Report on the

Mobile County Commission

Mobile County, Alabama

October 1, 2017 through September 30, 2018

Filed: September 13, 2019

Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

19-294

State of Alabama
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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

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

Respectfully submitted,

Angela B. Waters
Angela B. Waters
Examiner of Public Accounts

M. Lynn Benson
M. Lynn Benson
Examiner of Public Accounts

David A. Quick
Examiner of Public Accounts

Joshua M. Jones
Joshua M. Jones
Examiner of Public Accounts

Sworn to and subscribed before me this the 21 day of August, 2019.
Richard Bonner
Notary Public

Sworn to and subscribed before me this the 21 day of August, 2019.
Richard Bonner
Notary Public

Sworn to and subscribed before me this the 21 day of August, 2019.
Carolyn Marshall
Notary Public

Sworn to and subscribed before me this the 22nd day of August, 2019.
Sheila Blanchard
Notary Public

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Department of
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SUMMARY

Mobile County Commission
October 1, 2017 through September 30, 2018

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, as added by Act Number 2018-129.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2018.

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

The Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference held at the offices of the County Commission. Individuals in attendance were: Dana Foster-Allen, Director of Finance; and Commissioners: Connie Hudson, Jerry Carl and Merceria Ludgood. Also in attendance were representatives from the Department of Examiners of Public Accounts: Brian Wheeler, Audit Manager and Angela Waters, Examiner. The results of the report were discussed via telephone with John Pafenbach, Administrator.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Mobile County Commission,
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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Mobile County Commission as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mobile County Commission, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, in the fiscal year ended September 30, 2018, the Mobile County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, as amended by GASB Statement Number 85, ***Omnibus 2017***. 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), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions – Pension, Schedule of the Employer's Proportionate Share of the Net Pension Liability, Schedule of Changes in the Employer's Net Other Postemployment Benefits (OPEB) Liability, Schedule of Employer's Contributions – Other Postemployment Benefits (OPEB) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 14) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mobile County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 16, 2019, on our consideration of the Mobile County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mobile County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Mobile County Commission's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 16, 2019

Management's Discussion and Analysis
(Required Supplementary Information)

MOBILE COUNTY COMMISSION

County Commissioners

Connie Hudson, Commission President
Merceria Ludgood, Commissioner
Jerry Carl, Commissioner

Administration

John F. Pafenbach, County Administrator
Glenn L. Hodge, Deputy Administrator
Dana Foster-Allen, Finance Director

Management's Discussion and Analysis

The Mobile County Commission's Management Discussion and Analysis report (MD&A) is designed to provide an objective and easy to read analysis of the County's financial activities for the fiscal year ended September 30, 2018. 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 Number 34). This reporting model requires significant changes in the presentation of financial data and the manner in which the information is recorded.

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

Financial Highlights

- The County's governmental funds reported ending fund balances totaling $221,810,436, of which 31% or $61,659,762 is unassigned

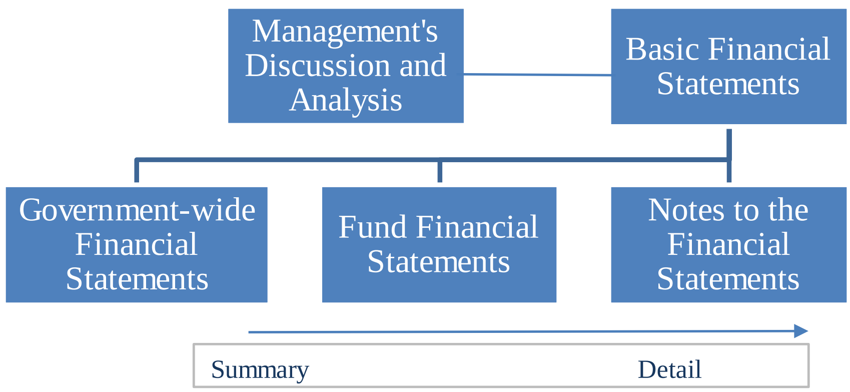
- At the end of the fiscal year, the County's unassigned fund balance in the general fund remained relatively unchanged from the prior year. The fund balance in the general fund decreased by $275,529 with an ending fund balance of $63,357,586

Understanding the Basic Financial Statements

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

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

Figure 1



Government-Wide Financial Statements

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

The Statement of Net Position shows the County's assets less its liabilities at September 30, 2018. The difference is reported as net position. Over time, an increase or decrease in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the tax base and the condition of the County's roads, to assess the overall health of the County.

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

Fund Financial Statements

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

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

Analysis of the Overall Financial Position and Results of Operations

The evaluation of an entity's net position is a tool that may serve as a useful indicator of the entity's financial condition. The following page presents a condensed comparative Statement of Net Position for the period ended September 30, 2018.

As shown on the statement, the County's total assets increased by 5% or $ 40 million. The County's total liabilities increased by $62.21 million. Overall, the County's liabilities and deferred inflows exceeded assets and deferred outflows by $308 million. The County decreased its net position by 6.56% over the period ended September 30, 2017. The County's financial condition decreased due to the implementation of the Governmental Accounting Standard's Board (GASB) Statement Number 75, which now requires governmental entities to record its total liability for all current employees through and beyond retirement.

Comparative Statement of Net Position
Stated in thousands

	2018	2017	$ Change	% Change
Assets				
Current and Other Assets	$ 317,240	$289,712	$ 27,528	9.50%
Capital Assets, Net	427,300	414,256	13,044	3.15%
Total Assets	744,540	703,968	40,572	5.76%
Deferred Outflows of Resources				
Loss on Refunding of Debt	2,533	2,060	473	22.96%
Employer Pension Contributions	6,222	14,870	(8,648)	-58.16%
Proportionate Share of Deferred Outflows Related to Pension Liability	9,396	14,870	(5,474)	-36.81%
Total Deferred Outflows of Resources	18,151	31,800	(13,649)	-42.92%
Liabilities				
Current Liabilities	22,487	32,667	(10,180)	-31.16%
Noncurrent Liabilities	308,194	235,805	72,389	30.70%
Total Liabilities	330,681	268,472	62,209	23.17%
Deferred Inflows of Resources				
Unavailable Revenue – Property Taxes	70,899	71,693	(794)	-1.11%
Revenue Received in Advance – Motor Vehicle Taxes	3,279	3,532	(253)	-7.16%
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	7,269	2,029	5,240	258.26%
Total Deferred Inflows of Resources	81,447	77,254	4,193	5.43%
Net Position				
Invested in Capital Assets	369,973	360,148	9,825	2.73%
Restricted for:				
Debt Service	51,382	62,850	(11,468)	-18.25%
Road Projects	63,854	45,268	18,586	41.06%
Other Purposes	2,319	1,577	742	47.05%
Unrestricted	(136,965)	(94,671)	(42,294)	44.67%
Total Net Position	$ 350,563	$375,172	$ (24,609)	-6.56%

The following page displays a condensed statement reflecting the changes in net position from fiscal year 2017 to fiscal year 2018.

Changes in Net Position
Stated in Thousands

	2018	2017	$ Change	% Change
Revenues:				
Program Revenues				
Changes for Services	$ 21,745	$ 22,249	$ (504)	-2.27%
Operating Grants and Contributions	30,114	29,233	881	3.01%
Capital Grants and Contributions	391		391	0.00%
Total Program Revenues	52,250	51,482	768	1.49%
General Revenues:				
Taxes				
Property Taxes for General Purposes	29,011	29,416	(405)	1.38%
Property Taxes for Specific Purposes	53,731	53,179	552	1.04%
General Sales Tax	62,673	59,524	3,149	5.29%
County Gasoline Sales Tax	381	233	148	63.52%
Other County Sales and Use Taxes	7,551	7,387	164	2.22%
Miscellaneous Taxes	1,771	1,834	(63)	-3.44%
Grants and Contributions Not Restricted for Specific Purposes	3,617	3,506	110	3.14%
Investment Earnings	1,813	834	979	117.39%
Miscellaneous	3,051	2,658	393	14.79%
Gain on Sale of Capital Assets	204	114	90	78.95%
Total General Revenues	163,803	158,685	5,118	3.22%
Total Revenues	216,053	210,167	5,886	2.80%
Program Expenses				
General Government	70,822	65,740	5,082	7.73%
Public Safety	71,591	70,300	1,291	1.84%
Highways and Roads	33,509	41,264	(7,755)	-18.79%
Sanitation	4,135	4,167	(32)	-0.77%
Health	5,078	5,360	(282)	-5.26%
Welfare	2,983	3,854	(871)	-22.60%
Culture and Recreation	2,818	2,559	259	10.12%
Education	3,102	2,540	562	22.13%
Interest and Fiscal Charges	6,066	6,019	47	0.78%
Total Expenses	200,104	201,803	(1,699)	-0.84%
Change in Net Position	15,949	8,364	7,585	90.70%
Net Position, Beginning of Year	334,614	366,808	(32,194)	-8.78%
Net Position, September 30	$350,563	$375,172	$(24,609)	-6.56%

The County recorded program revenue of $52.2 million for the fiscal year ended September 30, 2018. Program revenues consist of revenue collected through charges for services, programs specific operating grants and program specific capital grants. The amount collected during fiscal year 2018 represents a 1.49% increase over fiscal year 2017 collections.

The County's recorded general revenues of $163.8 million for the fiscal year ended September 30, 2018. General revenue consists of the following revenue categories:

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

The amount collected represents a 3.22% increase over fiscal year 2017 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 2% or $3.55 million over fiscal year 2017 collections. In total, the County increased its revenue nominally by $5.9 million or 2.8% over fiscal year 2017.

For the period ended September 30, 2018, expenses remained relatively unchanged. Notable expenses during fiscal year 2018 are as follows:

1. The County Commission approved a 2.5% cost of living adjustment in October 2017 for all employees. The Court Police received a cost of livening adjustment in the amount of 7.5%
2. The County absorbed the projected 2018 increase in employees benefit without passing the costs to the employees
3. There were $3.70 million budgeted for capital purchases
4. The County appropriated an additional $1.23 to other agencies and projects

The County's expenditures on general government activities increased by 7.73% and its expenditures for public safety increased by 1.84%. Expenditures on all other categories decreased by a cumulative amount of $9.1 million.

Governmental Funds

Governmental funds presented individually in Mobile County Commission's 2018 statements include three major funds: the General Fund, the Reappraisal Fund, and the Special Highway Tax Fund. Mobile County also has additional smaller governmental funds. These are presented in the Governmental Fund Statements in a total column termed "Other Governmental Funds".

The Mobile County Commission is complying with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for fiscal years beginning after 6/15/2010. The primary impact of this statement is that funds which are held separately and were reported separately before, namely the Road and Bridge Fund, the Maddie's Fund and the Special Events Fund, will now be reported as part of the General Fund; however, these funds will continue to be held separately.

Major Fund Information
Governmental Fund Balance Sheet
(in Thousands)

	General Fund		Reappraisal Fund		Special Highway Tax Fund	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Total Assets	$118,947	$117,169	$9,237	$9,610	$80,685	$80,551
Total Liabilities	14,571	12,257	3,648	3,352		5,980
Total Deferred Inflows of Resources	41,018	41,278	5,589	6,258	27,570	27,689
Fund Balances						
Nonspendable						
Inventories	179	219				
Prepaid Items	1,519	1,242				
Restricted for:						
Debt Service					53,115	46,883
Highways and Roads						
Capital Projects						
Other Purposes						
Assigned to:						
Other Purposes						
Unassigned:						
General	61,660	62,172				
Total Fund Balances	63,358	63,633			53,115	46,883
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$118,947	$117,168	$9,237	$9,610	$80,685	$80,552

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

	General Fund		Reappraisal Fund		Special Highway Tax Fund	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue and Other Sources	$156,582	$151,705	$6,051	$6,170	$31,675	$31,192
Expenses and Other Uses	156,858	152,119	6,051	6,170	25,443	29,502
Increase (Dec) in Fund Balance	(276)	(414)			6,232	1,690
Fund Balance at Beg of Year	**63,633**	**64,048**			**46,883**	**45,193**
Fund Balance at Year-End	**$ 63,657**	**$ 63,634**	**$**	**$**	**$53,115**	**$46,883**

In Governmental funds, the ending fund balance is a reflection of the resources that are available to be carried over to future years. It is also a reflection of the County's ability to respond to emergencies or to take advantage of opportunities that may come available. A good rule of thumb for the General Fund is to have at least two to three months of expenditures in unassigned fund balance. The Commission reevaluates the unassigned fund balance annually. The Commission's goal is to maintain a balance between addressing capital needs and maintaining an adequate reserve. At September 30, 2018, the Commission maintained the unassigned fund balance in the General Fund at $61.77 million.

General Fund Budgetary Highlights

On a budgetary basis, the County ended fiscal year 2018 with an excess of expenditures over revenue in the amount of $275,529. The County projected it would utilize $10,978,339 of its budgeted reserve funds during fiscal year 2018. The County only utilized 2% of its budgeted reserve.

Debt Administration

As of September 30, 2018, the County had $307,794,000 in outstanding bonds, notes payable and other long-term liabilities as shown in the table below:

Outstanding Long-Term Debt
September 30, 2018 and 2017
(Amounts expressed in Thousands)

	2018	2017	$ Change	% Change
Governmental Activities:				
Bonds/Warrants Net	$166,313	$148,817	$17,496	11.8%
Net Pension Liability	64,840	68,519	(3,679)	-5.4%
Other Postemployment Benefits	64,070	61,290	3,180	5.2%
Other Liabilities	12,571	13,484	(913)	-6.8%
Total Long-Term Liabilities	$308,194	$292,110	$16,084	5.5%

The balance at September 30, 2017 was $292,110,000. The overall increase in debt in the amount of $16,084,000 can be attributed to the following:

- An increase in the balance of bonds/warrants net in the amount of 11.8% due to the County's Series 2017 General Obligation Warrants

- The addition of the new GASB standard for accounting for post-employment benefits

Capital Assets

The table below displays capital assets as of September 30, 2018 and September 30, 2017.

Capital Assets
September 30, 2018 and 2017
(Amounts expressed in Thousands)

	2018	2017	$ Change
Governmental Activities:			
Nondepreciable Capital Assets:			
Land	$ 48,760	$ 46,925	$ 1,835
Construction in Progress	2,328	1,094	1,234
Infrastructure in Progress	54,121	46,088	8,033
Capital Assets Being Depreciated:			
Infrastructure	243,171	237,095	6,076
Buildings	179,399	179,399	
Equipment and Furniture	22,219	19,712	2,507
Vehicles and Heavy Equipment	39,256	39,866	(610)
Accumulated Depreciation	(161,955)	(153,999)	(7,956)
Capital Assets, Net	**$ 427,299**	**$ 416,180**	**$11,119**

As shown above, the County's beginning balance of net capital assets was $416,180,000. During 2018, the County increased its land holdings. Construction in progress increased due to the start of new projects. Infrastructure in progress increased due to the continued construction of existing infrastructure projects which began construction in fiscal year 2017. The County increased its depreciable capital assets by nominally. At the end of fiscal year 2018, the County had $427,299,000 invested in capital assets

Ecomomic Factor's and Next Years's Budget

When developing the budget for fiscal year 2019, the County considered several factors:

- Mobile County's estimated population of 416,252 and its per capital effective buying income of 81.3% of the national level
- Economic development and projected growth of 2%
- Capital investment

2019 General Fund Budget

The chart below provides a comparison of amounts budgeted for revenue and expenditures for 2018 and 2019 respectively:

	2018	2019	Increase/ (Decrease)	%
Revenue				
Taxes	$ 94,739,389	$ 95,839,001	$ 1,099,612	1.16%
Licenses and permits	1,672,147	1,683,968	11,821	0.71%
Intergovernmental	21,659,533	21,036,874	(622,659)	-2.87%
Charges for services	16,854,019	16,797,791	(56,228)	-0.33%
Miscellaneous	1,064,145	1,549,490	485,345	45.61%
Total revenue	135,989,233	136,907,124	917,891	0.67%
Budgeted fund balance	10,978,339	10,978,339	-	0.00%
Total revenue and budgeted fund balance	**146,967,572**	**147,885,463**	**917,891**	**0.62%**
Expenditures				
General government	48,722,187	50,128,093	1,405,906	2.89%
Public safety	69,681,882	69,825,860	143,978	0.21%
Sanitation	3,931,319	4,117,113	185,794	4.73%
Health	1,033,110	869,875	(163,235)	-15.80%
Social services	397,686	733,154	335,468	84.35%
Culture and recreation	2,541,600	2,773,235	231,635	9.11%
Education	4,222,998	2,561,984	(1,661,014)	-39.33%
Debt service	9,328,206	10,691,460	1,363,254	14.61%
Capital outlay	3,837,963	3,103,809	(734,154)	100.00%
Total expenditures	**143,696,951**	**144,804,583**	**1,107,632**	**0.77%**
Other financing uses				
Transfers out	3,270,621	3,080,880	(189,741)	-5.80%
Total expenditures and other financing uses	**$ 146,967,572**	**$ 147,885,463**	**$ 917,891**	**0.62%**

The fiscal year 2018 general fund budget has projected revenue of $136,907,124. This is $917,891 or .62% above the 2019 budget.

General Fund expenditures are $144,804,583. This is $1,107,632 above the FY 2018 general fund budget. The chart below provides a comparison of general fund expenditures by type between FY 2017 and FY 2018:

	2018	2019	Increase/ (Decrease)	%
General Fund Expenditures				
Personnel	$ 78,234,406	$ 81,087,114	$ 2,852,708	3.65%
Operations	37,667,331	36,051,230	(1,616,101)	-4.29%
Utilities	5,731,149	5,868,393	137,244	2.39%
Capital	4,082,775	3,103,809	(978,966)	100.00%
Appropriations	8,653,084	8,002,577	(650,507)	-7.52%
Debt Service	9,328,206	10,691,460	1,363,254	14.61%
Transfers Out	3,270,621	3,080,880	(189,741)	-5.80%
	$ 146,967,572	$ 147,885,463	$ 917,891	0.62%

For fiscal year 2019, the County budgeted in functional areas that addressed the County's most pressing needs. The County again pledged support to its courts. County staff will enjoy a 2.5% cost of living raise and for the third year in a row, the County is absorbing the increase cost of insurance benefits.

The County will be also expending approximately $1,000,000 in the general fund for repairs to its existing facilities.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have a question about this report or require additional information, please contact the County Finance Director at 205 Government St., Mobile, Alabama 36644-1801, or call 251-574-5588. You may also contact the Comptroller at (251) 574-4905.

Basic Financial Statements

Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 99,678,342.00
Cash with Fiscal Agents	1,161,046.00
Investments	138,068,156.00
Receivables (Note 4)	5,080,181.00
Ad Valorem Property Taxes Receivable	70,898,677.00
Inventories	791,022.00
Prepaid Items	1,562,759.00
Capital Assets (Note 5):	
Nondepreciable	105,209,114.00
Depreciable, Net	322,090,791.00
Total Assets	744,540,088.00
Deferred Outflows of Resources	
Loss on Refunding of Debt	2,533,313.00
Employer Pension Contributions	6,222,124.00
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	9,395,217.00
Total Deferred Outflows of Resources	18,150,654.00
Liabilities	
Payables (Note 8)	11,785,749.00
Unearned Revenues	6,535,275.00
Accrued Wages Payable	1,680,320.00
Employee Benefits Payable	752,385.00
Accrued Interest Payable	1,732,763.00
Long-Term Liabilities:	
Portion Payable Within One Year:	
Worker's Compensation Claims Payable	388,663.00
Compensated Absences	4,770,805.00
Bonds/Warrants Payable	9,401,433.00
Less: Unamortized Discount	(73,446.00)
Plus: Unamortized Premium	936,922.00
Portion Payable After One Year:	
Worker's Compensation Claims Payable	4,893,795.00
Compensated Absences	2,517,755.00
Bonds/Warrants Payable	145,119,711.00
Less: Unamortized Discount	(1,227,014.00)
Plus: Unamortized Premium	12,155,339.00
Net Pension Liability	64,840,027.00
Net Other Postemployment Benefits (OPEB) Liability	64,469,809.00
Total Liabilities	$ 330,680,291.00

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

	Governmental Activities
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	$ 70,898,677.00
Revenue Received in Advance - Motor Vehicle Taxes	3,279,441.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	7,269,139.00
Total Deferred Inflows of Resources	81,447,257.00
Net Position	
Net Investment in Capital Assets	369,973,689.00
Restricted for:	
Debt Service	51,382,140.00
Road Projects	63,853,787.00
Other Purposes	2,318,749.00
Unrestricted	(136,965,171.00)
Total Net Position	$ 350,563,194.00

Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 70,823,174.00	$ 20,466,233.00	$ 911,756.00
Public Safety	71,592,403.00	300,419.00	18,261,703.00
Highways and Roads	33,508,601.00	507,303.00	8,236,247.00
Sanitation	4,134,825.00	35,911.00	308,122.00
Health	5,077,551.00	51,005.00	11,438.00
Welfare	2,982,623.00	17,650.00	2,385,217.00
Culture and Recreation	2,817,727.00	366,735.00	
Education	3,102,209.00		
Interest and Fiscal Charges	6,065,685.00		
Total Governmental Activities	$ 200,104,798.00	$ 21,745,256.00	$ 30,114,483.00

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

General Sales Tax

County Gasoline Sales Tax

Other County Sales and Use Taxes

Miscellaneous Taxes

Grants and Contributions Not Restricted for Specific Purposes

Investment Earnings

Miscellaneous

Gain on Sale of Capital Assets

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 17)

Net Position - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities
$	$ (49,445,185.00)
	(53,030,281.00)
391,005.00	(24,374,046.00)
	(3,790,792.00)
	(5,015,108.00)
	(579,756.00)
	(2,450,992.00)
	(3,102,209.00)
	(6,065,685.00)
$ 391,005.00	(147,854,054.00)
	29,011,351.00
	53,731,278.00
	62,673,113.00
	381,249.00
	7,551,074.00
	1,770,858.00
	3,616,967.00
	1,812,567.00
	3,050,565.00
	204,220.00
	163,803,242.00
	15,949,188.00
	334,614,006.00
	$ 350,563,194.00

Balance Sheet
Governmental Funds
September 30, 2018

		General Fund		Reappraisal Fund
Assets				
Cash and Cash Equivalents	$	34,406,396.00	$	2,079,989.00
Cash with Fiscal Agents		3,565.00		
Investments		39,636,146.00		1,512,283.00
Receivables (Note 4)		3,168,724.00		120.00
Ad Valorem Property Taxes Receivable		39,058,713.00		5,589,327.00
Due From Other Funds		975,807.00		16,140.00
Inventories		178,556.00		
Prepaid Items		1,519,268.00		39,118.00
Total Assets		118,947,175.00		9,236,977.00
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Payables (Note 8)		9,654,622.00		120,769.00
Due to Other Funds		2,084,515.00		21,212.00
Unearned Revenues		12,768.00		3,401,026.00
Accrued Wages Payable		1,604,905.00		72,369.00
Employee Benefits Payable		716,517.00		32,274.00
Worker's Compensation Claims Payable		388,663.00		
Compensated Absences		109,210.00		
Total Liabilities		14,571,200.00		3,647,650.00
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes		39,058,713.00		5,589,327.00
Revenue Received in Advance - Motor Vehicle Taxes		1,959,676.00		
Total Deferred Inflows of Resources	$	41,018,389.00	$	5,589,327.00

Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
$ 2,257,679.00	$ 60,934,278.00	$ 99,678,342.00
1,157,481.00		1,161,046.00
50,024,438.00	46,895,289.00	138,068,156.00
	1,911,337.00	5,080,181.00
26,250,637.00		70,898,677.00
995,070.00	1,732,177.00	3,719,194.00
	612,466.00	791,022.00
	4,373.00	1,562,759.00
80,685,305.00	112,089,920.00	320,959,377.00
	2,010,358.00	11,785,749.00
	1,613,467.00	3,719,194.00
	3,121,481.00	6,535,275.00
	3,046.00	1,680,320.00
	3,594.00	752,385.00
		388,663.00
		109,210.00
	6,751,946.00	24,970,796.00
26,250,637.00		70,898,677.00
1,319,765.00		3,279,441.00
$ 27,570,402.00	$	$ 74,178,118.00

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Reappraisal Fund
Fund Balances		
Nonspendable:		
Inventories	$ 178,556.00	$
Prepaid Items	1,519,268.00	
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Highways and Roads		
Capital Projects		
Other Purposes		
Unassigned	61,659,762.00	
Total Fund Balances	63,357,586.00	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 118,947,175.00	$ 9,236,977.00

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

Special Highway Tax Fund		Other Governmental Funds		Total Governmental Funds
$		$ 612,466.00		$ 791,022.00
		4,373.00		1,523,641.00
53,114,903.00				53,114,903.00
		63,853,787.00		63,853,787.00
		33,343,581.00		33,343,581.00
		2,318,749.00		2,318,749.00
		4,380,057.00		4,380,057.00
		564,087.00		564,087.00
		260,874.00		260,874.00
				61,659,762.00
53,114,903.00		105,337,974.00		221,810,463.00
$ 80,685,305.00		$ 112,089,920.00		$ 320,959,377.00

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

Total Fund Balances - Governmental Funds (Exhibit 3)			$221,810,463.00
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		$589,255,642.00	
Accumulated Depreciation is		(161,955,737.00)	427,299,905.00
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and, therefore, are deferred on the Statement of Net Position.			2,533,313.00
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
Deferred Outflows Related to Employer Pension Contributions		$ 6,222,124.00	
Proportionate Share of Deferred Outflows Related to Net Pension Liability		9,395,217.00	
Proportionate Share of Deferred Inflows Related to Net Pension Liability		(7,269,139.00)	8,348,202.00
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year-end consist of:			
	Current Liabilities	Noncurrent Liabilities	
Bonds/Warrants Payable	$ 9,401,433.00	$145,119,711.00	
Unamortized Premium	936,922.00	12,155,339.00	
Unamortized Discounts	(73,446.00)	(1,227,014.00)	
Worker's Compensation		4,893,795.00	
Accrued Interest Payable	1,732,763.00		
Compensated Absences	4,661,595.00	2,517,755.00	
Net Pension Liability		64,840,027.00	
Net Other Postemployment Benefits (OPEB) Liability		64,469,809.00	
Total Long-Term Liabilities	$ 16,659,267.00	$292,769,422.00	(309,428,689.00)
Total Net Position - Governmental Activities (Exhibit 1)			$350,563,194.00

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Reappraisal Fund
Revenues		
Taxes	$ 111,889,876.00	$ 6,003,722.00
Licenses and Permits	1,451,803.00	
Intergovernmental	23,637,607.00	
Charges for Services	17,050,240.00	
Miscellaneous	2,552,687.00	46,867.00
Total Revenues	156,582,213.00	6,050,589.00
Expenditures		
Current:		
General Government	45,415,858.00	5,321,081.00
Public Safety	68,635,762.00	
Highways and Roads	14,329,084.00	
Sanitation	3,393,164.00	
Health	879,219.00	
Welfare	397,686.00	
Culture and Recreation	2,510,500.00	
Education	3,095,684.00	
Capital Outlay	3,834,698.00	730,258.00
Debt Service:		
Principal	7,034,551.00	
Interest and Fiscal Charges	3,488,873.00	
Debt Issuance Costs	327,876.00	
Total Expenditures	153,342,955.00	6,051,339.00
Excess (Deficiency) of Revenues Over/Under Expenditures	3,239,258.00	(750.00)
Other Financing Sources/Uses		
Transfers In		
Sale of Capital Assets	233,710.00	750.00
Long-Term Debt Issued	37,465,000.00	
Premiums on Long-Term Debt Issued	6,639,423.00	
Transfers Out	(30,777,428.00)	
Payment to Refunding Bond Escrow Agent	(17,075,492.00)	
Total Other Financing Sources/Uses	(3,514,787.00)	750.00
Net Changes in Fund Balances	(275,529.00)	
Fund Balances - Beginning of Year	63,633,115.00	
Fund Balances - End of Year	$ 63,357,586.00	$

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

Special Highway Tax Fund	Other Governmental Funds	Total Governmental Funds
$ 30,792,980.00	$ 4,699,436.00	$ 153,386,014.00
	1,233,947.00	2,685,750.00
457,882.00	13,572,645.00	37,668,134.00
	195,750.00	17,245,990.00
423,807.00	1,840,521.00	4,863,882.00
31,674,669.00	21,542,299.00	215,849,770.00
	12,436,662.00	63,173,601.00
	1,166,661.00	69,802,423.00
	15,202,881.00	29,531,965.00
	294,308.00	3,687,472.00
	4,184,019.00	5,063,238.00
	2,576,552.00	2,974,238.00
	88,093.00	2,598,593.00
		3,095,684.00
	17,302,832.00	21,867,788.00
2,315,000.00		9,349,551.00
3,114,679.00		6,603,552.00
		327,876.00
5,429,679.00	53,252,008.00	218,075,981.00
26,244,990.00	(31,709,709.00)	(2,226,211.00)
	51,190,892.00	51,190,892.00
	39,051.00	273,511.00
		37,465,000.00
		6,639,423.00
(20,012,639.00)	(400,825.00)	(51,190,892.00)
		(17,075,492.00)
(20,012,639.00)	50,829,118.00	27,302,442.00
6,232,351.00	19,119,409.00	25,076,231.00
46,882,552.00	86,218,565.00	196,734,232.00
$ 53,114,903.00	$ 105,337,974.00	$ 221,810,463.00

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, 2018

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 25,076,231.00
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 ($21,867,788.00) exceeded depreciation ($10,678,780.00) in the current period.		11,189,008.00
In the Statement of Activities, only the gain $204,216.00 on the sale/disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale/disposal ($273,511.00) are reported. Thus the changes in net position differs from the change in fund balance by the costs of the assets sold.		(69,295.00)
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.		9,349,551.00
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.		(37,465,000.00)
Premiums on debt issuance are recorded as other financing sources in the governmental funds, but are amortized in the Statement of Activities.		(6,639,423.00)
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.		17,075,492.00
In the Statement of Activities, the amortization of discounts, premiums and deferred charges on refunding are reported as expenditures, whereas, in the governmental funds it is not recorded.		
Amortization of Discounts on Debt Issued	$ (73,447.00)	
Amortization of Deferred Amounts on Refunding	(348,791.00)	
Amortization of Premiums on Debt Issued	1,078,449.00	
Total		656,211.00

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 Decrease in Estimated Liability for Compensated Absences	$ 408,180.00	
Net Decrease in Estimated Liability for Worker's Compensation	480,765.00	
Net Increase in Accrued Interest Payable	(118,344.00)	
Net Increase in Pension Expense	(814,206.00)	
Net Increase Other Postemployment Benefits (OPEB) Expense	(3,179,982.00)	
Total Additional Expenditures		(3,223,587.00)
Change in Net Position of Governmental Activities (Exhibit 2)		$ 15,949,188.00

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Statement of Fiduciary Net Position
September 30, 2018

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	$ 16,037,429.00	$ 1,033,394.00
Total Assets	16,037,429.00	1,033,394.00
Liabilities		
Due to Individuals		$ 1,033,394.00
Net Position		
Held in Trust for Other Purposes	16,037,429.00	
Total Net Position	$ 16,037,429.00	

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, 2018

		Private-Purpose Trust Funds
Additions		
Contributions from:		
Inmate Deposits	$	3,315,652.00
Fiduciary Deposits		12,980,131.00
Fees		1,074,856.00
Employer Contributions		500,000.00
Interest		197.00
Total Additions		17,870,836.00
Deductions		
Administrative Expenses		3,266,575.00
Payments to Beneficiaries		375,163.00
Distribution of Fees		1,074,856.00
Total Deductions		4,716,594.00
Changes in Net Position		13,154,242.00
Net Position - Beginning of Year		2,883,187.00
Net Position - End of Year	$	16,037,429.00

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

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.

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

- ***Special Highway Tax Fund*** – This fund is used to account for the principal and interest payments when they become due on warrants and to retire debt for pay-as-you-go projects.

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- ***Debt Service Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

- ***Capital Projects Funds*** – These funds are used to account for and report that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ***Private-Purpose Trust Funds*** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

- ***Agency Funds*** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

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

3. Inventories

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

4. Prepaid Items

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

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their acquisition value on the date of acquisition. 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.

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/warrant premiums and discounts are deferred and amortized over the life of the bonds/warrants. Bonds/warrants payable are reported at gross with separate line items for the applicable premiums or discounts. Bond/warrant issuance costs are reported as an expense in the period incurred.

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

8. Compensated Absences

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

Annual Leave

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

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

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.

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

9. Deferred Inflows of Resources

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

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the net 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.

12. 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.

- ***Unrestricted*** – Net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

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

- ***Nonspendable*** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items, term endowments, etc.

- ***Restricted*** – consists of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

- ***Committed*** – consists of amounts that are subject to a purpose constraint imposed by formal approval by majority vote of the Mobile County Commission, which is the highest level of decision making authority, in an open meeting. Amendments or modifications of the committed fund balance must also be approved by the same method.

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

- ***Unassigned*** – includes all spendable amounts not contained in one of the other classifications.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Minimum Fund Balance Policy

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – Deposits and Investments

A. Deposits

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

The Commission has $25,838,510.58 of its funds in Certificates of Deposit. These certificates of deposit are classified as “Deposits” in order to determine insurance and collateralization. However, they are classified as “Investments” on the financial statements.

B. Cash with Fiscal Agent

As of September 30, 2018, 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	$ 3,565.00
Raymond James Money Market		Unrated	Unknown	1,157,481.00
Total				$1,161,046.00

C. Investments

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

As of September 30, 2018, the Commission had the following investments and maturities:

Investments	Maturities	Fair Value
Bonds and Notes by Fund:		
General Fund	Less than 10 years	$ 31,749,544.00
Special Highway Tax Fund	Less than 10 years	34,920,755.00
Reappraisal Fund	Less than 10 years	997,400.00
Other Governmental Funds	Less than 10 years	39,654,474.00
General Fund	More than 10 years	2,179,474.00
Special Highway Tax Fund	More than 10 years	2,315,884.00
Other Governmental Funds	More than 10 years	412,117.00
Total Bonds and Notes		$112,229,648.00

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

As of September 30, 2018, the Commission had the following investments, maturities and fair market value hierarchies:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U. S. Treasury Securities	$ 38,270,000.00	$38,270,000.00	$	$
Fixed Government Agency Securities	60,610,000.00		60,610,000.00	
Fixed Certificates of Deposits	18,690,000.00		18,690,000.00	
Fixed Government Agency CMO's	4,420,000.00		4,420,000.00	
Fixed Government MBS	2,460,000.00		2,460,000.00	
Fixed Small Business Administration Securities	560,000.00		560,000.00	
Fixed Government CMBS and Multi-Family	3,660,000.00		3,660,000.00	
Sovereigns	140,000.00		140,000.00	
Total Investment by Fair Value Level	128,810,000.00	$38,270,000.00	$90,540,000.00	$
Investments Measured at the Net Asset Value (NAV)				
Cash	9,190,000.00			
Total Investments Measured at the Net Asset Value	9,190,000.00			
Total Investments Measured at Fair Value	$138,000,000.00			

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

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

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

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

Note 4 – Receivables

On September 30, 2018, receivables for the Commission's individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Reappraisal Fund	Other Governmental Funds	Total
Receivables:				
Accounts	$ 274,798.00	$120.00	$ 409,252.00	$ 684,170.00
Intergovernmental	2,893,926.00		1,502,085.00	4,396,011.00
Total Receivables	$3,168,724.00	$120.00	$1,911,337.00	$5,080,181.00

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, 2018, the various components of unearned revenue reported in the governmental funds were as follows:

Governmental Funds:	
Grant Funds Received Prior to Meeting Eligibility Requirements	$3,134,249.00
Unused Reappraisal Maintenance Funds	3,401,026.00
Total Unearned Revenue	$6,535,275.00

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/2017, as Restated (*)	Additions/ Reclassifications (**)	Retirements/ Reclassifications (**)	Balance 09/30/2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 46,925,202.00	$ 1,852,570.00	$ (17,760.00)	$ 48,760,012.00
Construction in Progress	1,094,297.00	1,233,525.00		2,327,822.00
Infrastructure in Progress	46,087,511.00	13,843,279.00	(5,809,510.00)	54,121,280.00
Total Capital Assets, Not Being Depreciated	94,107,010.00	16,929,374.00	(5,827,270.00)	105,209,114.00
Capital Assets Being Depreciated:				
Infrastructure	237,094,778.00	6,076,582.00		243,171,360.00
Buildings	179,399,378.00			179,399,378.00
Equipment and Furniture	19,712,483.00	2,532,772.00	(25,860.00)	22,219,395.00
Vehicles and Heavy Equipment	39,866,481.00	2,138,567.00	(2,748,653.00)	39,256,395.00
Total Capital Assets Being Depreciated	476,073,120.00	10,747,921.00	(2,774,513.00)	484,046,528.00
Less Accumulated Depreciation for:				
Infrastructure	(36,666,555.00)	(2,574,778.00)		(39,241,333.00)
Buildings	(73,441,476.00)	(3,880,393.00)		(77,321,869.00)
Equipment and Furniture	(13,222,254.00)	(1,520,514.00)	25,860.00	(14,716,908.00)
Vehicles and Heavy Equipment	(30,669,653.00)	(2,703,096.00)	2,697,122.00	(30,675,627.00)
Total Accumulated Depreciation	(153,999,938.00)	(10,678,781.00)	2,722,982.00	(161,955,737.00)
Total Capital Assets Being Depreciated, Net	322,073,182.00	69,140.00	(51,531.00)	322,090,791.00
Total Governmental Activities Capital Assets, Net	$ 416,180,192.00	$ 16,998,514.00	$(5,878,801.00)	$ 427,299,905.00

(*) Beginning balances were restated by the Commission in the amount of $1,924,526.00 to account for prior period errors.
(**) The additions and retirements columns include a reclassification from Infrastructure in Progress to Infrastructure in the amount of $5,809,510.

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 4,216,454.00
Public Safety	1,789,980.00
Highways and Roads	3,976,636.00
Sanitation	447,354.00
Health	14,313.00
Welfare	8,385.00
Culture and Recreation	219,134.00
Education	6,525.00
Total Depreciation Expense – Governmental Activities	$10,678,781.00

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan (the "Plan"), was established October 1, 1945 under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits Provided

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

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

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

The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP participants who are still in active service	168
Total	88,517

The County membership includes approximately 2,580 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	823
Vested inactive members	31
Non-Vested inactive members	116
Active Members	1,600
Post-DROP participants who are still in active service	10
Total	2,580

Contributions

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

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, 2018, Mobile County Commission’s active employee contribution rate was 4.91 percent of covered employee payroll, and the County’s average contribution rate to fund the normal and accrued liability costs was 8.56 percent of covered employee payroll.

The Mobile County Commission’s contractually required contribution rate for the year ended September 30, 2018 was 10.25% of pensionable pay for Tier 1 employees, and 7.32% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 $6,222,124 for the year ended September 30, 2018.

B. Net Pension Liability

The Mobile County Commission's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, rolled forward to September 30, 2017, 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, 2016	$245,480,546	$249,539,661
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for October 1, 2016 – September 30, 2017	5,186,720	5,186,720
(d) Transfers Among Employers:		237,027
(e) Actual Benefit Payments and Refunds for October 1, 2016 – September 30, 2017	(17,271,975)	(17,271,975)
(f) Total Pension Liability as of September 30, 2017 = [(a) x (1+(b))] + (c) +(d) + [(e) x (1+0.5*(b))]	$251,750,744	$256,361,468
(g) Difference between Expected and Actual		$ 4,610,724
(h) Less Liability Transferred for Immediate Recognition:		237,027
(i) Experience (Gain)/Loss = (g) – (h)		$ 4,373,697

Actuarial Assumptions

The total pension liability as of September 30, 2017 was determined based on the annual actuarial valuation report as of September 30, 2016 which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25 - 5.00%
Investment Rate of Return (*)	7.75%

(*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

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

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

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

Discount Rate

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

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, 2016	$245,480,546	$176,961,525	$ 68,519,021
Changes for the Year:			
Service Cost	5,186,720		5,186,720
Interest	18,355,453		18,355,453
Changes in assumptions			
Differences Between Expected and Actual Experience	4,373,697		4,373,697
Contributions – Employer		6,144,202	(6,144,202)
Contributions – Employee		3,279,680	(3,279,680)
Net Investment Income		22,170,982	(22,170,982)
Benefit Payments, including Refunds of Employee Contributions	(17,271,975)	(17,271,975)	
Transfers among Employers	237,027	237,027	
Net Changes	10,880,922	14,559,916	(3,678,994)
Balances at September 30, 2017	$256,361,468	$191,521,441	$ 64,840,027

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

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	$92,286,245	$64,840,027	$41,510,697

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

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

For the year ended September 30, 2018, the Mobile County Commission recognized pension expense of $7,192,856. At September 30, 2018, 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	$ 4,562,142	$1,449,286
Changes of assumptions	4,833,075	
Net difference between projected and actual earnings on pension plan investments		5,819,853
Employer contributions subsequent to the measurement date	6,222,124	
Total	$15,617,341	$7,269,139

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, 2019	$ 349,950
2020	$1,581,861
2021	$ (402,866)
2022	$ 128,521
2023	$ 468,612
Thereafter	$

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 I" members). Employees hired on and after January 1, 2013, (called "Tier II" 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	462
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	1,368
Total	1,830

Total OPEB Liability

The Commission's total OPEB liability of $64,469,809 as of the reporting date of September 30, 2018, was measured as of September 30, 2017, and was determined by an actuarial valuation as of October 1, 2016.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Cost-of-Living Increases	Assumed to increase in accordance with the healthcare cost trend rates.
Salary Increases	3.00%, including inflation
Discount Rate	3.35% annually
Healthcare Cost Trend Rates	8.00% downgraded to 5.00%

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 set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

Changes in the Total OPEB Liability

Balance at September 30, 2016	$61,289,827
Changes for the Year:	
Service Cost	2,203,398
Expected Interest Growth	2,108,224
Benefit Payments and Refunds	(1,131,640)
Net Changes	3,179,982
Balance at September 30, 2017	$64,469,809

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.35%) or 1-percentage point higher (4.35%) than the current discount rate:

	1.0% Decrease (2.35%)	Current Discount Rate (3.35%)	1.0% Increase (4.35%)
Total OPEB Liability	$75,391,202	$64,469,809	$55,642,699

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current healthcare trend rates:

	1.0% Decrease (7.00% Graded Down to 4.00%)	Current Trend (8.00% Graded Down to 5.00%)	1.0% Increase (9.00% Graded Down to 6.00%)
Total OPEB Liability	$61,164,436	$64,469,809	$68,172,555

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

For the year ended September 30, 2018, the Commission recognized OPEB expense of $3,179,982. At September 30, 2018, the actuary determined there were no deferred outflows or inflows to be reported on the Commission's balance sheet.

Note 8 – Payables

On September 30, 2018, 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	$3,999,099.00	$120,753.00	$1,382,893.00	$ 5,502,745.00
Other Payables	300.00			300.00
Intergovernmental	332,174.00	16.00	627,465.00	959,655.00
Employee Health Claims	1,815,900.00			1,815,900.00
Health Insurance Pool	373,583.00			373,583.00
Automobile Liability Claims	412,021.00			412,021.00
General Liability	2,721,545.00			2,721,545.00
Total Payables	$9,654,622.00	$120,769.00	$2,010,358.00	$11,785,749.00

Note 9 – Short-Term Debt

During the month of February 2018, the Commission issued and redeemed a short-term note payable to free up property taxes in the Special Highway Tax Fund that are to be used for the retirement of long-term debt. Short-term debt activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable – 2014B Pay-As-You Go	$	$20,000,000.00	$20,000,000.00	$
Total Note Payable	$	$20,000,000.00	$20,000,000.00	$

Note 10 – Long-Term Debt

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

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

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

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

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

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

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

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

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

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

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 following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2018:

	Debt Outstanding 10/01/2017, as Restated (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2018	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants and Notes Payable:					
General Obligation Warrants	$141,325,695.00	$37,465,000.00	$(24,269,551.00)	$154,521,144.00	$ 9,401,433.00
Unamortized Amounts:					
Less: Unamortized Discount	(1,373,907.00)		73,447.00	(1,300,460.00)	(73,446.00)
Add: Unamortized Premium	8,865,024.00	6,639,423.00	(2,412,186.00)	13,092,261.00	936,922.00
Total Bonds/Warrants and Notes Payable	148,816,812.00	44,104,423.00	(26,608,290.00)	166,312,945.00	10,264,909.00
Other Liabilities:					
Compensated Absences	7,634,440.00		(345,880.00)	7,288,560.00	4,770,805.00
Worker's Compensation	5,850,225.00		(567,767.00)	5,282,458.00	388,663.00
Other Postemployment Benefits	61,289,827.00	3,179,982.00		64,469,809.00	
Net Pension Liability	68,519,021.00		(3,678,994.00)	64,840,027.00	
Total Other Liabilities	143,293,513.00	3,179,982.00	(4,592,641.00)	141,880,854.00	5,159,468.00
Total Governmental Activities Long-Term Liabilities	$292,110,325.00	$47,284,405.00	$(31,200,931.00)	$308,193,799.00	$15,424,377.00

(*) Beginning balance to Other Postemployment Benefits was restated due to the implementation of GASB Statement Number 75.

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.

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, 2019	$ 9,401,433.00	$ 7,074,558.00	$ 16,475,991.00
2020	6,223,327.00	6,739,264.00	12,962,591.00
2021	7,546,384.00	6,417,680.00	13,964,064.00
2022	6,830,000.00	6,140,679.00	12,970,679.00
2023	7,065,000.00	5,824,523.00	12,889,523.00
2024-2028	38,285,000.00	29,027,493.00	67,312,493.00
2029-2033	46,415,000.00	13,885,411.00	60,300,411.00
2034-2038	32,755,000.00	4,222,075.00	36,977,075.00
Total	$154,521,144.00	$79,331,683.00	$233,852,827.00

Discounts and Premiums

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 2014B General Obligation Warrants. The premium is being amortized using the straight-line method over a period of five years.

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

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

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

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

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

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

	Discount	Premium
Total Discount and Premium	$1,961,481.00	$18,629,613.00
Amount Amortized Prior Years	587,574.00	4,458,903.00
Balance Discount and Premium	1,373,907.00	14,170,710.00
Current Amount Amortized	73,447.00	1,078,449.00
Balance Discount and Premium	$1,300,460.00	$13,092,261.00

Defeased Debt

On December 27, 2017, the Commission issued $37,465,000 (i) funding the cost of various capital improvements in the County's capital improvement plan, including renovations and improvements to the County's Metro Jail and improvements to parks and other facilities, (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 (iii) to pay certain costs of issuance of the Series 2017 Warrants. The net proceeds of $17,075,491.60 (after payment of $329,350.29 in issuance costs and original issue premium of $6,639,422.95) were used to refund a portion of the General Obligation Improvement Warrants, Series 2012C. As a result, that portion of the Series 2012C 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 $1,084,685 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of $899,009.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through a commercial insurance carrier. Coverage is provided up to $300,000 per claim with $5,000,000 aggregate limit for general liability; $5,000,000 per occurrence and $5,000,000 aggregate limit for public officials' liability. The Commission also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

The Commission is self-insured with regard to automobile liability coverage. The Commission purchases excess automobile liability insurance through a commercial insurance carrier. Coverage is provided up to $300,000 per claim with $5,000,000 aggregate limit for automobile liability. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years. The claims liability is reported in the General Fund.

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

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

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2018, were as follows:

	Due From Other Funds				
	General Fund	Reappraisal Fund	Special Highway Tax Fund	Other Governmental Funds	Totals
Due To Other Funds:					
General Fund	$	$16,140.00	$995,070.00	$1,073,305.00	$2,084,515.00
Reappraisal Fund	21,212.00				21,212.00
Other Governmental Funds	954,595.00			658,872.00	1,613,467.00
Totals	$975,807.00	$16,140.00	$995,070.00	$1,732,177.00	$3,719,194.00

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

	Transfers Out			
	General Fund	Special Highway Tax Fund	Other Governmental Funds	Totals
Transfers In:				
Other Governmental Funds	$30,777,428.00	$20,012,639.00	$400,825.00	$51,190,892.00
Totals	$30,777,428.00	$20,012,639.00	$400,825.00	$51,190,892.00

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

Note 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 does not 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

Note 14 – Construction and Other Significant Commitments

As of September 30, 2018, the Commission was obligated for the remaining amounts unpaid under the following construction contracts:

Project Name	Amount Remaining
Eight Mile Shopping Center Drainage Repairs, Paving and ADA Parking	$ 53,424.00
Installation of Security Bollards for Government Plaza North Tower	179,500.00
Replace Water Storage Tank on 1200 Building	35,507.00
Replace RTU-14 Over Docket – Clinic Area	7,000.00
Replace DMS System at Metro Jail	26,008.00
Replace Condenser Two Michael Square License Commission	47,000.00
Replace HVAC Controls 325 Main Barracks	35,673.00
Replace RTU-09 on Metro 600 Building	33,700.00
Administration Office Renovations on the Eighth Floor	9,391.00
A-V Upgrades at Government Plaza	15,447.00
Mt. Vernon Park Improvements	280,388.00
New Facilities for Mobile Community Corrections	2,490,487.00
Metro Jail Sliding Cell Door and Lock Upgrade, Phase 2	151,021.00
New Jail Camera System and Miscellaneous Controls Upgrades at the Mobile Metro Jail	18,486.00
Elevator Maintenance and Service for Mobile County Facilities	222,061.00
Three Year Floor Covering Replacements/Installation at Mobile County Facilities	114,250.00
Electronic Surveillance System Upgrade for the Government Plaza and Strickland Youth Center	3,536.00
Water Intrusion Repairs at Government Plaza	233,844.00
Rehabilitation of City Hall and Community Senior Center for City of Bayou la Batre	9,823.00
Total	$3,966,546.00

Note 15 – Subsequent Events

On January 28, 2019, the Commission authorized the sale of $20,000,000.00 of Series 2018A Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds. These bonds were issued for the purpose of constructing and improving hard surfaced roads, hard surfaced bridges, and drainage facilities in Mobile County.

On March 21, 2019, the Commission approved the issuance of $17,220,000.00 of General Obligation Improvement Warrants, Series 2019 to provide for capital improvements throughout the county and the cost of issuance.

On May 13, 2019, the Commission authorized the sale of $24,000,000.00 of Series 2016B Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds. These bonds were issued for the purpose of constructing and improving hard surfaced roads, hard surfaced bridges, and drainage facilities in Mobile County.

On May 13, 2019, the Commission authorized the sale of $10,600,000.00 of Series 2014C Pay-As-You-Go Road, Bridge and Drainage Facilities Bonds. These bonds were issued for the purpose of constructing and improving hard surfaced roads, hard surfaced bridges, and drainage facilities in Mobile County.

Note 16 – Tax Abatements

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

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

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

The Industrial Development Board negotiates property tax abatement agreements on an individual basis. The Industrial Development Board has abated Mobile County taxes and has executed tax abatement agreements with the following entities as of September 30, 2018.

Company	Code of Alabama Sections	Purpose	County Property Tax Abated	County Sales Tax Abated
Austal USA, LLC	40-9B-1	Acquisition, construction and equipping of facilities for a modular manufacturing facility, warehouse, administration building and training facility to further shipbuilding	$ 1,367,365.00	$
Lenzing Fibers	40-9B-3	Capital investment of machinery and equipment and cost of material to become a part of existing real property	67,345.00	
Airbus Americas	40-9B-1	AE320 Family Aircraft Final Assembly, Ground and Flight Test and Customer Acceptance and Delivery	1,418,306.00	
Worthington Cryogenics	40-9B-3	Renovate facility	16,521.00	
AM/NS Calvert, LLC	40-9B-3	Multi-activity expansion of Calvert facility	5,954,898.00	
APM Terminals Mobile, LLC	40-9B-3	Capital investment in ship-to-shore cranes and ancillary equipment and also undertake an intermodal project	457,152.00	
Evonik Corporation	40-9B-1	Purchase software and manufacturing machinery in connection with expansion of existing chemical manufacturing facility	129,598.00	
Lenzing Fibers (Project Tasean)	40-9B-1	Expansion of its existing plant by construction 90,000 metric ton jumbo lyocell facility	67,345.00	
Mobile Industrial Companies II, LLC and Amazon Fulfillment Services, Inc.	40-9B-1	New approximately 362,000 SF Class A regional sortation center. Proposed sortation center for Amazon.com		150,720.62
Continental Motors, Inc.	40-9B-5(d)	Design and manufacture aerospace engines, products and components	4,801.00	212,555.52
Kimberly-Clark Corporation (a)	40-9B-1	Estimated $85 million to build a new co-generation energy plant and new tissue converting line	133,289.00	245,340.85
Kimberly-Clark Corporation (b)	40-9B-1	Estimated $25 million in replacement of key equipment on two tissue machines		46,564.10
Technip and Miami Holdings, LLC	40-9B-1	Miami Holding will lease property to Technip. Technip will construct and equip facilities to manufacture and produce pipelines and catenary	33,915.00	
SSAB Enterprises, LLC	40-9B-1	Headquarters relocation to Mobile County	402,706.00	
Bayer Cropscience, LLP (Assigned to BASF 12/22/18)	40-9B-1	Acquisition, construction and equipping of facilities for the manufacture and production of non-select herbicide to protect crops of the farming industry	464,833.00	
Total			$10,518,074.00	$655,181.09

Note 17 – Restatements

In fiscal year 2018, the Commission adopted Governmental Accounting Standards Board Statement Number 75 (GASB 75), ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)***, as amended by GASB Statement Number 85, ***Omnibus 2017***. The provisions of GASB Statement Number 75 established accounting and financial reporting standards for postemployment benefits other than pensions that are provided to the employees of state and local governmental employers through OPEB plans. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Commission's financial statements. Actuarial computed beginning OPEB balances were determined. For fiscal year 2018, the Commission made prior period adjustments due to the adoption of GASB Statement Number 75 which required the restatement of the September 30, 2017, net position in Governmental Activities.

Also, the beginning net position has been restated to correct prior year capital assets errors.

The impact of these restatements on net position are as follows:

	Governmental Activities
Governmental Activities, Net Position, September 30, 2017, as Previously Reported	$375,171,307.00
Restatements of Net Position:	
Net OPEB Liability Due to Adoption of GASB Statement Number 75	(42,481,827.00)
Effect of Prior Period Errors on Capital Assets	1,924,526.00
Governmental Activities Net Position, September 30, 2017, as Restated	$334,614,006.00

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2018

	2017	2016
Total pension liability		
Service Cost	$ 5,186,720	$ 5,009,574
Interest	18,355,453	17,684,340
Changes of benefit terms		
Differences between expected and actual experience	4,373,697	1,493,494
Changes of assumptions		7,445,547
Benefit payments, including refunds of employee contributions	(17,271,975)	(14,828,567)
Transfers Among Employees	237,027	207,628
Net change in total pension liability	10,880,922	17,012,016
Total pension liability - beginning	245,480,546	228,468,530
Total pension liability - ending (a)	$ 256,361,468	$ 245,480,546
Plan fiduciary net position		
Contributions - employer	$ 6,144,202	$ 6,003,047
Contribution - employee	3,279,680	3,353,801
Net investment income	22,170,982	16,599,516
Benefit payments, including refunds of employee contributions	(17,271,975)	(14,828,567)
Other (Transfers among employers)	237,027	207,628
Net change in plan fiduciary net position	14,559,916	11,335,425
Plan fiduciary net positions - beginning	176,961,525	165,626,100
Plan fiduciary net positions- ending (b)	$ 191,521,441	$ 176,961,525
Net pension liability - ending (a) - (b)	$ 64,840,027	$ 68,519,021
Plan fiduciary net position as a percentage of the total pension liability	74.71%	72.09%
Covered payroll (*)	$ 71,419,053	$ 64,775,709
Net position liability as a percentage of covered payroll	90.79%	105.78%

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

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

2015		2014	
$	4,778,134	$	5,011,299
	17,357,467		16,775,274
	(3,188,431)		
	(14,893,952)		(14,124,377)
	4,053,218		7,662,196
	224,415,312		216,753,116
$	228,468,530	$	224,415,312
$	5,557,273	$	5,732,134
	3,062,045		2,982,538
	1,980,229		18,520,541
	(14,893,952)		(14,124,377)
	(262,359)		(290,505)
	(4,556,764)		12,820,331
	170,182,864		157,362,532
$	165,626,100	$	170,182,864
$	62,842,430	$	54,232,448
	72.49%		75.83%
$	65,145,725	$	63,771,767
	96.46%		85.04%

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2018

		2018		2017
Actuarially determined contribution (*)	$	6,222,124	$	5,987,676
Contributions in relation to the actuarially determined contribution	$	6,222,124	$	5,987,676
Contribution deficiency (excess)	$		$	
Covered payroll (**)	$	72,709,580	$	71,419,053
Contributions as a percentage of covered payroll		8.56%		8.38%

(*) 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 the Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.5 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

2016		2015		2014	
$	6,323,204	$	5,757,162	$	5,732,134
$	6,323,204	$	5,757,162	$	5,732,134
$		$		$	
$	64,775,709	$	65,145,725	$	63,771,767
	9.76%		8.84%		8.99%

Schedule of Changes in the Employer's Net Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2018

		2017
Total OPEB Liability		
Service cost	$	2,203,398
Expected Interest Growth		2,018,224
Benefit Payments and Refunds		(1,131,640)
Net change in total OPEB liability		3,179,982
Total OPEB Liability - Beginning		61,289,827
Total OPEB Liability - Ending	$	64,469,809
Covered annual payroll		49,479,393
Employer's net OPEB liability as a percentage of covered payroll		130.30%

Notes to Schedule

Benefit Changes . There were no changes of benefit terms for the year ended September 30, 2018.

Changes in Assumptions . There were no changes in assumptions for the year ended September 30, 2018.

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

Schedule of Employer's Contributions
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2018

		2018
Actuarially determined contribution	$	
Contributions in relation to the actuarially determined contribution	$	
Contribution deficiency (excess)	$	
Covered annual payroll	$	49,479,393
Contributions as a percentage of covered payroll		0.00%

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

Notes to Schedule

Valuation date: October 1, 2016

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 2.00% for the 2016/2017 fiscal year 4.00% for each fiscal year thereafter.
Salary increases	3.00% per annum
Discount rate	3.35% per annum
Retirement age	The earlier of 30 years of service at any age or attainment of age 60 and 25 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
Mortality	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 94,739,389.00	$ 94,739,389.00	$ 94,927,784.00
Licenses and Permits	1,672,147.00	1,672,147.00	1,451,803.00
Intergovernmental	21,636,190.00	21,659,533.00	23,311,064.00
Charges for Services	16,854,019.00	16,854,019.00	17,050,240.00
Miscellaneous	1,064,145.00	1,064,145.00	2,430,447.00
Total Revenues	135,965,890.00	135,989,233.00	139,171,338.00
Expenditures			
Current:			
General Government	46,910,182.00	48,722,186.76	45,415,858.00
Public Safety	67,664,178.00	69,681,882.00	68,635,762.00
Highways and Roads			
Sanitation	3,839,969.00	3,931,319.00	3,388,475.00
Health	1,033,110.00	1,033,110.00	879,219.00
Welfare	397,686.00	397,686.00	397,686.00
Culture and Recreation	2,537,221.00	2,541,600.00	2,510,500.00
Education	3,181,096.00	3,622,998.00	3,095,684.00
Capital Outlay	3,229,539.00	3,837,963.00	2,946,628.00
Debt Service:			
Principal Retirement	6,083,954.00	6,083,954.00	7,034,551.00
Interest and Fiscal Charges	3,244,252.00	3,244,252.00	3,488,873.00
Debt Issuance Costs			
Total Expenditures	138,121,187.00	143,096,950.76	137,793,236.00
Excess (Deficiency) of Revenues Over Expenditures	(2,155,297.00)	(7,107,717.76)	1,378,102.00
Other Financing Sources (Uses)			
Sale of Capital Assets			233,710.00
Long-Term Debt Issued			37,465,000.00
Premiums on Long-Term Debt Issued			6,639,423.00
Transfers Out	(3,844,703.00)	(5,044,621.24)	(31,211,739.00)
Payment to Refunding Bond Escrow Agent			(17,075,492.00)
Total Other Financing Sources (Uses)	(3,844,703.00)	(5,044,621.24)	(3,949,098.00)
Net Change in Fund Balances	(6,000,000.00)	(12,152,339.00)	(2,570,996.00)
Fund Balances - Beginning of Year	6,000,000.00	12,152,339.00	60,498,682.00
Fund Balances - End of Year	$	$	$ 57,599,810.00

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 16,962,092.00	$ 111,889,876.00
		1,451,803.00
(1)	326,543.00	23,637,607.00
		17,050,240.00
(1)	122,240.00	2,552,687.00
	17,410,875.00	156,582,213.00
		45,415,858.00
		68,635,762.00
(2)	(14,329,084.00)	14,329,084.00
(2)	(4,689.00)	3,393,164.00
		879,219.00
		397,686.00
		2,510,500.00
		3,095,684.00
(2)	(888,070.00)	3,834,698.00
		7,034,551.00
		3,488,873.00
		327,876.00
	(15,221,843.00)	153,342,955.00
	2,189,032.00	3,239,258.00
		233,710.00
		37,465,000.00
		6,639,423.00
(3)	434,311.00	(30,777,428.00)
		(17,075,492.00)
	434,311.00	(3,514,787.00)
	2,623,343.00	(275,529.00)
(4)	3,134,433.00	63,633,115.00
	$ 5,757,776.00	$ 63,357,586.00

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

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	$	17,390,532.00
Maddie's Fund		266.00
Special Events Fund		20,077.00
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	$	15,217,154.00
Maddie's Fund		266.00
Special Events Fund		4,423.00
(3) Other Financing Sources/(Uses), Net		
Public Buildings, Roads and Bridges Fund	$	434,311.00
Net Increase in Fund Balance - Budget to GAAP		

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

$	17,410,875.00
	(15,221,843.00)
	434,311.00
$	2,623,343.00

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$	$	$ 6,003,722.00
Intergovernmental	9,548,264.00	9,009,303.00	
Miscellaneous	75,000.00	75,000.00	46,867.00
Total Revenues	9,623,264.00	9,084,303.00	6,050,589.00
Expenditures			
Current:			
General Government	7,450,764.00	7,649,417.00	5,321,081.00
Capital Outlay	2,172,500.00	1,434,886.00	730,258.00
Total Expenditures	9,623,264.00	9,084,303.00	6,051,339.00
Excess (Deficiency) of Revenues Over Expenditures			
Other Financing Sources (Uses)			
Sale of Capital Assets			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	$	$	$

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 6,003,722.00
	46,867.00
	6,050,589.00
	5,321,081.00
	730,258.00
	6,051,339.00
	(750.00)
	750.00
	750.00
$	$

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Agriculture		
Passed Through Alabama Department of Education		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
U. S. Department of Housing and Urban Development		
Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Community Development Block Grants/Entitlement Grants	14.218	N/A
Sub-Total Community Development Block Grants/ Entitlement Grants (M)		
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Home Investment Partnerships Program	14.239	N/A
Sub-Total Home Investment Partnerships Program		
Emergency Solutions Grants Program	14.231	N/A
Sub-Total Emergency Solutions Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
$	$ 51,272.60
	82,066.04
	5,559.82
	87,625.86
	138,898.46
	138,898.46
	51,152.85
	100,463.21
	143,909.34
	15,842.33
147,026.97	365,122.35
	154,603.35
183,243.67	555,629.97
330,270.64	1,386,723.40
	27,763.62
	56,987.92
	39,200.37
	64,020.50
	43,712.00
	231,684.41
45,084.59	47,218.78
45,084.59	47,218.78
375,355.23	1,665,626.59
$ 375,355.23	$ 1,804,525.05

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Interior		
Direct Programs		
Payments in Lieu of Taxes	15.226	N/A
GoMESA	15.435	N/A
National Wildlife Refuge Fund	15.659	N/A
National Fish and Wildlife Foundation	15.663	N/A
National Fish and Wildlife Foundation	15.663	N/A
Sub-Total National Fish and Wildlife Foundation		
Total U. S. Department of Interior		
U. S. Department of Justice		
Direct Programs		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A
Equitable Sharing Program	16.922	N/A
Passed Through Alabama Department of Economic and Community Affairs		
Violence Against Women Formula Grant	16.588	16-WF-PR-007
Violence Against Women Formula Grant	16.588	17-WF-PR-005
Sub-Total Violence Against Women Formula Grant		
Total U. S. Department of Justice		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
$ 375,355.23	$ 1,804,525.05
	23,254.00
	62,741.47
	5,353.00
	90,873.29
	96,521.61
	187,394.90
	278,743.37
	2,913.80
	65,710.50
	23,745.18
	13,246.11
	36,991.29
	105,615.59
$ 375,355.23	$ 2,188,884.01

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	**Federal CFDA Number**	**Pass-Through Grantor's Number**
Sub-Total Brought Forward		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Airport Improvement Program	20.106	3-01-0023-012-2015
Passed Through Alabama Department of Economic and Community Affairs		
Recreational Trails Program	20.219	17-RT-54-10
Highway Safety Cluster:		
State and Community Highway Safety	20.600	18-SP-PT-004
State and Community Highway Safety	20.600	18-SP-CP-004
State and Community Highway Safety	20.600	18-FP-PT-004
Sub-Total State and Community Highway Safety		
National Priority Safety Programs	20.616	18-HD-M5-010
National Priority Safety Programs	20.616	18-HD-M5-004
Sub-Total National Priority Safety Programs		
Total Highway Safety Cluster (M)		
Total U. S. Department of Transportation		
U. S. Department of Treasury		
Direct Program		
Equitable Sharing	21.016	N/A
Corporation for National and Community Service		
Direct Programs		
Retired and Senior Volunteer Program	94.002	N/A
Foster Grandparent/Senior Companion Cluster:		
Foster Grandparent Program	94.011	N/A
Senior Companion Program	94.016	N/A
Sub-Total Foster Grandparent/Senior Companion Cluster		
Total Corporation for National and Community Service		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
$ 375,355.23	$ 2,188,884.01
	179,850.00
	95,707.38
281,070.84	344,949.28
	135,081.67
34,737.42	39,772.06
315,808.26	519,803.01
39,693.73	39,693.73
153,326.90	178,832.53
193,020.63	218,526.26
508,828.89	738,329.27
508,828.89	1,013,886.65
	109,855.83
57,500.00	57,500.00
357,985.09	357,985.09
317,496.47	317,496.47
675,481.56	675,481.56
732,981.56	732,981.56
$ 1,617,165.68	$ 4,045,608.05

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security Passed Through Alabama Department of Homeland Security		
Port Security Grant Program	97.056	EMW-2013-PU-00500
Homeland Security Grant	97.067	6OSF
Homeland Security Grant	97.067	7OSF
Sub-Total Homeland Security Grant		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program
N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Pass-Through to Subrecipients	Total Federal Expenditures
$ 1,617,165.68	$ 4,045,608.05
	4,575.00
	38,417.35
	42,304.48
	80,721.83
	85,296.83
$ 1,617,165.68	$ 4,130,904.88

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mobile County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Mobile County Commission, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Mobile County Commission.

Note 2 – Summary of Significant Accounting Policies

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2017 through September 30, 2018

Commission Members		Term Expires
Connie Hudson	President	2020
Jerry Carl	Member	2020
Merceria Ludgood	Member	2020

Administrative Personnel

Mr. John F. Pafenbach	County Administrator
Mrs. Dana Foster-Allen	Director of Finance

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

Independent Auditor's Report

Members of the Mobile County Commission,
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, 2018, and the related notes to the financial statements, which collectively comprise the Mobile County Commission's basic financial statements and have issued our report thereon dated August 16, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Mobile County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

<u>Purpose of this Report</u>

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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 16, 2019

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 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 the Mobile County Commission's major federal programs for the year ended September 30, 2018. 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 the Mobile County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mobile County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Mobile County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2018.

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' 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mobile County Commission' 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 16, 2019

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants – Entitlement Grants
20.600 and 20.616	Highway Safety Cluster

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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