

**JEFFERSON - BLOUNT- ST. CLAIR
MENTAL HEALTH AUTHORITY**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended September 30, 2017



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY
Audited Financial Statements and Supplementary Information
For the Year Ended September 30, 2017

TABLE OF CONTENTS

Table of Contents.....	i
Financial Section	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Required Supplementary Information	
Schedule of Changes in Net Pension Liability	27
Schedule of Employer Pension Plan Contributions.....	29
Other Supplementary Information	
Schedule of Revenues.....	33
Schedule of Expenses	34
Schedule of Board of Directors and Officials.....	36
Government Audit Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	42
Report on Compliance with Department of Mental Health Contract When the Auditor’s Procedures Disclose No Material Instances of Noncompliance.....	44
Schedule of Expenditures of Federal Awards.....	45
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs.....	47



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of the
Jefferson - Blount - St. Clair Mental Health Authority

We have audited the accompanying financial statements of the business-type activities of Jefferson - Blount - St. Clair Mental Health Authority (the Authority), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, the schedule of changes in net pension liability, and the schedule of employer pension plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information 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 issued our report dated June 6, 2018, on our consideration of the Authority'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Birmingham, Alabama
June 6, 2018



Phillip Morgan & Company P.C.



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

JEFFERSON - BLOUNT - ST. CLAIR MENTAL HEALTH AUTHORITY

940 Montclair Road Suite 200 Birmingham, Alabama 35213 www.jbsmha.com
Telephone: (205) 595-4555 Voice Mail: (205) 380-6460 Fax: (205) 592-3539 TDD: 1-800-545-1833 ext. 516

Management's Discussion and Analysis

September 30, 2017

The following is designed to provide an understanding of various factors related to the Jefferson – Blount - St. Clair Mental Health Authority's (hereinafter referred to as the Authority) operations and financial condition. This information should be read in conjunction with the financial statements and related notes. The purpose of this information is to focus on significant changes in the financial condition during the year ended September 30, 2017, and highlight events that occurred during the year.

The Authority is classified as a special-purpose government engaged only in business-type activities as outlined in the *Codification of Governmental Accounting and Financial Reporting Standards*, Section Sp20.107.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows as of September 30, 2017 by \$7,219,438 (net position), an increase of \$857,692 from September 30, 2016.
- The Authority's cash and investments balance at September 30, 2017 was \$5,401,983, a decrease of \$1,313,374 from September 30, 2016.
- The Authority's total revenues of \$44,425,833 were more than expenses of \$43,568,141, resulting in an increase in net position of \$857,692 for the year ended September 30, 2017.
- Total revenues increased \$579,015 (1.3%) in fiscal year 2017.
- Total expenses increased \$629,923 (1.5%) in fiscal year 2017.
- The Authority earned a surplus in net position of \$857,692 for the year ended September 30, 2017, compared to a surplus of \$908,600 for the year ended September 30, 2016.
- Flow-through revenues and expenses for subcontractors amounted to \$11,614,317, accounting for 26.1% of the Authority's total revenues.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise of five components: 1) statement of net position and 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, 4) notes to financial statements, and 5) schedules of required supplementary information and other supplementary information.

- 1) The Statement of Net Position presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, at a given point in time, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- 2) The Statement of Revenues, Expenses, and Changes in Net Position provides information for the period of time from October 1 through September 30, with a comparison of the current and previous fiscal years. This statement reflects the Authority's funding sources (revenues) and the utilization of those funds (expenses). By comparing the Authority's revenues to its expenditures, we are able to evaluate the financial performance of the agency for the given period. A review of current and prior year revenues and expenses helps to identify significant fluctuations.

C) Condensed Financial Information

Net Position. The table below summarizes the net position as of September 30, 2017 and 2016.

Condensed Statements of Net Position

September 30, 2017 and 2016

	Business Type Activities		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 11,716,651	\$ 10,424,304	\$ 1,292,347
Capital assets	4,018,165	4,119,622	(101,457)
Noncurrent assets	-	-	-
Total Assets	15,734,816	14,543,926	1,190,890
Deferred Outflows	1,076,571	1,336,146	(259,575)
Liabilities			
Current liabilities	7,354,604	7,051,615	302,989
Noncurrent liabilities	1,644,999	2,406,570	(761,571)
Total Liabilities	8,999,603	9,458,185	(458,582)
Deferred Inflows	592,346	60,141	532,205
Net Position			
Invested in capital assets, net of related debt	4,018,165	4,119,622	(101,457)
Unrestricted	3,201,273	2,242,124	959,149
Total Net Position	\$ 7,219,438	\$ 6,361,746	\$ 857,692

[The remainder of this page intentionally left blank]

Revenues and Expenses. The table below summarizes the operating activities in fiscal year 2017 and 2016.

Condensed Statements of Activities
For the Years Ended September 30, 2017 and 2016

	Business Type Activities		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Revenues			
Program Revenues:			
Federal Government	\$ 10,872,490	\$ 11,498,348	\$ (625,858)
State Government	30,273,880	29,465,505	808,375
Other	1,673,470	1,404,750	268,720
Client Fees	1,419,528	1,392,564	26,964
Local Government Appropriations	58,870	58,870	-
General Revenues:			-
Interest	14,270	5,152	9,118
Gain on Western MHC Takeover	103,014	-	103,014
Miscellaneous/Other	10,311	21,629	(11,318)
Total Revenues	44,425,833	43,846,818	579,015
Expenses			
Payroll and Related Expenses	17,195,195	16,717,546	477,649
Contract Services	20,750,780	20,866,332	(115,552)
Operating Expenses	1,508,716	1,361,655	147,061
Operating Supplies	1,006,595	975,720	30,875
Travel and Transportation	742,464	756,859	(14,395)
Buildings and Grounds	1,981,297	1,857,399	123,898
Depreciation	383,094	402,707	(19,613)
Interest	-	-	-
Total Expenses	43,568,141	42,938,218	629,923
Change in Net Position	857,692	908,600	(50,908)
Beginning Net Position	6,361,746	5,453,146	908,600
Ending Net Position	\$ 7,219,438	\$ 6,361,746	\$ 857,692

[The remainder of this page intentionally left blank]

Board of Directors composed of three appointees each from:
 Bessemer - Birmingham - Blount County - Fairfield - Gardendale - Homewood - Hueytown
 Jefferson County - Leeds - Mountain Brook - Oneonta - Pell City - St. Clair County - Tarrant - Vestavia Hills

D) Financial Analysis

Net Position may serve over time as a useful indicator of the financial position of a business. In the case of the Authority, assets exceeded liabilities by \$7,219,438 at September 30, 2017. A portion of the Authority's net position (67.4%) is comprised of net liquid assets (cash, investments and receivables less accounts payable). These liquid assets are available for use in the event funding sources are delayed in making payments to the Authority. Under the current operating conditions, however, these liquid assets would provide resources to continue operations for slightly more than 1 additional month.

The net position of the Authority increased \$857,692 (13.5%) during fiscal year 2017.

E) Actual Versus Budget Analysis

The Authority and its Board of Directors adopt an operating budget prior to the beginning of each fiscal year. The fiscal year 2017 budget was approved at the September 26, 2016 meeting of the Board of Directors and is the basis for comparison in this analysis.

Total revenues of \$44,425,833 were \$897,948 (2.1%) more than budgeted for this period.

Total expenses of \$43,568,141 were \$45,106 (0.1%) more than budgeted for this period.

F) Capital Assets and Debt Administration

1) Capital Assets

As of September 30, 2017, the Authority's investment in capital assets for its activities was \$4,018,165 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment, computer software, home furniture and fixtures and motor vehicles with a purchase price equal to or greater than \$5,000.

Capital asset additions amounted to \$428,372 and included \$311,013 for the office building and land housing the Western Mental Health Clinic at 1701 Avenue D in Ensley, \$34,214 for new HVAC units at the 940 Montclair Road and 604 27th Street offices in Birmingham, and \$83,145 for three passenger vans.

Asset disposals were limited to an HVAC unit at the 940 Montclair Road office with an original cost of \$11,850. Additional information on the Authority's capital assets can be found in the Notes to Financial Statements.

2) Debt Administration

The Authority operated without any debt in FY2017.

(G) Financial Factors Impacting the Authority

Effective October 1, 2017, the Authority took over the operations of Western Mental Health Center, Inc. (Western). This change was necessary primarily due to the declining financial condition of Western. Western employed 28 individuals at the time of transition, and a majority of those employees were retained by the Authority. For the year ended September 30, 2016, Western experienced a negative change in net assets in excess of (\$300,000) on revenues of approximately \$1.6 million. There is a tremendous need for services in the western section of Jefferson County, and the Authority and Western's Board determined that it would be best for the Authority to take over and work to meet those needs going forward. The financial fortunes will not change immediately, but the Authority has the resources necessary to make Western's operations more efficient, and the leadership to improve Western's bottom line.

(G) Financial Factors Impacting the Authority - Continued

The move to a managed care Medicaid system led by Regional Care Organizations in the State of Alabama was derailed on July 27, 2017 after administration changes at the top of the state and federal levels. Maintaining the Medicaid system in Alabama as a fee-for-service payer keeps things unchanged for the Authority in the short term. However, changes to Medicaid are still expected down the road, and it will be critical for the Authority to adjust to those changes when necessary.

(H) Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Jefferson-Blount-St. Clair Mental Health Authority, 940 Montclair Road, Suite 200, Birmingham, Alabama 35213, or call (205) 595-4555.

Board of Directors composed of three appointees each from:
Bessemer - Birmingham - Blount County - Fairfield - Gardendale - Homewood - Hueytown
Jefferson County - Leeds - Mountain Brook - Oneonta - Pell City - St. Clair County - Tarrant - Vestavia Hills

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

STATEMENTS OF NET POSITION

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,149,097	\$ 4,962,711
Investments - Certificates of Deposit	1,252,886	1,752,646
Client Deposits	805,273	635,020
Accounts Receivable	5,153,814	2,665,321
Notes Receivable - Current Portion	-	2,513
Prepays	355,581	406,093
Total Current Assets	<u>11,716,651</u>	<u>10,424,304</u>
CAPITAL ASSETS		
Land	248,127	248,127
Buildings	7,604,672	7,271,295
Motor Vehicles	870,988	787,843
Other Capital Assets	321,457	321,457
Accumulated Depreciation	<u>(5,027,079)</u>	<u>(4,509,100)</u>
Total Capital Assets	<u>4,018,165</u>	<u>4,119,622</u>
TOTAL ASSETS	<u>15,734,816</u>	<u>14,543,926</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	<u>1,076,571</u>	<u>1,336,146</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,076,571</u>	<u>1,336,146</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	5,686,715	5,474,338
Accrued Payroll and Related Expenses	68,006	69,984
Accrued Compensated Absences - Current Portion	558,985	529,103
Client Deposits	805,273	635,020
Unearned Revenue	235,625	343,170
Total Current Liabilities	<u>7,354,604</u>	<u>7,051,615</u>
NONCURRENT LIABILITIES		
Accrued Compensated Absences - Noncurrent Portion	735,988	768,720
Net pension liability	909,011	1,637,850
Total Noncurrent Liabilities	<u>1,644,999</u>	<u>2,406,570</u>
TOTAL LIABILITIES	<u>8,999,603</u>	<u>9,458,185</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>592,346</u>	<u>60,141</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>592,346</u>	<u>60,141</u>
NET POSITION		
Net Investment in Capital Assets	4,018,165	4,119,622
Unrestricted	<u>3,201,273</u>	<u>2,242,124</u>
TOTAL NET POSITION	<u>\$ 7,219,438</u>	<u>\$ 6,361,746</u>

The notes to the financial statements are an integral part of this statement

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended September 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Federal Government	\$ 10,872,490	\$ 11,498,348
State Government	30,273,880	29,465,505
Local Government Appropriations	58,870	58,870
Client Fees	1,419,528	1,392,564
Other Revenue	1,673,470	1,412,200
TOTAL OPERATING REVENUES	44,298,238	43,827,487
OPERATING EXPENSES		
Payroll and Related Expenses	17,195,195	16,717,546
Contract Services	20,750,780	20,866,332
Other Operating Expenses	1,508,716	1,361,655
Operating Supplies	1,006,595	975,720
Travel and Transportation	742,464	756,859
Buildings and Grounds	1,981,297	1,857,399
Depreciation	383,094	402,707
TOTAL OPERATING EXPENSES	43,568,141	42,938,218
OPERATING INCOME	730,097	889,269
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	14,270	5,152
Contributions Revenue	10,311	11,629
Gain (Loss) on Disposal of Capital Assets	-	2,550
Gain (Loss) on Western MHC Takeover	103,014	-
TOTAL NONOPERATING REVENUES (EXPENSES)	127,595	19,331
CHANGE IN NET POSITION	857,692	908,600
NET POSITION, BEGINNING OF YEAR	6,361,746	5,453,146
NET POSITION, END OF YEAR	\$ 7,219,438	\$ 6,361,746

The notes to the financial statements are an integral part of this statement

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Federal and State Governments	\$ 38,466,733	\$ 42,700,997
Received from Local Government Appropriations	58,870	58,870
Received from Clients	1,419,528	1,395,913
Received from Other Sources	1,673,470	1,441,051
Payments for Salaries and Related Expenses	(17,137,082)	(17,721,995)
Payments for Contract Services	(20,538,403)	(12,530,117)
Payments to Suppliers and Others	(5,188,560)	(14,810,126)
Net Cash Provided (Used) By Operating Activities	<u>(1,245,444)</u>	<u>534,593</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	<u>10,311</u>	<u>11,629</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>10,311</u>	<u>11,629</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Purchases	(95,024)	(53,123)
Proceeds from Sales of Capital Assets	<u>-</u>	<u>2,550</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(95,024)</u>	<u>(50,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(500,000)	(2,750,000)
Proceeds From Sales and Maturities of Investments	1,000,000	1,000,000
Interest received	14,030	2,506
Principal Collected on Note Receivable	<u>2,513</u>	<u>29,869</u>
Net Cash Provided (Used) By Investing Activities	<u>516,543</u>	<u>(1,717,625)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(813,614)	(1,221,976)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,962,711</u>	<u>6,184,687</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,149,097</u>	<u>\$ 4,962,711</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	730,097	889,269
Depreciation	383,094	402,707
Change in Accounts Receivable	(2,572,092)	1,771,155
Change in Prepaid Expenses	50,512	(130,185)
Change in Accounts Payable	212,377	(2,635,508)
Change in Accrued Payroll and Related Expenses	(1,978)	(2,684)
Change in Accrued Compensated Absences	(2,850)	(122,590)
Change in Unearned Revenue	(107,545)	125,254
Change in Net Pension Asset/Liability and Related Deferred Outflows/Inflows	<u>62,941</u>	<u>237,175</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,245,444)</u>	<u>\$ 534,593</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Assets Acquired in Western MHC Takeover	<u>\$ 186,613</u>	<u>\$ -</u>
Advances to Western MHC Written Off in Takeover	<u>\$ 83,599</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Authority is a public not-for-profit corporation formed in October 1968, as authorized by Act 310, enacted in the regular session of the 1967 Alabama State Legislature, as defined in the *Code of Alabama, 1975*, Paragraph 22-51-1 through 22-51-14. The purpose of the Authority is to plan, study needs and resources, conduct research and administer community mental health services within its area, which includes Jefferson, Blount and St. Clair counties.

Services are provided both by programs administered directly by the Authority and through contracts with other agencies.

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

Reporting Entity

In evaluating how to define the Jefferson-Blount-St. Clair Mental Health Authority, for financial reporting purposes, management considered all the criteria for determining component units. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria the Jefferson-Blount-St. Clair Mental Health Authority does not exercise oversight duties or responsibilities over other units of government.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when related liabilities are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Authority to the extent that those standards do not conflict with or contradict guidance of the GASB. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with an original maturity date of three months or less. Investments are stated at cost plus accrued interest.

Receivables

Accounts receivable primarily consists of amounts due from federal grants, state contracts and other third party contracts/sources.

Capital Assets

Capital assets with a unit cost of at least \$5,000 and an estimated useful life of at least one year are recorded at cost. The provision for depreciation is computed on the straight-line method over the estimated useful life of the asset. Useful lives range from 20-40 years for buildings, 5-10 years for equipment and 5 years for motor vehicles.

Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the Authority earn 13.5 days of sick leave each year with accumulation limited to 180 days. Payment is not made for unused sick leave at termination or retirement.

Substantially all employees earn from 13.5 to 30 days of annual leave with accumulation limited to 50 days. Payment is made to employees for unused annual leave at termination or retirement. At September 30, 2017 and September 30, 2016, liabilities in the amounts of \$1,294,973 and \$1,297,823 have been recorded.

Long-Term Obligations

Long-term debt and uncompensated absences payable in more than one year are recorded as liabilities in the statement of net assets.

Net Position

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balance of debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management.

Federal Financial Assistance Programs

The Authority participates in federally funded programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Subsequent Events: In preparing the financial statements, management evaluated subsequent events through June 6, 2018, the date the financial statements were available to be issued.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates: The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE B – DEPOSITS AND INVESTMENTS

The Authority can invest in securities that are direct obligations of the United States, or the payment of principal and interest is unconditionally guaranteed by the United States or securities that are direct obligations of any agency of the States. The Authority may also hold interest bearing deposits, including certificates of deposit of any bank organized under the laws of the United States or any of its states.

Deposits not covered by federal depository insurance must be in financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program that 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 the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits and certificates with maturities of three months or less and repurchase agreements.

Credit Risk

Deposits and investments consisted of cash and cash equivalents, certificates of deposit, and client deposits totaling \$6,207,256 at September 30, 2017 and \$7,350,377 at September 30, 2016. All deposits and investments are collateralized by the SAFE Program and FDIC.

NOTE C – ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following at September 30,

	2017	2016
Department of Mental Health	\$ 3,394,584	\$ 947,422
Medicaid	1,161,752	1,243,116
Department of Housing and Urban Development	227,391	253,048
Other	370,087	221,735
Total Accounts Receivable	<u>\$ 5,153,814</u>	<u>\$ 2,665,321</u>

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D – CHANGES IN CAPITAL ASSETS

A summary of changes in general fixed assets follows:

<u>YEAR ENDED SEPTEMBER 30, 2017</u>	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets				
Land	\$ 248,127	\$ -	\$ -	\$ 248,127
Buildings	7,271,295	345,227	(11,850)	7,604,672
Motor Vehicles	787,843	83,145	-	870,988
Equipment	321,457	-	-	321,457
Total Capital Assets	8,628,722	428,372	(11,850)	9,045,244
Less: Accumulated Depreciation				
Buildings	3,690,048	442,373	(11,850)	4,120,571
Motor Vehicles	674,140	63,447	-	737,587
Equipment	144,912	24,009	-	168,921
Total Accumulated Depreciation	4,509,100	529,829	(11,850)	5,027,079
Net Capital Assets	\$ 4,119,622	\$ (101,457)	\$ -	\$ 4,018,165
<u>YEAR ENDED SEPTEMBER 30, 2016</u>	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets				
Land	\$ 248,127	\$ -	\$ -	\$ 248,127
Buildings	7,271,295	-	-	7,271,295
Motor Vehicles	782,793	53,123	(48,073)	787,843
Equipment	327,285	-	(5,828)	321,457
Total Capital Assets	8,629,500	53,123	(53,901)	8,628,722
Less: Accumulated Depreciation				
Buildings	3,378,168	311,880	-	3,690,048
Motor Vehicles	658,340	63,873	(48,073)	674,140
Equipment	123,786	26,954	(5,828)	144,912
Total Accumulated Depreciation	4,160,294	402,707	(53,901)	4,509,100
Net Capital Assets	\$ 4,469,206	\$ (349,584)	\$ -	\$ 4,119,622

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN

Employees' Retirement System of Alabama

Plan Description: The Authority and its eligible employees contribute to the Employees' Retirement System of Alabama (ERS). ERS, an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to employees of 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). Title 36-Chapter 27 of the Code of Alabama 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's 13 trustees are 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. 3 vested members of ERS appointed by the Governor for a term of 4 years, no 2 of whom are from the same department of state government nor from any department of which an ex office trustee is the head,
6. 6 members of ERS who are elected by members from the same category of ERS for a term of 4 years as follows:
 - a. 2 retired members with 1 from the ranks of retired state employees and 1 from the ranks of retired employees of a city, county or public agency each of whom is an active beneficiary of ERS,
 - b. 2 vested active state employees,
 - c. 2 vested active employees of an employer participating in ERS pursuant to 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 ERS. Benefits for ERS members vest after 10 years or more 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 at 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 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.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN - CONTINUED

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2016. 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 (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 or more of creditable service, are currently in service, and are 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 based on the member's age, service credit, employment status, and eligibility for retirement.

ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. ERS membership includes approximately 84,000 participants. As of September 30, 2016, the Authority's membership consisted of:

Retired Members or Their Beneficiaries Currently Receiving Benefits	43
Vested Inactive Members	9
Non-Vested Inactive Members	133
Active Members	<u>432</u>
Total	<u><u>617</u></u>

Contributions – Covered members of ERS contributed 5% of earnable compensation to ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of ERS are required by statute to contribute 7.5% of earnable compensation. Certified law enforcement, correctional officers, and firefighters 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 were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters are required by statute to contribute 8.5% of earnable compensation. State Police contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN - CONTINUED

ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2017, the Authority's active employee contribution rates were 5% of covered payroll for Tier 1 employees and 6% of covered payroll for Tier 2 employees, and the Authority's average contribution rate to fund the normal and accrued liability costs was 3.66% of covered employee payroll.

The Authority's contractually required contribution rate for the year ended September 30, 2017 was 4.39% of covered payroll for Tier 1 employees, and 1.79% of covered payroll for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual covered 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 Plan from the Authority were \$473,222 for the year ended September 30, 2017.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2016 using standard roll-forward techniques as follows:

		Expected	Actual - 2015 Valuation Assumptions	Actual - 2016 Valuation Assumptions
Total Pension Liability, September 30, 2015	(a)	\$ 27,339,234	\$ 26,754,865	\$ 27,239,513
Discount Rate	(b)	8.00%	8.00%	7.75%
Entry Age Normal Cost	(c)	1,126,605	1,126,605	1,073,474
Transfers Among Employers	(d)		(71,171)	(71,171)
Actual Benefit Payments and Refunds	(e)	(1,017,914)	(1,017,914)	(1,017,914)
Total Pension Liability, September 30, 2016				
[(a) x (1+(b))] + (c) + (d) + [(e) x (1 + .05*(b))]	(f)	\$ 29,594,347	\$ 28,892,058	\$ 29,295,520
Difference Between Expected and Actual	(g)		\$ (702,289)	
Less: Liability Immediately Recognized	(h)		\$ (71,171)	
Experience (Gain)/Loss = (g) - (h)	(i)		\$ (631,118)	
Difference Between Actual - 2015 Assumptions and Actual - 2016 Assumptions:				
Assumption Change (Gain)/Loss	(j)			\$ 403,462

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN - CONTINUED

Actuarial assumptions – The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in this measurement:

Inflation	3.00%
Salary Increases	3.75% - 7.25%
Investment Rate of Return*	8.00%

*Net of pension plan investment expense, including inflation.

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2017 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an investigation of the economic and demographic experience for ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate Of Return*</u>
Fixed Income	25.0%	5.0%
U.S. Large Stocks	34.0%	9.0%
U.S. Mid Stocks	8.0%	12.0%
U.S. Small Stocks	3.0%	15.0%
International Developed Market Stocks	15.0%	11.0%
International Emerging Market Stocks	3.0%	16.0%
Real Estate	10.0%	7.5%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.5%.

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 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.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2015	\$ 27,339,234	\$ 25,701,384	\$ 1,637,850
Changes for the year:			
Service cost	1,126,605	-	1,126,605
Interest	2,146,422	-	2,146,422
Changes of Assumptions	403,462	-	403,462
Difference between expected and actual experience	(631,118)	-	(631,118)
Contributions - employer	-	443,931	(443,931)
Contributions - employee	-	709,537	(709,537)
Net investment income	-	2,620,742	(2,620,742)
Benefit payments, including refunds of employee contributions	(1,017,914)	(1,017,914)	-
Transfers among employers	(71,171)	(71,171)	-
Net Changes	1,956,286	2,685,125	(728,839)
Balances at September 30, 2016	\$ 29,295,520	\$ 28,386,509	\$ 909,011

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the Authority's net pension liability calculated using the discount rate of 7.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage 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%
Net Pension Liability	\$ 4,671,137	\$ 909,011	\$ (2,213,538)

Pension plan fiduciary net position – Detailed information about the Plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report 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.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - DEFINED BENEFIT PENSION PLAN – CONTINUED

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

For the year ended September 30, 2017, the Authority recognized pension expense of \$517,160. At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actual experience	\$ -	\$ 592,346
Changes of assumptions	346,636	-
Net difference between projected and actual earnings on pension plan investments	229,770	-
Employer contributions subsequent to the measurement date	500,165	-
Totals	<u>\$ 1,076,571</u>	<u>\$ 592,346</u>

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

Fiscal year ended September 30,

2018	\$ 512,521
2019	12,355
2020	191,210
2021	(154,499)
2022	(42,090)
Thereafter	<u>(35,272)</u>
Totals	<u>\$ 484,225</u>

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F – ACCOUNTS PAYABLE

Accounts payable consisted of the following at September 30,

	<u>2017</u>	<u>2016</u>
Subcontractors	\$ 4,850,331	\$ 4,930,000
Suppliers and Others	<u>836,384</u>	<u>544,338</u>
Total Accounts Payable	<u>\$ 5,686,715</u>	<u>\$ 5,474,338</u>

NOTE G – TAX AND CORPORATE STATUS

The Authority is a tax-exempt organization under the provisions of the Internal Revenue Code and the Code of Alabama, and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Authority meets the criteria required for classification as an affiliate of a government unit, as described in Revenue Procedure 95-48, I.R.B. 1995-47, 13, (Nov. 20, 1995). The Authority, therefore, is not required to file Form 990 with the IRS.

NOTE H – SUBSEQUENT EVENT

The Authority took over the operations of Western Mental Health Center, Inc. (Western) on October 1, 2017. Western is a tax-exempt organization under the provisions of Section 501 (c) (3) of the Internal Revenue Code and the Code of Alabama, Act 578. Western is a subcontractor of the Authority, serving seriously mentally ill adults and SED children in west Jefferson County, Alabama. Prior to the takeover, the following transactions were recorded in the current year financial statements:

- A building addition completed in 2008 at a cost of \$311,013 was transferred from Western to the Authority. The building was recorded on the books of the Authority at its estimated fair market value of \$186,613.
- Advances of operating funds from the Authority to Western in the amount of \$83,599 were written off.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	\$ 1,126,605	\$ 1,193,209	\$ 1,185,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,146,422	1,981,189	1,816,066	-	-	-	-	-	-	-
Differences between expected and actual experience	(631,118)	(70,164)	-	-	-	-	-	-	-	-
Changes of assumptions	403,462	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,017,914)	(1,059,723)	(815,765)	-	-	-	-	-	-	-
Transfers among employers	(71,171)	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	1,956,286	2,044,511	2,186,012	-	-	-	-	-	-	-
Total Pension Liability, Beginning	27,339,234	25,294,723	23,108,711	-	-	-	-	-	-	-
Total Pension Liability, Ending (a)	<u>\$ 29,295,520</u>	<u>\$ 27,339,234</u>	<u>\$ 25,294,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Contributions, employer	443,931	503,134	564,708	-	-	-	-	-	-	-
Contributions, members	709,537	663,858	836,627	-	-	-	-	-	-	-
Net investment income	2,620,742	300,971	2,683,429	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,017,914)	(1,059,723)	(815,765)	-	-	-	-	-	-	-
Transfers among employers	(71,171)	(44,223)	(6,656)	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	2,685,125	364,017	3,262,343	-	-	-	-	-	-	-
Plan Fiduciary Net Position, Beginning	25,701,384	25,337,367	22,075,024	-	-	-	-	-	-	-
Plan Fiduciary Net Position, Ending (b)	<u>\$ 28,386,509</u>	<u>\$ 25,701,384</u>	<u>\$ 25,337,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability (a) - (b)	\$ 909,011	\$ 1,637,850	\$ (42,644)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.90%	94.01%	100.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 12,417,717	\$ 12,848,149	\$ 12,981,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	7.32%	12.75%	-0.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

- This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS

Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution*	\$ 473,222	\$ 489,877	\$ 548,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	473,222	489,877	548,103	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,940,205	\$ 12,417,717	\$ 12,848,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	3.66%	3.94%	4.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Amount of employer contributions related to normal and accrued liability components of employer rate, net of any refunds or error service payments.

Notes to Schedule

- This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.
- 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 the fiscal year ended September 30, 2017 were based on the September 30, 2014 actuarial valuation.
- Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method.....	Level percent closed
Remaining amortization period	11 years
Asset valuation method	Five year smoothed market
Inflation.....	3.00%
Salary increases	3.75% - 7.25%, including inflation
Investment rate of return.....	8.00%, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES

SCHEDULE OF EXPENSES

SCHEDULE OF BOARD OF DIRECTORS AND OFFICIALS

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF REVENUES

For the Year Ended September 30, 2017

	<u>Federal Government</u>	<u>State Government</u>	<u>Local Government</u>	<u>Fees</u>	<u>Other</u>
Medicaid - Title XIX	\$ 8,589,993				
Mental Health Services Block Grant	1,222,796				
Department of Housing and Urban Development	842,786				
Homeless Critically Mental Illness	216,915				
State Department of Mental Health Grants and Contracts	-	\$ 29,624,204			
State Department of Human Resources Contracts	-	170,793			
State Department of Youth Services Contracts	-	450,482			
All Kids Plus	-	28,401			
Blount County	-	-	\$ 11,400		
Pell City	-	-	10,500		
St. Clair County	-	-	8,870		
Vestavia Hills	-	-	7,100		
Gardendale	-	-	6,000		
Homewood	-	-	5,400		
Oneonta	-	-	4,000		
Mountain Brook	-	-	2,100		
Hueytown	-	-	1,500		
Tarrant	-	-	800		
Leeds	-	-	1,200		
Client Fees	-	-	-	\$ 1,419,528	
Medical Director Services Contract	-	-	-	-	\$ 223,800
Business Functions and Maintenance Service Contracts	-	-	-	-	108,675
Crisis Center Contract	-	-	-	-	39,600
Blount County Services	-	-	-	-	74,341
Pell City Schools	-	-	-	-	71,646
Jefferson County Board of Education Contracts	-	-	-	-	183,000
Birmingham Board of Education COPE Unit Contract	-	-	-	-	149,163
Family Court of Jefferson County COPE Unit Contract	-	-	-	-	145,200
Homewood Counselor	-	-	-	-	11,422
St. Clair County District Court Contract	-	-	-	-	15,000
Deaf Interpreter Services	-	-	-	-	5,545
St. Clair County Schools	-	-	-	-	104,153
Property Management Fees	-	-	-	-	151,157
Jefferson County Department of Public Health	-	-	-	-	79,100
Birmingham Special Ed	-	-	-	-	93,446
Oneonta City Schools	-	-	-	-	41,000
DHR Trauma Counseling	-	-	-	-	10,675
Jefferson County Schools - Title I	-	-	-	-	150,462
Insurance Proceeds	-	-	-	-	5,206
Miscellaneous, Vending and Local Contracts	-	-	-	-	10,879
Total	<u>\$ 10,872,490</u>	<u>\$ 30,273,880</u>	<u>\$ 58,870</u>	<u>\$ 1,419,528</u>	<u>\$ 1,673,470</u>

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF EXPENSES

For the Year Ended September 30, 2017

	Administrative Expenses	Program Expenses	Total Expenses
Salaries	\$ 845,232	\$ 13,346,377	\$ 14,191,609
Inpatient Beds	-	4,983,360	4,983,360
Third Party Services	-	2,516,872	2,516,872
Health Insurance	37,593	1,223,926	1,261,519
Rent	2,077	1,091,370	1,093,447
Social Security and Medicare Tax	49,181	959,266	1,008,447
Assisted Living Facility Beds	-	875,253	875,253
Food	1,783	526,517	528,300
Retirement	57,908	459,252	517,160
Staff Mileage	9,364	489,135	498,498
Electricity	48,322	359,587	407,909
Depreciation	27,224	355,870	383,094
Dues and Fees	18,377	314,494	332,871
Medical Consultation	-	284,188	284,188
Telephone	5,304	186,472	191,776
Building Repairs and Maintenance	2,283	182,106	184,389
Client Medications	438	159,212	159,651
Fellowship House MOM Apartments	-	154,200	154,200
Workman's Compensation	3,712	144,157	147,870
Home Furniture and Equipment	-	140,441	140,441
Cable / Internet	6,734	121,791	128,525
Nursing Homes Contract	-	121,146	121,146
Grounds Maintenance	11,892	108,076	119,968
Water and Sewer	5,876	113,123	118,999
Client Maintenance	1,192	111,643	112,835
Outside Services	55,025	47,244	102,268
Liability Insurance	26,584	69,718	96,301
UAB Supportive Services	-	93,648	93,648
Auto Insurance	1,623	79,623	81,246
Computer and Media Supplies	24,175	55,176	79,351
Janitorial Supplies	2,613	72,668	75,282
Vehicle Gas and Oil	3	72,810	72,813
Equipment Service Contracts	32,722	39,989	72,711
Vehicle Maintenance	47	68,683	68,730
Dental Insurance	1,956	60,578	62,534
Other Consultation	-	59,306	59,306
Staff Conference and Development	3,610	54,602	58,212
Foster Home Beds	-	54,376	54,376
Legal	6,919	36,810	43,729
Housekeeping	14,940	27,720	42,660
Agency Insurance	5,531	34,796	40,327
Office Supplies	7,347	29,737	37,084
Household Supplies	294	34,529	34,822
Gas	-	32,492	32,492
Client Transportation	-	29,687	29,687
MIS Consultation	25,329	-	25,329
Pest Control	300	23,793	24,093
Community Events	800	21,806	22,606

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF EXPENSES - CONTINUED

For the Year Ended September 30, 2017

	<u>Administrative Expenses</u>	<u>Program Expenses</u>	<u>Total Expenses</u>
Office Furniture and Equipment	-	21,541	21,541
Medical Supplies	83	19,112	19,195
Auditing and Accounting	17,850	-	17,850
Kitchen Supplies	1,020	16,298	17,318
Advertising	15,889	-	15,889
Socialization	-	14,654	14,654
Board Travel	14,524	-	14,524
Appliances	119	14,380	14,499
Psychological Evaluations	-	12,499	12,499
Postage	6,805	1,812	8,616
Books and Periodicals	4,673	2,476	7,149
Unemployment Compensation	-	6,056	6,056
Floor Cleaning Supplies	-	4,703	4,703
Printing	462	4,124	4,586
Maintenance Supplies	-	4,282	4,282
Equipment and Furniture Repairs	240	3,456	3,697
Education and Recreation Supplies	-	3,663	3,663
Contract Labor	3,220	310	3,530
EMR Consultation	-	2,675	2,675
Coffee Supplies	1,291	1,360	2,651
Vending Machine Supplies	540	1,856	2,396
Equipment Rental	1,344	725	2,069
Freight	-	716	716
Miscellaneous	-	18	18
Bank Charges	(110)	-	(110)
Prompt Payment Discount	(4,677)	(2,946)	(7,624)
Credit Card Rebate	(15,150)	-	(15,150)
Administration Overhead	(1,288,107)	1,288,107	-
University of Alabama at Birmingham	-	2,009,138	2,009,138
Indian Rivers Mental Health Center	-	1,801,361	1,801,361
West Alabama Mental Health Center	-	1,554,742	1,554,742
Chilton/Shelby Mental Health Center	-	1,483,845	1,483,845
Eastside Mental Health Center	-	1,131,403	1,131,403
Western Mental Health Center	-	1,037,148	1,037,148
Cahaba Mental Health Center	-	706,403	706,403
Northwest Alabama Mental Health Center	-	576,894	576,894
Cheaha Mental Health Center	-	533,845	533,845
Altapointe Health Systems	-	304,275	304,275
CED Mental Health Center	-	300,000	300,000
Strong Girls	-	156,423	156,423
Alagrants	-	15,057	15,057
Glenwood	-	2,159	2,159
Gateway	-	1,624	1,624
TOTAL EXPENSES	<u>\$ 104,324</u>	<u>\$ 43,463,818</u>	<u>\$ 43,568,141</u>

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF BOARD OF DIRECTORS AND OFFICIALS

September 30, 2017

Ms. Janet Barnett	Member	1401 Wharton Avenue Tarrant, AL 35217
Ms. Sarah Belcher	Member	3030 Arlington Avenue Bessemer, AL 35020
Mrs. Paralee Britt	Member	768 Belwood Circle Fairfield, AL 35064
Mrs. Donna Burgess	Secretary	319 East Glenwood Drive Homewood, AL 35209
Mrs. Judy Cacioppo	Member	1619 Powder Plant Road SW Bessemer, AL 35023
Mr. Bradley Cain	Member	3031 Canterbury Road Mountain Brook, AL 35223
Mr. Scotty Colson	Member	710 North 20th Street Birmingham, AL 35205
Mr. Daniel Clem	Member	4 Pine Circle Oneonta, AL 35121
Ms. Meleah Davis	Member	775 Blackwoods Bend Cleveland, AL 35049
Ms. Deborah Hall	Member	948 Linthicum Street Tarrant, AL 35217
Mrs. Nancy Hayley	Member	119 Lindberg Road Hueytown, AL 35023
Ms. Peggy Horne	Member	3040 Galaxy Drive Hueytown, AL 35023
Mrs. Cathy Irvin	Executive Committee	320 Second Avenue East Oneonta, AL 35121
Mr. Lamar Kelly	2nd Vice President	301 Fieldstown Road Gardendale, AL 35071
Ms. Julie Marriott	Member	155 Ridgewood Lane Odenville, AL 35120
Ms. Barbara Martin	Member	1516 5th Avenue West Birmingham, AL 35208
Mr. William North	Member	708 Colony Circle Homewood, AL 35209
Mrs. Sandra Oden	Member	2926 Warrior River Road Hueytown, AL 35023

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY
SCHEDULE OF BOARD OF DIRECTORS AND OFFICIALS - CONTINUED
September 30, 2017

Mr. Gene Parker	Member	1819 Poplar Drive Gardendale, AL 35071
Ms. Lenora Pate	Member	P. O. Box 55727 Birmingham, AL 35255
Mr. Robbie Roberts	Member	155 Chamoye Circle Riverside, AL 35135
Mr. Jason Rose	Member	1228 Edinborough Lane Vestavia Hills, AL 35226
Ms. Charlene Rhodes	Member	111 Dannon Drive Gardendale, AL 35071
Mrs. Margie Sanford	President	405 Turner Road Pell City, AL 35128
Ms. Lois Scott	First Vice President	841 60th Street Fairfield, AL 35064
Mrs. Marianne Sharbel	Executive Committee	16 Cross Creek Drive Birmingham, AL 35213
Mrs. Cindy Smith	Executive Committee	433 Devon Drive Homewood, AL 35209
Ms. Julia Stork	Member	1706 Lynn Circle Leeds, AL 35094
Mr. Bob Terry	Member	3310 Independence Drive Birmingham, AL 35209
Mr. Marvin Thornton	Treasurer	3621 River Ridge Road Vestavia Hills, AL 35243
Mr. Jansen Voss	Asst. Sec./Treasurer	4100 Old Leeds Road Mt. Brook, AL 35213
Ms. Kim Wesson	Member	1109 Truss Ferry Road Pell City, AL 35125

GOVERNMENT AUDIT SECTION

***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 ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE***

***REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT WHEN THE
AUDITOR'S PROCEDURES DISCLOSE NO MATERIAL INSTANCES OF NONCOMPLIANCE***

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



**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***

To the Members of the Board of Directors of the
Jefferson - Blount- St. Clair Mental Health Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the business-type activities of Jefferson - Blount- St. Clair Mental Health Authority (the Authority) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

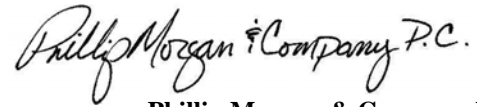
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Birmingham, Alabama
June 6, 2018



Phillip Morgan & Company P.C.



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the Board of Directors of the
Jefferson – Blount - St. Clair Mental Health Authority

Report on Compliance for Each Major Federal Program

We have audited Jefferson – Blount – St. Clair Mental Health Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the Authority 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our 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 Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of 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.

Birmingham, Alabama
June 6, 2018



Phillip Morgan & Company P.C.



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —



**REPORT ON COMPLIANCE WITH DEPARTMENT OF
MENTAL HEALTH CONTRACT WHEN THE AUDITOR'S PROCEDURES DISCLOSE NO
MATERIAL INSTANCES OF NONCOMPLIANCE**

To the Members of the Board of Directors of the
Jefferson – Blount - St. Clair Mental Health Authority
Birmingham, Alabama

We have audited the contract/grant agreement numbers G7-033249, G7-0325354, and G7-422278 between the Department of Mental Health (“DMH”) and Jefferson – Blount - St. Clair Mental Health Authority (the Authority) as of and for the year ended September 30, 2017.

Compliance with the DMH contracts/grants/agreements, and all laws, rules and regulations applicable to the Authority is the responsibility of the Authority’s management. As part of obtaining reasonable assurance about whether the contracts/grants/agreements, and all applicable laws and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of the *DMH Audit Guidelines*. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contracts/grants/agreements. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contracts/grants/agreements, and all applicable laws and regulations.

This report is intended solely for the information and use of the Board of Directors, management, and DMH and is not intended to be, and should not be, used by anyone other than these specified parties.

Birmingham, Alabama
June 6, 2018

PHILLIP MORGAN & COMPANY P.C.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2017

Federal Grantor/Passthrough Grantor/Program Title	Direct/ Indirect Funding	Federal CFDA Number	Grantor's Number	Award Year Ending	Budget		Revenue Recognized	Expenditures of Federal Awards
					Total Expenses	Federal Share of Expenses		
Department of Health and Human Services								
Passed Through Alabama Department of Mental Health								
Block Grant for Community Mental Health Services	Indirect	93.958	B1-AL-CMHS	9/30/2017	\$ 14,916,841	\$ 1,461,661	\$ 1,220,025	\$ 1,220,025
Project for Assistance in Transition from Homelessness	Indirect	93.150	SMX060001	9/30/2017	216,915	216,915	216,915	216,915
Total Department of Health and Human Services					15,133,756	1,678,576	1,436,940	1,436,940
Department of Housing and Urban Development								
Supportive Housing Program	Direct	14.235	AL0019L4C001508	6/30/2017	263,248	263,248	203,302	203,302
Supportive Housing Program	Direct	14.235	AL0019L4C001609	6/30/2018	263,248	263,248	61,286	61,286
Supportive Housing Program - UAB	Direct	14.235	AL0021L4C001508	7/31/2017	573,395	573,395	476,432	476,432
Supportive Housing Program - UAB	Direct	14.235	AL0021L4C001609	7/31/2018	573,395	573,395	101,766	101,766
Total Department of Housing and Urban Development					1,673,286	1,673,286	842,786	842,786
Total Federal Awards					\$ 16,807,042	\$ 3,351,862	\$ 2,279,726	\$ 2,279,726

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Summary of Significant Accounting Policies

The purpose of the Schedule of Expenditures of Federal Awards is to present a summary of the activities of the federal award programs of the Authority during the fiscal year. Because the schedule presents only a portion of the activities of the Authority, it is not intended to and does not present either the financial position or changes in net assets of the Authority. This schedule was prepared using the accrual basis of accounting. Accordingly, expenses are recognized when the related liability is incurred.

JEFFERSON - BLOUNT- ST. CLAIR MENTAL HEALTH AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2017

I. Summary of Auditor's Results

Financial Statements

- Type of auditor's report issued: Unmodified
- Internal control over financial reporting:
 - Material weakness(es) identified? ____ Yes X No
 - Significant deficiency(ies) identified not considered to be material weaknesses? ____ 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 not considered to be material weaknesses? ____ 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 the Uniform Guidance? ____ Yes X No
- Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.958	Block Grants for Community Mental Health Services
14.235	Supportive Housing Program
- Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as a low-risk auditee? X Yes ____ No

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None