156,796,287.00	160,662,639.00		(14,957,493.00)	175,620,132.00
Excess (Deficiency) of Revenues Over Expenditures	(9,345,786.00)	(12,545,812.00)	22,918,160.00		4,212,772.00	27,130,932.00
<u>Other Financing Sources (Uses)</u>						
Sale of Capital Assets			346,623.00			346,623.00
Long-Term Debt Issued			83,180,000.00			83,180,000.00
Premiums on Long-Term Debt Issued			16,163,441.00			16,163,441.00
Transfers Out	(2,975,207.00)	(2,975,207.00)	(25,731,734.00)			(25,731,734.00)
Payment to Refunding Bond Escrow Agent			(77,695,536.00)			(77,695,536.00)
Total Other Financing Sources (Uses)	(2,975,207.00)	(2,975,207.00)	(3,737,206.00)			(3,737,206.00)
Net Change in Fund Balances	(12,320,993.00)	(15,521,019.00)	19,180,954.00		4,212,772.00	23,393,726.00
Fund Balances - Beginning of Year	12,320,993.00	15,521,019.00	69,840,246.00	(3)	12,562,839.00	82,403,085.00
Fund Balances - End of Year	\$	\$	\$ 89,021,200.00		\$ 16,775,611.00	\$ 105,796,811.00

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

**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	\$ 19,160,034.00	
Special Events Fund	<u>10,231.00</u>	\$ 19,170,265.00
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$ 14,947,869.00	
Special Events Fund	<u>9,624.00</u>	<u>(14,957,493.00)</u>
Net Change in Fund Balance - Budget to GAAP		<u><u>\$ 4,212,772.00</u></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, 2021

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$	\$	\$ 7,603,567.00	\$	\$ 7,603,567.00
Intergovernmental	9,134,929.00	9,294,685.00			
Miscellaneous	75,000.00	75,000.00	14,688.00		14,688.00
Total Revenues	9,209,929.00	9,369,685.00	7,618,255.00		7,618,255.00
<u>Expenditures</u>					
Current:					
General Government	8,377,929.00	8,415,054.00	6,956,565.00		6,956,565.00
Capital Outlay	832,000.00	954,631.00	835,180.00		835,180.00
Total Expenditures	9,209,929.00	9,369,685.00	7,791,745.00		7,791,745.00
Excess (Deficiency) of Revenues Over Expenditures			(173,490.00)		(173,490.00)
<u>Other Financing Sources (Uses)</u>					
Transfers In			173,490.00		173,490.00
Total Other Financing Sources (Uses)			173,490.00		173,490.00
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, 2021***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying 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	\$	\$ 45,774.03
National School Lunch Program:				
Cash Assistance	10.555	N/A		74,977.38
Non-Cash Assistance (Commodities)	10.555	N/A		12,949.87
Sub-Total National School Lunch Program				<u>87,927.25</u>
Total Child Nutrition Program				<u>133,701.28</u>
Total U. S. Department of Agriculture				<u>133,701.28</u>
<u>U. S. Department of Housing and Urban Development</u>				
<u>Direct Program</u>				
Community Development Block Grants/Entitlement Grants	14.218	B-17-UC-01-0002	808.30	808.30
Community Development Block Grants/Entitlement Grants	14.218	B-18-UC-01-0002	99,975.12	95,745.08
Community Development Block Grants/Entitlement Grants	14.218	B-19-UC-01-0002	247,998.68	224,820.79
Community Development Block Grants/Entitlement Grants	14.218	B-20-UC-01-0003	227,490.03	451,941.65
Community Development Block Grants/Entitlement Grants	14.218	B-20-UW-01-0002		233,300.46
Sub-Total Community Development Block Grants/Entitlement Grants			<u>576,272.13</u>	<u>1,006,616.28</u>
Home Investment Partnerships Program	14.239	M-20-UC-01-0206		57,389.94
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii	14.228	CV-EC-20-009		<u>709.50</u>
Total U. S. Department of Housing and Urban Development			<u>576,272.13</u>	<u>1,064,715.72</u>
<u>U. S. Department of Interior</u>				
<u>Direct Programs</u>				
Payments in Lieu of Taxes	15.226	N/A		24,673.00
GoMESA	15.435	N/A		2,171,729.30
National Wildlife Refuge Fund	15.659	N/A		4,999.00
National Fish and Wildlife Foundation	15.663	57972		<u>42,699.87</u>
Total U. S. Department of Interior				<u>2,244,101.17</u>
Sub-Total Forward			\$ 576,272.13	\$ 3,442,518.17

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 576,272.13	\$ 3,442,518.17
<u>U. S. Department of Justice</u>				
<u>Direct Program</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0736		741.46
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0779		12,357.16
Edward Byrne Memorial Justice Assistance Grant Program	17.738	2020-DJ-BX-0297		1,565.77
Sub-Total Edward Byrne Memorial Justice Assistance Grant Program				14,664.39
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0663		9,940.00
Equitable Sharing Program	16.922	N/A		31,271.48
Violence Against Women Formula Grant	16.588	19-WF-PR-005		16,309.45
Violence Against Women Formula Grant	16.588	20-WF-PR-005		42,842.59
Sub-Total Violence Against Women Formula Grant				59,152.04
Total U. S. Department of Justice				115,027.91
<u>U. S. Department of Transportation</u>				
<u>Passed Through Alabama Department of Transportation</u>				
Airport Improvement Program	20.106	3-01-0023-016-2020		720,843.78
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	21-FP-PT-004	334,358.57	390,373.42
State and Community Highway Safety	20.600	21-FP-CP-004		134,305.25
State and Community Highway Safety	20.600	21-FP-PT-008		31,826.35
Sub-Total State and Community Highway Safety			334,358.57	556,505.02
National Priority Safety Programs	20.616	20-ID-M5-008		23,664.96
National Priority Safety Programs	20.616	21-ID-M5-004	73,815.07	103,559.66
Sub-Total National Priority Safety Programs			73,815.07	127,224.62
Total Highway Safety Cluster			408,173.64	683,729.64
Total U. S. Department of Transportation			408,173.64	1,404,573.42
Sub-Total Forward			\$ 984,445.77	\$ 4,962,119.50

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 984,445.77	\$ 4,962,119.50
<u>U. S. Department of the Treasury</u>				
<u>Direct Program</u>				
Treasury Equitable Sharing Program	21.016	N/A		654,622.23
COVID-19 Emergency Rental Assistance Program	21.023	N/A		13,521,520.23
<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 (Gulf RESTORE)	21.015	RST M1A02-BLBD		554,332.08
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Gulf RESTORE)	21.015	RST M1A03-WDSU		367,625.00
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Gulf RESTORE)	21.015	RST M1A04-SWSP		159,863.79
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Gulf RESTORE)	21.015	RST M1A05-MVWT		125,383.00
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Gulf RESTORE)	21.015	RST M1A06-MCBT		320,200.35
Sub-Total of Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Gulf RESTORE)				1,527,404.22
<u>Passed Through Alabama Department of Finance</u>				
COVID-19 Coronavirus Relief Fund	21.019	N/A		2,254,692.68
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A		1,066,658.34
Total U. S. Department of Treasury				19,024,897.70
<u>U. S. Consumer Product Safety Commission</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		471,634.89
<u>U. S. Election Assistance Commission</u>				
<u>Passed Through Alabama Secretary of State</u>				
COVID-19 CARES Election Expenses Grant	90.404	N/A		516,224.87
Sub-Total Forward			\$ 984,445.77	\$ 24,974,876.96

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipients	Expenditures
Sub-Total Brought Forward			\$ 984,445.77	\$ 24,974,876.96
<u>Corporation for National and Community Service</u>				
<u>Direct Programs</u>				
Retired and Senior Volunteer Program	94.002	19SRSAL006	68,116.00	68,116.00
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparent Program	94.011	19SFSAL006		436,376.95
Senior Companion Program	94.016	18SCAL001	363,893.56	363,893.56
Sub-Total Foster Grandparent/Senior Companion Cluster			363,893.56	800,270.51
Total Corporation for National and Community Service			432,009.56	868,386.51
<u>U. S. Department of Homeland Security</u>				
<u>Passed Through Alabama Department of Homeland Security</u>				
Homeland Security Grant	97.067	9OSF		135,334.02
Homeland Security Grant	97.067	20OSF		79,701.11
Sub-Total Homeland Security Grant				215,035.13
Total U. S. Department of Homeland Security				215,035.13
Total Expenditures of Federal Awards			\$ 1,416,455.33	\$ 26,058,298.60

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, 2021

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, 2021. 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.

Note 3 – Indirect Cost Rate

The Mobile County Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2020 through September 30, 2021

Commission Members		Term Expires
Merceria Ludgood	President	2024
Connie Hudson	Member	2024
Randall Dueitt	Member	2024
Jerry Carl	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, 2021, 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 December 12, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mobile County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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***.

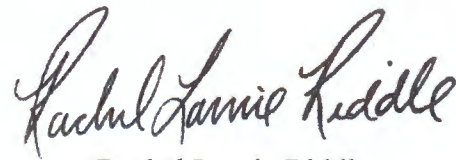
The Commission's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Mobile County Commission's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Mobile County Commission's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Mobile County 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.

***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

December 12, 2022

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, 2021. 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 with each of the Mobile County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mobile County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Mobile County Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mobile County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

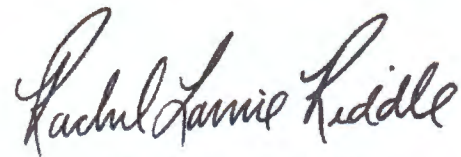
Management of the Mobile County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mobile County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 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.

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

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.

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

December 12, 2022

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

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?

 X Yes 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:

Assistance Listing Numbers	Name of Federal Program or Cluster
21.023	Emergency Rental Assistance
94.011 and 94.016	Foster Grandparent/Senior Companion Cluster
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States
21.019	Coronavirus Relief Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Dollar threshold used to distinguish between
Type A and Type B programs:

\$781,748.96

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2021-001
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

The Commission failed to ensure that errors in financial information were detected and corrected prior to the preparation of the financial statements.

Finding 2021-001

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records, underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings, any adjustments made to the financial records to be adequately documented, and accurate financial statements to be prepared. The following discrepancies were noted:

- ✓ The Commission failed to record three of five refunding bond issuances, totaling \$66,170,000.00, in the fund level financial statements.
- ✓ Loss on Refunding of Debt in the amount of \$3,830,792 was incorrectly reported in the government-wide financial statements as a Deferred Inflow of Resources.
- ✓ Beginning net position in the government-wide financial statements and beginning fund balance in the fund level financial statements were not accurately reported.
- ✓ Ending net position in the government-wide financial statements and ending fund balance in the fund level financial statements were not accurately reported.
- ✓ The Coronavirus Rescue Act Fund was not reflected as a major fund in fund level financial statements.
- ✓ The Commission failed to record activity for Private-Purpose Trust and Custodial accounts in accordance with GASB Statement Number 84, *Fiduciary Activities*.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

Procedures were not in place to ensure errors in recording financial information were detected and corrected prior to preparation of the financial statements. As a result, the Commission's financial statements did not include all activity of the Commission and, once the errors were brought to management's attention, management made numerous material adjustments in order to correctly reflect all financial activity of the Commission in the financial statements.

Recommendation

The Commission should ensure errors in recording financial information are detected and corrected prior to the preparation of the financial statements.

Views of Responsible Officials

The Mobile County Commission agrees with this finding.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

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Auditee Response/Corrective Action Plan

MOBILE COUNTY COMMISSION

COUNTY COMMISSIONERS

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MERCERIA LUDGOOD, Commissioner

RANDALL DUEITT, Commissioner

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ADMINISTRATION

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COUNTY ADMINISTRATOR

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Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2021

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Mobile County Commission has prepared and hereby submits the following Corrective Action Plan for the finding, which is included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

Corrective Action Plan Details

Finding Ref. No.

2021-001 Finding:

General Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records, underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings, any adjustments made to the financial records to be adequately documented, and accurate financial statements to be prepared. The following discrepancies were noted:

- The Commission failed to record three of five refunding bond issuances, totaling \$66,170,000.00, in the fund-level financial statements.
- Loss on Refunding of Debt in the amount of \$3,830,792 was incorrectly reported in the government-wide financial statements as a Deferred Inflow of Resources.
- Beginning net position in the government-wide financial statements and beginning fund balance in the fund-level financial statements were not accurately reported.
- Ending net position in the government-wide financial statements and ending fund balance in the fund-level financial statements were not accurately reported.
- The Coronavirus Rescue Act Fund was not reflected as a major fund in fund-level financial statements.
- The Commission failed to record activity for Private Purpose Trust and Custodial accounts in accordance with GASB Statement Number 84, *Fiduciary Activities*.

Procedures were not in place to ensure errors in recording financial information were detected and corrected prior to the preparation of the financial statements. As a result, the Commission's financial statements did not include all activity of the Commission and, once the errors were brought to management's attention, management made numerous material adjustments in order to correctly reflect all financial activity of the Commission.

Recommendation:

The Commission should ensure errors in recording financial information are detected and corrected prior to the preparation of the financial statements.

Response/Views: The Mobile County Commission agrees with the finding.

Corrective Action Planned:


The Commission has made a major investment in the upgrade of its ERP system. This system greatly enhances the Commission's efficiency in the preparation of its financial statements. The Commission will no longer have to prepare its statements manually. The Commission has also invested in a debt management solution and will no longer manage its debt schedules manually. The Commission has invested in Thomson Reuters' PPC guides and will complete the checklists provided prior to submitting its financial statements to the Examiners. The Commission has added an additional Certified Public Accountant to its staff.

Anticipated Completion Date:

September 30, 2022

Contact Person(s):

Dana A. Foster-Allen, CPA, Director of Finance

DocuSigned by:

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Glenn Hodge, Administrator
Mobile County Commission

November 15, 2022
Date