Jefferson County
Department of Health

Financial Statements

September 30, 2016

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Jefferson County Department of Health
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Independent Auditors' Report

The Board of Directors
Jefferson County Department of Health
Birmingham, Alabama

We have audited the accompanying financial statements of the governmental activities, the fiduciary fund, each major fund, and the aggregate remaining fund information of Jefferson County Department of Health (the "Department"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department'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; 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.

Auditors' 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 of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 opinions. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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 Department, as of September 30, 2016, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3.1 through 3.4 and information beginning on page 42 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 financials in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general 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 or provide any assurance.

Report on Other Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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. 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 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 also issued our report dated February 8, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Department's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama
February 8, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

JEFFERSON COUNTY DEPARTMENT OF HEALTH

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the government written by its *financial managers*. As financial management of the Board, we offer readers of this financial statement an overview and analysis of the financial activities of the Jefferson County Department of Health (the Department). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Department's financial position and identify individual fund issues or concerns.

The MD&A is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 4.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 4) presents information on all the Department's assets and liabilities, with the difference between the two 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 Department is improving or deteriorating.

Jefferson County Department of Health

Net Assets

Assets	**2016**	**2015**	**Percentage Change**
Current assets	$ 70,480,366	$ 67,326,462	4.68%
Noncurrent assets	49,051,658	50,345,532	-2.57%
Deferred outflows of resources	7,451,525	3,974,752	87.47%
Total Assets and Deferred Outflows of Resources	**126,983,549**	**121,646,746**	4.39%
Liabilities			
Current liabilities	6,015,832	6,594,911	-8.78%
Noncurrent liabilities	61,659,915	53,918,888	14.36%
Deferred inflows of resources	267,219	3,271,289	-91.83%
Total Liabilities and Deferred Inflows of Resources	**67,942,966**	**63,785,088**	**6.52%**
Net Position			
Invested in capital assets	41,090,674	42,151,458	-2.52%
Restricted	3,625,278	3,684,613	-1.61%
Unrestricted	14,324,631	12,025,587	19.12%
Total Net Position	**$ 59,040,583**	**$ 57,861,658**	**2.04%**

As shown in the table above, the Department experienced an increase of $1,178,925 in net position at the government-wide level. The majority of the Department's net position is invested in capital assets (land, buildings, and equipment) owned by the Department. These assets are not available for future expenditures since they will not be sold.

Total assets and deferred outflows of resources increased by $5,336,803 (4.39%) and are primarily due to the increases in the cash and investment balances ($3M); Post-Employment Benefits Other Than Pension (OPEB) assets ($200K) and pension-related Deferred Outflow of Resources ($3.5M) and a net capital asset decrease of $1M due to the disposal of three (3) health clinics and a decrease in Net Pension Asset ($433K).

The $4,157,878 (6.52%) net increase in total liabilities and deferred inflows of resources is primarily due to an increase in the Net Pension Obligation ($7.5M) and decreases in pension-related Deferred Inflow of Resources ($3M) and accrued self-insurance ($530K).

The Statement of Activities (page 5) presents information showing how the Department's net position changed during the fiscal year.

Government-wide Statement of Activities

	Expenses		Program Revenues		Net (Expense) Revenue	
Program activities:	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
General administration	$ 16,313,074	$ 14,996,383	$ 396,420	$ 379,237	$ (15,916,654)	$ (14,617,146)
Health statistics and vital records	298,968	372,585	474,398	529,675	175,430	157,090
Environmental health	7,821,647	7,544,861	5,827,564	5,796,676	(1,994,083)	(1,748,185)
Disease control	4,985,301	4,774,494	1,470,532	1,383,710	(3,514,769)	(3,390,784)
Dental health	1,600,505	1,609,412	998,936	1,061,277	(601,569)	(548,135)
Emergency preparedness and response	332,370	369,051	331,260	368,473	(1,110)	(578)
Primary care services	16,452,353	17,089,668	11,120,944	11,007,042	(5,331,409)	(6,082,626)
Total program activities	$47,804,218	$46,756,454	$20,620,054	$20,526,090	$ (27,184,164)	$ (26,230,364)
General revenues:						
Shared revenues					$ 27,316,180	$ 27,571,811
Investment earnings (loss)					254,891	205,173
Gain (loss) on disposal of capital assets					(364,290)	-
Miscellaneous revenues					1,156,308	1,137,639
Total general revenues					28,363,089	28,914,623
Change in net position					**1,178,925**	**2,684,259**
Net position at beginning of year					57,861,658	100,146,550
Restatement					-	(44,969,151)
Net position at beginning of year as restated					57,861,658	55,177,399
Net position at end of year					**$ 59,040,583**	**$ 57,861,658**

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, compensated absences).

Total program revenues of $20.6 million increased by $93,964 (.46%). The decrease in shared revenues reflects a decrease in tax revenue ($256K) in fiscal year 2016 as compared to fiscal year 2015. Investment earnings and the adjustment to market value were 24% higher than the previous year.

Total Expenses of $47.8 million reflected an increase of $1.05M (2.24%) from the previous fiscal year. The increase was primarily due to increases in professional services (legal fees, Personnel Board of Jefferson County fees and other professional services).

Fund Financial Statements

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (page 8) includes essentially the same functions reported as governmental activities in the government-wide financial statements. Although the Fund statements and the Government-wide statements include the same functions, the financial information is different due to different reporting requirements relating primarily to capital asset transactions. Reconciliation of the government-wide statements to the corresponding government fund statements may be found on pages 7 and 9.

Capital expenditures of $1,245,282 were necessary during fiscal year 2016. The capital expenditures were for the structural repairs of the Guy M. Tate Building's parking structure, design fees for the expansion of Eastern Health Center parking and expansion of the fire suppression system at Western Health Center.

General Fund comparison of Actual to Budgeted results (page 42)

The budgeted excess of expenditures over revenues for the fiscal period was not realized. Revenues were higher than those budgeted by $2.4 million due primarily to favorable budget variances for taxes ($2.1M) and other revenue ($534K) and unfavorable variances in fee for services ($121K) and third-party reimbursement ($229K).

Expenditures were lower by $3.7 million than those budgeted. The main factors in this department-wide budget variance were primarily salary and wages/benefits ($3M); building, equipment and vehicles ($407K) and general office operations ($327K). Budget transfers to the Capital Fund were completed to cover expenditures for the new western clinic and future capital outlay.

Economic Factors and Fiscal 2017 General Fund Budget

Revenue Highlights

The 2017 budget includes $6,805,000 of ad valorem tax, a $75,000 (1%) increase from fiscal year 2016. This amount is an estimate of two percent (2%) of the ad valorem taxes collected in Jefferson County for the County and its Municipalities, excluding those ad valorem taxes collected for the State of Alabama and all Boards of Education, and is the minimum percentage allowed in the funding legislation. The budget includes sales tax revenue of $20,000,000, a 9% increase from fiscal year 2016.

Net Intergovernmental Revenue of $2,362,356 is a $41,937 (2%) increase over prior year budget. Revenues for services provided by the Department in 2017 are budgeted to be $11,212,396. The decrease of $731,853 (6%) from the 2016 budgeted amount is primarily the result of a projected decrease in clinical services private pay and third party reimbursement.

The $1,105,629 amount budgeted for Other Revenue/Non-Operating Revenue is lower than the prior year budget by $222,123 (16.7%) due to indirect cost.

An allocation of $5,695,498 from fund balance is required to offset expected expenditures.

Expenditure Highlights
Personnel costs of $35,092,741 are $1,761,576 (5%) higher than those budgeted for fiscal year 2016. Salaries are 73% of personnel cost budget, with employee and retiree benefits representing 26% and 1% respectively.

Contract Services costs of $2,153,652 are lower by $229,863 (10%) than those budgeted in 2016. Materials and Supplies costs are projected to be $8,734,486 which is a $1,740,876 (25%) increase from fiscal year 2016. The increase is primarily due to furniture and fixtures for 2 floors of the Guy M. Tate building.

The Capital Expenditure/Transfer budget of $1,200,000 for capital asset replacement transfer reduction remains the same as fiscal year 2016.

Capital Projects Fund
Expenditures of $4,359,889 are planned for fiscal year 2017. This includes funds for several building-related expenditures including renovation of the 3rd and 4th floors of the Guy M. Tate building, expansion of the Eastern Health Center parking lot, motor vehicles and various IT-related hardware and software expenditures.

Special Revenue Funds
In addition to the General Fund Budget, the Department has ten active Special Revenue Funds expected to total $6,360,051. These funds are operated in accordance with the funding requirements of special grants and appropriations.

The General Fund, Capital Projects Fund and Special Revenue Fund budgets for fiscal year 2017 total $57,900,819.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 12 through 41.

Other Information
Required supplementary information can be found on page 42 of this report.

Also included in the report are the Office of Management and Budget (OMB) A-133 Single Audit auditor reports, findings, and schedules, including the OMB Schedule of Findings and Questioned Costs.

Contacting the Department's Financial Management
This financial report is designed to provide a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Rodney Holmes, CPA, Director, Finance and Administration, Jefferson County Department of Health, P.O. Box 2648, Birmingham, AL 35202.

Jefferson County Department of Health
Statement of Net Position

September 30, 2016	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 27,858,195
Investments	36,116,722
Receivables (net of allowance for doubtful accounts)	6,089,541
Prepaid items	300,196
Inventories	115,712
Total current assets	70,480,366
Noncurrent assets	
Net pension asset	4,056,451
Net OPEB asset	3,904,533
Land	3,410,768
Buildings and equipment	60,148,645
Accumulated depreciation	(22,468,739)
Total noncurrent assets	49,051,658
Total assets	119,532,024
Deferred outflows of resources	
Employer contributions subsequent to measurement date	4,066,191
Net difference between projected and actual earnings on pension plan investment	3,385,334
Total deferred outflows of resources	7,451,525
Total assets and deferred outflows of resources	$ 126,983,549

See accompanying notes to basic financial statements.

September 30, 2016	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	$ 1,921,043
Accrued payroll and related costs	1,040,788
Accrued leave - current	36,664
Accrued self-insurance	3,017,337
Total current liabilities	6,015,832
Noncurrent liabilities	
Accrued leave - noncurrent	4,930,441
Net pension liability	56,729,474
Total noncurrent liabilities	61,659,915
Total liabilities	67,675,747
Deferred inflows of resources	267,219
Net position	
Net investment in capital assets	41,090,674
Restricted	3,625,278
Unrestricted	14,324,631
Total net position	$ 59,040,583

Year ended September 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Program Activities	**Expenses**	**Fees, Fines and Charges for Services**	**Operating Grants and Contributions**	**Total**
Governmental activities:				
General government administration	$ 16,313,074	$ 1,517	$ 394,903	$ (15,916,654)
Health statistics and vital records	298,968	474,398	-	175,430
Environmental health	7,821,647	4,551,621	1,275,943	(1,994,083)
Disease control	4,985,301	339,580	1,130,952	(3,514,769)
Dental health	1,600,505	993,936	5,000	(601,569)
Emergency preparedness and response	332,370	-	331,260	(1,110)
Clinical primary and support service	16,452,353	7,463,389	3,657,555	(5,331,409)
Total government activities	$ 47,804,218	$ 13,824,441	$ 6,795,613	(27,184,164)
General revenues:				
Shared governmental revenues				27,316,180
Investment earnings				254,891
Gain (loss) on disposal of capital assets				(364,290)
Miscellaneous revenues				1,156,308
Total general revenues				28,363,089
Change in net position				1,178,925
Net position at beginning of year				57,861,658
Net position at end of year				$ 59,040,583

See accompanying notes to basic financial statements.

September 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 27,858,195	$ -	$ -	$ 27,858,195
Investments	36,116,722	-	-	36,116,722
Receivables	5,906,679	-	958,857	6,865,536
Allowance for bad debts	(775,995)	-	-	(775,995)
Interfund receivables	812,317	22,696,254	8,252,066	31,760,637
Inventories	115,712	-	-	115,712
Prepaid items	300,196	-	-	300,196
Total assets	$ 70,333,826	$ 22,696,254	$ 9,210,923	$ 102,241,003
Liabilities				
Accounts payable	$ 1,865,578	$ 3,066	$ 52,399	$ 1,921,043
Accrued payroll and related costs	1,040,788	-	-	1,040,788
Accrued leave - current	36,664	-	-	36,664
Interfund payables	30,948,320	-	812,317	31,760,637
Total liabilities	33,891,350	3,066	864,716	34,759,132
Fund balance				
Nonspendable:				
Inventory and prepaids	415,908	-	-	415,908
Restricted for:				
Air pollution requirements	-	-	1,702,957	1,702,957
Immunization requirements	279,071	-	-	279,071
Small grants	-	-	26,984	26,984
Storm water requirements	-	-	1,616,266	1,616,266
Committed to:				
Capital projects	-	22,693,188	-	22,693,188
Disaster recovery	1,000,000	-	-	1,000,000
Public health community projects	157,000	-	5,000,000	5,157,000
Compensated absence obligations	4,780,062	-	-	4,780,062
General liability trust	7,144,758	-	-	7,144,758
Patient/client assistance	45,046	-	-	45,046
Assigned to:				
General government	124,317	-	-	124,317
Subsequent year's budget	3,185,870	-	-	3,185,870
Unassigned	19,310,444	-	-	19,310,444
Total fund balances	36,442,476	22,693,188	8,346,207	67,481,871
Total liabilities and fund balances	$ 70,333,826	$ 22,696,254	$ 9,210,923	$ 102,241,003

See accompanying notes to basic financial statements.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

September 30, 2016

Fund balance - total governmental funds	$ 67,481,871
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	41,090,674
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	3,904,533
Net pension assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,056,451
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(61,659,915)
Deferred outflow related to pensions	7,451,525
Deferred inflow related to pensions	(267,219)
Accrued self insurance is not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(3,017,337)
Net position of governmental activities	$ 59,040,583

See accompanying notes to basic financial statements.

Jefferson County Department of Health
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds

Year ended September 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Tax revenues:				
Sales tax revenues	$ 20,511,707	$ -	$ -	$ 20,511,707
Advalorem tax revenues	6,804,473	-	-	6,804,473
Total tax revenues	27,316,180	-	-	27,316,180
Fees for services	3,757,630	-	837,875	4,595,505
Third-party reimbursement	8,007,731	-	-	8,007,731
Intergovernmental revenues:				
Federal grants and special contracts	1,116,744	-	4,399,107	5,515,851
State grants and other government revenues	1,215,922	-	765,112	1,981,034
Other revenues	1,928,424	-	2,708	1,931,132
Total revenues	43,342,631	-	6,004,802	49,347,433
Expenditures				
Current:				
General government administration	9,676,223	-	63,740	9,739,963
Health statistics and vital records	297,970	-	-	297,970
Environmental health	5,086,956	-	2,550,387	7,637,343
Disease control	4,794,882	-	145,661	4,940,543
Dental health	1,574,644	-	-	1,574,644
Clinical primary and support service	13,062,698	-	2,656,451	15,719,149
Emergency preparedness and response	-	-	331,260	331,260
Other expenditures	4,658,112	-	-	4,658,112
Capital outlay	-	1,078,497	166,785	1,245,282
Total expenditures	39,151,485	1,078,497	5,914,284	46,144,266
Excess of revenues (expenditures)	4,191,146	(1,078,497)	90,518	3,203,167
Other financing sources (uses)				
Other sources - transfers in	-	1,382,650	-	1,382,650
Other uses - transfers out	(1,382,650)	-	-	(1,382,650)
Total other financing sources (uses)	(1,382,650)	1,382,650	-	-
Net change in fund balances	2,808,496	304,153	90,518	3,203,167
Fund balances at beginning of year	33,633,980	22,389,035	8,255,689	64,278,704
Fund balances at end of year	$ 36,442,476	$ 22,693,188	$ 8,346,207	$ 67,481,871

See accompanying notes to basic financial statements.

Jefferson County Department of Health
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental Funds to the Statement of Activities

Year ended September 30, 2016

Net change in fund balances - total governmental funds	$ 3,203,167
Amounts reported for governmental activities in the statement of activities are different because:	
The effect of the increase in the noncurrent accrued leave is to decrease net position.	(150,379)
Governmental funds report capital assets as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,245,282
Some expenses reported on the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net post-employment benefit asset	200,216
Change in accrued self insurance liability	529,816
Depreciation expense on capital assets and a change in the depreciation estimate are reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense and change in depreciation estimates are not reported as expenditures in governmental funds.	(1,941,776)
The net effect of transactions involving pension activity is to decrease net position.	(1,543,111)
The net effect of transactions involving the disposal of capital assets is to decrease net position.	(364,290)
Change in net position of governmental activities	$ 1,178,925

See accompanying notes to basic financial statements.

September 30, 2016

		OPEB Trust Fund
Assets		
Cash and cash equivalents	$	167,317
Investments		4,137,863
Total assets		4,305,180
Liabilities		
Accounts payable		10,974
Net position held in trust for OPEB	$	4,294,206

See accompanying notes to basic financial statements.

Year ended September 30, 2016

		OPEB Trust Fund
Additions		
Contributions:		
Employer	$	-
Investment activity:		
Investment income		134,661
Net gain on investments		190,070
Less investment expense		(10,277)
Total investment activity		314,454
Total additions		314,454
Change in fiduciary net position		314,454
Net position held in OPEB trust - beginning of year		3,979,752
Net position held in OPEB trust - end of year	$	4,294,206

See accompanying notes to basic financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of business

The Jefferson County Department of Health (the "Department") provides medical and education services to residents of Jefferson County. Also, the Department provides environmental monitoring of various industries within Jefferson County. Revenues are primarily generated via tax assessments, federal and state grants, Medicaid, fines from environmental pollutants, and licensing revenues. In addition, revenues are received based on various contracts which obligate the Department to provide services for other health care organizations. The Department is under the general supervision and control of the Alabama State Board of Health.

The Department complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the Department as a whole. They include all funds of the reporting entity, except fiduciary funds. The statements also distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues or other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. For the year ended September 30, 2016, the Department had no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of presentation (continued)

Fund financial statements

Fund financial statements of the Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. A fund is considered major if it is the general fund of the reporting entity or meets the following criteria:

a) Total assets, liabilities, revenues, or expenditure/expenses of the fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b) Total assets, liabilities, revenues, or expenditure/expenses of the individual fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Department's funds are described below:

Governmental fund types

Governmental funds are those through which all activities of the Department are financed. The acquisition, use and balances of the Department's expendable financial resources and related liabilities are accounted for through governmental funds. The following are the Department's governmental fund types:

a) General Fund

The General Fund is the general operating fund of the Department and is used to account for all financial resources except those required to be accounted for in another fund.

b) Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of federal, state, and local grants which are legally restricted and can be used only to finance specified activities as a condition of the grants and for recovery of appropriate indirect costs. The Department must submit separate financial records on the uses of these funds to the grantor agencies on a regular basis. The Department is required to match, at varying amounts, the federal funds spent for specific programs. Such expenditures are included in the General Fund. Special Revenue funds are also used to account for any program revenues that the Department commits or restricts for specified purposes. These funds have no legal requirement for separation, only a Department requirement for separation.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of presentation (continued)

c) Capital Projects Fund

The Capital Projects Fund has been established to account for financial resources to be used for expansion and renovation of facilities by the Department. The General Fund provides the resources for these activities.

C. Major and nonmajor funds

The General Fund and the Capital Projects Fund are classified as major funds and are described above.

D. Measurement focus

On the Government-Wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

E. Basis of accounting

In the Government-Wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, when applicable, which are reported when due.

F. Budgetary accounts

The Department adopts an annual budget for the General Fund. The Department maintains its budget on the modified accrual basis and it is approved by the Board of the Jefferson County Department of Health. The net operating result cannot be amended without the Board's approval. The budget of the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. Appropriations lapse at year-end.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

Inventories consist of medicine and medical supplies stated on the weighted average cost basis. Reported inventories in the fund financial statements are equally offset by a fund balance restriction which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

H. Investments

Investments are stated at market value plus accrued interest.

I. Compensated absences

Department employees earn annual vacation and sick leave in varying amounts based upon years of service. Employees who terminate in good standing are reimbursed for accumulated vacation leave and any accumulated sick leave through their termination date. The Department is not liable for accumulated vacation or sick leave unless the employee has completed one year of service.

The total liability for these compensated absences is recorded in the government-wide financial statements. In the fund financial statements, only the portion of compensated absences representing amounts due to separated employees at September 30, 2016 is recorded as a liability.

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is employed in the Governmental Funds. Encumbrances are reported as restricted, committed, or assigned fund balance in the Governmental Funds, as they do not constitute expenditures or liabilities.

K. Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Receivables

In the Government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of accounts receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

M. Interfund transactions

During the course of normal operations, the Department incurs numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 8 for details of interfund transfers, receivables and payables at year-end. Permanent reallocations of resources between funds of the Department are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

N. Capital assets

The accounting treatment of property, plant and equipment (capital/fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide financial statements

In the Government-wide financial statements, fixed assets with initial individual costs of more than $5,000 and an estimated useful life in excess of one year are accounted for as capital assets. All fixed assets are valued at historical cost, or at estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings	25 – 50 years
Equipment	3 – 20 years

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital assets (continued)

The Department had no fixed assets considered infrastructure (e.g., roads, bridges, sidewalks and similar items) at year end.

Fund financial statements
In the Fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures by the governmental fund benefiting from the fixed asset upon acquisition.

Fixed asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increase/ Reclassifications	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Land	$ 3,505,207	$ -	$ (94,439)	$ 3,410,768
Construction progress	-	-	-	-
Total capital assets not being depreciated	3,505,207	-	(94,439)	3,410,768
Capital assets being depreciated:				
Buildings	53,465,840	1,090,540	(1,937,777)	52,618,603
Equipment	7,569,514	154,742	(194,214)	7,530,042
Total capital assets being depreciated	61,035,354	1,245,282	(2,131,991)	60,148,645
Less accumulated depreciation for:				
Buildings	(16,366,902)	(1,525,822)	1,701,134	(16,191,590)
Equipment	(6,022,201)	(415,954)	161,006	(6,277,149)
Total accumulated depreciation	(22,389,103)	(1,941,776)	1,862,140	(22,468,739)
Total capital assets being depreciated, net	38,646,251	(696,494)	(269,851)	37,679,906
Governmental activities capital assets, net	$42,151,458	$ (696,494)	$ (364,290)	$ 41,090,674

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense and a change in the depreciation estimate were charged to programs of the primary government as follows:

Governmental activities:		
General government administration	$	1,053,703
Environmental health		158,723
Disease control		28,210
Dental health		20,587
Clinical primary and support service		680,553
Total depreciation expense – governmental activities	$	1,941,776

O. Equity classifications

Government-wide statements

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Department has no such debt and therefore no such debt reduction is applicable.

b. Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity classifications (continued)

Fund statements (continued)

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by resolutions of the Board of the Jefferson County Department of Health – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Department's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

The Board has committed $22,693,188 of the Capital Projects Fund fund balance to provide resources for the future purchase of capital assets and the construction of buildings and facilities.

The Board has established a policy to commit $1,000,000 of the General Fund fund balance to cover disaster recovery efforts (natural disaster, epidemics, terrorist acts, etc.) that the Department could act upon as part of its mission to the residents of Jefferson County.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity classifications (continued)

Fund statements (continued)

The Board has committed $5,000,000 of the Special Revenue Fund fund balance and $157,000 of General Fund fund balance for future public health community projects.

Employees with one year of service or more who terminate in good standing are reimbursed for accumulated vacation leave and any accumulated sick leave through their termination date. The Board has committed $4,780,062 of General Fund balance to fund this future amount.

The Board has committed $7,144,758 of General Fund balance to the Jefferson County Department of Health Professional and General Liability Trust Fund, the purpose of which is to pay claims against Department directors, officers, agents, servants and employees.

P. Expenditures/expenses

In the Government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Q. Pensions

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.

R. Subsequent events

The Department has evaluated subsequent events through the date these financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

A. Cash and cash equivalents

At year-end, the carrying amount and bank balance of the Department's deposit accounts were as follows:

	Carrying amount	Bank balance
All funds	$ 27,858,195	$27,977,221

At September 30, 2016, the bank balances of the Department's deposit accounts were covered by federal depository insurance, secured by collateral through a financial institution or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE Program, the Department's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against those deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the pledged securities failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

B. Investments

The Department classifies its fair value measurements in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are inputs – other than quoted prices included in Level 1 – that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

The following schedule of investments displays the fair value of assets held in the General Fund as of September 30, 2016, as well as the valuation approaches and inputs used in determining fair value:

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

Professional and General Liability Reserve Investments

			Fair Value Measurements		
Investment type	**Fair Value**	**Modified Duration**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Notes	$ 9,402,781	1.42	$ -	$ 9,402,781	$ -
GNMA Mortgage Backed Securities	5,484	0.18	-	5,484	-
Net investments	9,408,265	1.42	-	9,408,265	-
Accrued interest income	19,511		-	19,511	-
Total portfolio	$ 9,427,776		$ -	$ 9,427,776	$ -

Other General Fund Investments

			Fair Value Measurements		
Investment type	**Fair Value**	**Effective Duration**	**Level 1**	**Level 2**	**Level 3**
Government Asset Backed/CMO Securities	$ 20,680,217	1.43	$ -	$ 20,680,217	$ -
Net investments	20,680,217	1.43	-	20,680,217	-
Accrued interest income	63,680		-	63,680	-
Total portfolio	$ 20,743,897		$ -	$ 20,743,897	$ -
Certificates of deposit	$ 5,945,049	0.79	$ 5,945,049	$ -	$ -
Total investments	$ 36,116,722		$ 5,945,049	$ 30,171,673	$ -

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

The following schedule of investments displays the fair value of assets held in the Fiduciary Fund as of September 30, 2016, as well as the valuation approaches and inputs used in determining fair value:

OPEB Trust		Fair Value Measurements		
Investment type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Stocks	$ 1,281,273	$ 1,281,273	$ -	$ -
Mutual Funds	1,687,524	1,687,524	-	-
U.S. Government Bonds	580,835	-	580,835	-
Corporate Bonds	579,913	-	579,913	-
Net investments	4,129,545	2,968,797	1,160,748	-
Accrued interest income	8,318	-	8,318	-
Total portfolio	$ 4,137,863	$ 2,968,797	$ 1,169,066	$ -

Interest rate risk

Through its investment policy, the Department manages its exposure to fair value losses arising from increasing interest rates by limiting the modified or effective duration of its investment portfolio to between current and a maximum of 4.5 years.

Credit risk

The Department manages all of its operations in a conservative and prudent manner due to its responsibilities to the public. It manages the investments in the portfolio in a similar manner. The Department strictly adheres to the ‘prudent investor rule’, and its pertinent application within State statutes governing the investment management of public funds. This rule states investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The investments held within the portfolio were allowable under Alabama law. The individual securities were all backed by the full faith and credit of the U.S. Government. The money market holdings were collateralized by the respective financial institutions holding the deposits. The Federated GNMA Fund invests in full faith and credit instruments of the U.S. Government.

The Department’s certificates of deposit totaling $5,945,049 are secured by federal depository insurance or the SAFE Program.

NOTE 3 – PENSION PLANS

A. Employees' Retirement System of Alabama

Plan Description

The Department contributes to the Employees' Retirement System of Alabama (ERS), an Agent multiple employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

ERS was established as of October 1, 1945, under the provisions of Act 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 general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Board of Control authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

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 § 36-27-6.

NOTE 3 – PENSION PLANS (CONTINUED)

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 377 of the Legislature of 2012 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 credible 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 serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active Members	55,164
Total	84,393

NOTE 3 – PENSION PLANS (CONTINUED)

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the Department's active employee contribution rate was 17.28% of covered employee payroll.

The Department's contractually required contribution rate for the year ended September 30, 2016 was 17.02% of pensionable pay for Tier 1 employees and 14.51% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 were $4,151,055 for the year ended September 30, 2016.

NOTE 3 – PENSION PLANS (CONTINUED)

Net Pension Liability

The Department's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward

	Expected	Actual
Total Pension Liability		
as of September 30, 2014 (a)	$ 160,038,624	$ 159,702,833
Entry Age Normal Cost for		
October 1, 2014 – September 30, 2015 (b)	2,084,496	2,084,496
Actual Benefit Payment and Refunds for		
October 1, 2014 – September 30, 2015 (c)	(12,721,731)	(12,721,731)
Total Pension Liability		
as of September 30, 2015		
[(a) x (1.08)] + (b) – [(c) x (1.04)]	$ 161,695,910	$ 161,332,955
Difference between Expected and Acutal Experience (Gain)/Loss		$ (362,955)

Actuarial assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return	8.00%*

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 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, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

NOTE 3 – PENSION PLANS (CONTINUED)

Actuarial assumptions (continued)

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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

* Included 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, 8%. 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.

NOTE 3 – PENSION PLANS (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, 2014	$ 160,038,624	$ 110,899,798	$ 49,138,826
Changes for the year:			
Service cost	2,084,496	-	2,084,496
Interest	12,294,221	-	12,294,221
Changes in assumptions	-	-	-
Difference between expected and actual experience	(362,655)	-	-
Contributions – employer	-	3,970,489	(3,970,489)
Contributions – employee	-	1,213,267	(1,213,267)
Net investment income	-	1,270,798	(1,270,798)
Benefit payments, including refunds of employee contributions	(12,721,731)	(12,721,731)	-
Administrative expense	-	-	-
Transfers among employers	-	(29,140)	29,140
Net Changes	1,294,331	(6,296,317)	7,953,303
Balances at September 30, 2015	$ 161,332,955	$ 104,603,481	$ 56,729,474

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the Department's net pension liability calculated using the discount rate of 8%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability	$71,750,906	$56,729,474	$43,808,710

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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 3 – PENSION PLANS (CONTINUED)

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

For the year ended September 30, 2016, the Department recognized pension expense of $5,260,860. At September 30, 2016, the 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	$ -	$ 267,219
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	3,385,334	-
Employer contributions subsequent to the Measurement Date	4,066,191	-
Total	$ 7,451,525	$ 267,219

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

Year Ended September 30:	
2017	$ 546,442
2018	546,442
2019	565,530
2020	1,459,701
2021	-
Thereafter	-
Total	$ 3,118,115

B. City of Birmingham Retirement and Relief System

Plan Description

With respect to certain employees who have not transferred to the Retirement System of Alabama, the Department participates with other local governmental units in the City of Birmingham Retirement and Relief System (the "Plan"), a cost sharing, multiple-employer public retirement system. The Plan was created by legislation enacted by the Alabama State Legislature and is, therefore, governed by the State Statute.

NOTE 3 – PENSION PLANS (CONTINUED)

Benefits Provided

Department participants in the Plan who retire at age 60 with 10 years of credited service or participants completing 30 years of credited service, regardless of age, are entitled to an annual benefit payable monthly for life. A participant who terminates employment before reaching retirement age after completing 10 years of credited service is eligible for normal monthly pension benefits beginning at age 60, provided accumulated employee contributions are not withdrawn. The Plan also provides death and disability benefits. As of July 1, 2015, membership consisted of:

Membership as of the Valuation Date July 1, 2015:	
Active Employees	9
Retired Participants and Beneficiaries	37
Total	46

Contributions

Covered employees are required by law to contribute to the Plan. The Department contributes a required amount of 2% of employee compensation to the Plan, which is determined by the consulting actuary. Eligible department employees contribute 6% of compensation to the Plan. For fiscal years ended September 30, 2016 and 2015, the Department contributed 100% of the required contributions. The Department contributed $12,535 and $12,842 for fiscal years 2016 and 2015, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to June 30, 2015 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward	
Total Pension Liability	
as of June 30, 2014 (a)	$ 11,351,284
Entry Age Normal Cost for	
August 1, 2014 – June 30, 2015 (b)	64,181
Actual Benefit Payment and Refunds for	
August 1, 2014 – June 30, 2015 (c)	(853,769)
Total Pension Liability	
as of June 30, 2015	
[(a) x (1.07)] + (b) – [(c) x (1.035)]	$ 11,124,212

NOTE 3 – PENSION PLANS (CONTINUED)

Actuarial Assumptions

The actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30, 2016 are as follows:

Inflation	2.50%
Salary increases	2.50%, plus age-related salary scale based on participant group
Investment rate of return	7.50%, including inflation, net of pension plan investment expense

Health mortality rates were based on the sex distinct RP-2014 Blue Collar Employee Mortality Table, set forward two years for males and four years for females. Disabled mortality rates were based on the sex distinct RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an experience study for the period July 1, 2010 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method 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 allocation percentage and by adding the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	42%	6.75%
International Developed Markets Equity	20%	7.45%
Core Fixed Income	20%	1.75%
High Yield Fixed Income	5%	4.95%
Real Estate	5%	4.55%
Hedge Funds	5%	3.75%
Short Term Governmental Money Market	3%	1.15%
Total	**100%**	

NOTE 3 – PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at 6.00% of compensation from plan members and no contributions will be made from the County. Based on these assumptions, the Department's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Department's pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Total Pension Liability	$	10,824,469
Plan Fiduciary Net Position		14,880,920
The Plan's Net Pension Liability (Asset)	$	(4,056,451)
Plan Fiduciary Net Position as a percentage of Total Pension Liability		137.47%

Changes in Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2015	$ 11,124,212	$ 15,613,969	$ (4,489,757)
Changes for the year:			
Service cost	61,004	-	61,004
Interest	749,345	-	749,345
Changes in assumptions	(84,528)	-	-
Difference between expected and actual experience	(187,011)	-	-
Contributions – employer	-	12,474	(12,474)
Contributions – employee	-	31,055	(31,055)
Net investment income	-	61,975	(61,975)
Benefit payments, including refunds of employee contributions	(838,553)	(838,553)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net Changes	(299,743)	(733,049)	704,845
Balances at June 30, 2016	$ 10,824,469	$ 14,880,920	$ (4,056,451)

NOTE 3 – PENSION PLANS (CONTINUED)

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

The following table presents the net pension liability of the County, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Asset	$3,077,531	$4,056,451	$4,903,288

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a publicly available financial report separately issued The City of Birmingham. Their report includes financial statements and required supplementary information for the Plan. The report may be obtained by writing the City of Birmingham, Director of Finance, Room GA100, City Hall, Birmingham, Alabama 35203.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the Department had fully funded the Plan. No additional significant employer contributions were made subsequent to the measurement date. Therefore, no deferred outflows for contributions made after the measurement date but before the end of the fiscal year have been recorded.

The investments held by the Plan yielded no significant changes between projected and actual earnings; therefore, no deferred inflows for such have been recorded.

Additionally, there were no material changes of assumptions and there were no material differences between expected and actual experience.

NOTE 4 – SELF-INSURANCE PLAN

The Department contributes to the Jefferson County Department of Health Professional and General Liability Trust Fund (the "Fund") to pay claims against Department employees. Claims are processed under an arrangement with the Department's outside legal counsel.

Changes in the fund's estimated liability amount for fiscal years 2016 and 2015 are as follows:

Balance as of September 30, 2014	$ 3,962,913
Claims paid	(415,760)
Balance as of September 30, 2015	3,547,153
Claims paid	(529,816)
Balance as of September 30, 2016	$ 3,017,337

NOTE 5 – SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended September 30, 2016, was as follows:

	Balance at Sept. 30, 2015	Additions	Reductions	Balance at Sept. 30, 2016	Due Within one year
Compensated absences	$4,882,443	$1,759,216	$ 1,674,554	$4,967,105	$ 36,664

NOTE 6 – CONTINGENCIES

A. Litigation

At September 30, 2016, several suits have been filed and are pending against the Department. The Department maintains a Trust Fund (see Note 4) to pay claims against the Department. Management and counsel feel that no opinion can be given on the ultimate outcome of these proceedings but management believes that the amount in the Trust Fund is adequate to cover any adverse claims that may arise from them. The Department intends to vigorously defend its position in each of these matters.

NOTE 6 – CONTINGENCIES (CONTINUED)

B. Grant contingencies

The Department has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department's management expects such amounts, if any, will not be significant.

NOTE 7 – RECEIVABLES

Accounts receivable at September 30, 2016 consists of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds
Due from other governments	$ 4,373,377	$ -	$ 958,857
Client patient billings	979,257	-	-
Other – Environmental Health, etc.	554,045	-	-
Total receivables	5,906,679	-	958,857
Allowance for doubtful accounts	(775,995)	-	-
Receivables – net	$ 5,130,684	$ -	$ 958,857

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
Capital projects fund	General fund	$ 22,696,254
Nonmajor governmental funds	General fund	8,252,066
General fund	Nonmajor governmental funds	812,317
Total		$ 31,760,637

The purpose of the interfund receivable balance to the General fund from Major and Nonmajor governmental funds is for reimbursement of operating expenditures paid from the General fund on behalf of Major and Nonmajor governmental funds. The interfund receivable balance to the Capital projects fund from the General fund is for reimbursement of capital expenditures. The interfund balances between the Nonmajor governmental funds and the General fund are for reimbursement of operating expenditures between these funds.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The General fund transferred out $1,382,650 to the Capital Projects fund during the year. The transfer was required to support fixed asset acquisitions and maintenance expenses related to the Capital Projects fund.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan description

The Department's 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 retirement eligibility provisions of that system to receive retiree medical benefits. Those eligibility provisions are as follows: 25 years of consecutive service; or, attainment of age 60 and 10 years of service. Complete plan provisions are included in the official plan documents.

Contribution rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding policy

Until 2008, the Department recognized the cost of providing post-employment medical benefits (the Department's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2016, the Department's portion of health care funding cost for retired employees totaled $48,582.

Annual required contribution

The Department's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total estimated ARC for the fiscal year beginning October 1, 2015 is $48,582, as set forth below:

		Medical
Normal cost	$	77,567
30 year AAL amortization amount		(28,985)
Annual required contribution	$	48,582

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Net post-employment benefit obligation (asset)

The table below shows the Department's net other post-employment benefit (OPEB) obligation (asset) for fiscal year ending September 30, 2016:

Annual required contribution	$	48,582
Interest on net OPEB obligation (asset)		(241,174)
ARC adjustment		268,412
Annual OPEB cost		75,820
Contributions		-
Current year retiree premium		(276,036)
Change in net OPEB obligation		(200,216)
Beginning net OPEB obligation (asset), beginning of year		(3,704,317)
Ending net OPEB obligation (asset), end of year	$	(3,904,533)

Funded status and funding progress

In the fiscal year ending September 30, 2009, the Department made a lump sum contribution of $1,983,373 to its post-employment benefits plan by a transfer of assets within the meaning of paragraph 141 of GASB 45 as of the end of the fiscal year. The Department also contributed an additional $848,343 to its post-employment benefits plan in the fiscal year ending September 30, 2012. Based on the most recent actuarial valuation, the end of year AAL was $3,685,874, which is defined as that portion, as determined by a particular actuarial cost method (the Department uses the projected unit cost method), for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2015 (most recent actuarial valuation) are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll (b-a)/c
September 30, 2015	$ 4,090,231	$ 3,685,874	$ (404,357)	110.97%	$ 25,625,104	-1.58%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Actuarial methods and assumptions
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) disability; (6) retirement rates; (7) retiree contributions; (8) discount rate (investment return assumption); and (9) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Department and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Department and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Department and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial cost method
The ARC is determined using the projected unit cost method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial value of plan assets
A smoothed market value of assets consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45, is used.

Turnover rate
An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

Age	Percent Turnover
25	20.0%
40	12.0%
55	8.0%

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Post-employment benefit plan eligibility requirements
Based on past experience, it has been assumed that entitlement to benefits will commence three years after retiree coverage eligibility, as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement. The eligibility provisions are as follows: 25 years of consecutive service; or, attainment of age 60 and 10 years of service. Complete plan provisions are contained in the official plan documents.

Investment return assumption (discount rate)
GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Since the ARC is being funded, a 7% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health care cost trend rate
Because the amount of the retiree medical benefit premium paid by the employer is fixed and has historically been changed on an ad hoc basis, a conventional medical trend assumption has not been used. Instead, a flat 2.5% annual increase in future employer paid premium costs has been assumed to account implicitly for anticipated general inflation at roughly the CPI level.

Mortality rate
The RP-2000 Mortality Table with separate rates for male and female was used.

Method of determining value of benefits
The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a fixed portion of the cost of the medical insurance for the retiree, but does not pay for dependents. As of this valuation date, that portion is $304 per month for single coverage and $409 per month for family coverage. Employer payment for retiree coverage ceases at age 65.

NOTE 10 – ECONOMIC DEPENDENCE

The Department's ability to provide program services is significantly dependent on annual appropriations and the awarding of grants from Federal, State, and local authorities. A failure to secure funding from these sources would necessitate the discontinuance of the Department's programs.

NOTE 11 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address various topics.

- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.
- Certain asset retirement obligations

The Department is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

Required Supplementary Information

Jefferson County Department of Health
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund

Year ended September 30, 2016

	Budgeted Amounts	Actual	Variance
Revenue			
Tax revenues:			
Sales tax revenues	$ 18,400,000	$ 20,511,707	$ 2,111,707
Advalorem tax revenues	6,730,000	6,804,473	74,473
Fees for services	3,879,005	3,757,630	(121,375)
Third-party reimbursement	8,236,493	8,007,731	(228,762)
Intergovernmental revenues:			
Federal grants and special contracts	1,127,994	1,116,744	(11,250)
State grants and other governmental revenues	1,159,936	1,215,922	55,986
Other revenues	1,394,252	1,928,424	534,172
Total revenues	40,927,680	43,342,631	2,414,951
Expenditures			
Current (operating):			
General government administration	10,440,491	9,676,223	764,268
Health statistics and vital records	422,064	297,970	124,094
Environmental health	5,263,362	5,086,956	176,406
Disease control	4,797,866	4,794,882	2,984
Dental health	1,770,882	1,574,644	196,238
Clinical primary and support service	14,496,417	13,062,698	1,433,719
Other expenditures	5,702,611	4,658,112	1,044,499
Total expenditures	42,893,693	39,151,485	3,742,208
Excess of revenues (expenditures)	(1,966,013)	4,191,146	6,157,159
Other financing sources (uses)			
Other sources - transfers in	3,166,013	-	(3,166,013)
Other uses - transfers out	(1,200,000)	(1,382,650)	(182,650)
Total other financing uses	1,966,013	(1,382,650)	(3,348,663)
Net change in fund balance	$ -	$ 2,808,496	$ 2,808,496

Jefferson County Department of Health
Schedule of Changes in Net Pension Liability

A. Employees' Retirement System of Alabama

Schedule of Changes in Net Pension Liability

	2015	2014
Total pension liability		
Service Cost	$ 2,084,496	$ 2,117,297
Interest	12,294,221	12,155,638
Changes in benefit terms	-	-
Differences between expected and actual experience	(362,655)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(12,721,731)	(12,359,564)
Net change in total pension liability	1,294,331	1,913,371
Total pension liability - beginning	160,038,624	158,125,253
Total pension liability - ending (a)	$ 161,332,955	$ 160,038,624
Plan Fiduciary Net Position		
Contributions - employer	$ 3,970,489	$ 3,279,227
Contributions - employee	1,213,267	1,180,665
Net investment income	1,270,798	12,295,106
Benefit payments, including refunds of employee contributions	(12,721,731)	(12,359,564)
Transfers among employers	(29,140)	(40,811)
Net change in plan fiduciary net position	(6,296,317)	4,354,623
Plan net position - beginning	110,899,798	106,545,175
Plan net position - ending (b)	$ 104,603,481	$ 110,899,798
Net pension liabilty (asset) - ending (a) - (b)	$ 56,729,474	$ 49,138,826
Plan fiduciary net position as a percentage of total pension liability	64.84%	69.30%
Covered employee payroll	$ 24,017,021	$ 23,374,483
Net pension liabilty as a percentage of covered employee payroll	236.21%	210.22%

B. City of Birmingham Retirement & Relief Pension System

	2016	2015
Total pension liability		
Service Cost	$ 61,004	$ 64,181
Interest	749,345	764,708
Changes in benefit terms	-	-
Differences between expected and actual experience	(187,011)	(202,192)
Changes of assumptions	(84,528)	-
Benefit payments, including refunds of employee contributions	(838,553)	(853,769)
Net change in total pension liability	(299,743)	(227,072)
Total pension liability - beginning	11,124,212	11,351,284
Total pension liability - ending (a)	$ 10,824,469	$ 11,124,212
Plan Fiduciary Net Position		
Contributions - employer	$ 12,474	$ 13,888
Contributions - employee	31,055	34,556
Net investment income	61,975	665,531
Benefit payments, including refunds of employee contributions	(838,553)	(853,769)
Net change in plan fiduciary net position	(733,049)	(139,794)
Plan net position - beginning	15,613,969	15,753,763
Plan net position - ending (b)	$ 14,880,920	$ 15,613,969
Net pension liabilty (asset) - ending (a) - (b)	$ (4,056,451)	$ (4,489,757)
Plan fiduciary net position as a percentage of total pension liability	137.47%	140.36%
Covered employee payroll	$ 517,583	$ 575,933
The Plan's net pension liability as a pecentage of covered employee payroll	-783.73%	-779.56%

A. Employees' Retirement System of Alabama

	2016
Actuarially Determined Contribution	$ 4,151,055
Employer Contributions to Pension Plan	4,151,055
Annual Contribution Deficiency (Excess)	$ -
Covered Employee Payroll	$ 24,017,021
Employer Contributions to Pension Plan as a % of Covered Employee Payroll	17.28%

B. City of Birmingham Retirement & Relief Pension System

	2016	2015
Actuarially Determined Contribution	$ -	$ -
Contributions in Relation to the Actuarially Determined Contributions	12,474	13,888
Contribution Deficiency (Excess)	$ (12,474)	$ (13,888)
Covered Employee Payroll*	$ 517,583	$ 575,933
Contributions as a Percentage of Covered Employee Payroll	2.41%	2.41%

* Included assumed contribution rate of 6.00%

Post-employment benefits (See also Note 9)

A. The following table shows the Department's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability for last seven years:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2010	$ 196,067	99.94%	$ (1,966,422)
Medical	September 30, 2011	224,224	93.07%	(1,950,876)
Medical	September 30, 2012	183,788	614.13%	(2,895,780)
Medical	September 30, 2013	29,657	1087.71%	(3,188,704)
Medical	September 30, 2014	30,333	946.06%	(3,445,344)
Medical	September 30, 2015	71,403	362.69%	(3,704,317)
Medical	September 30, 2016	75,820	264.07%	(3,904,532)

B. Funded Status and Funding Progress.

In the fiscal year ending September 30, 2009, the Department made a lump sum contribution of $1,983,373 to its post-employment benefits plan by a transfer of assets within the meaning of paragraph 141 of GASB 45 as of the end of the fiscal year. The Department also contributed an additional $848,343 to its post-employment benefits plan in the fiscal year ending September 30, 2012. Based on the most recent actuarial valuation, the end of year AAL was $2,639,631, which is defined as that portion, as determined by a particular actuarial cost method (the Department uses the projected unit cost method), for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2015 are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll (b-a)/c
September 30, 2012	$ 3,317,392	$ 2,767,625	$ (549,767)	119.86%	$ 30,437,001	-1.81%
September 30, 2013	3,752,401	2,639,631	(1,112,770)	142.16%	21,607,500	-5.15%
September 30, 2014	3,752,401	2,639,631	(1,112,770)	142.16%	21,607,500	-5.15%
September 30, 2015	4,090,231	3,685,874	(404,357)	110.97%	25,625,104	-1.58%
September 30, 2016	4,090,231	3,685,874	(404,357)	110.97%	25,625,104	-1.58%

A. Employees' Retirement System of Alabama

NOTE 1 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 2 – SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2016 were 17.02% for tier 1 employees (hired before January 1, 2013) and 14.51% for tier 2 employees (hired after January 1, 2013).

NOTE 3 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2016 were based on the September 30, 2013 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry age
Amortization Method	Level percent closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return:	8.00%
Projected Salary Increases:	3.75 - 7.25%

Changes to benefit terms
Members hired after January 1, 2013 are covered under a new benefit structure.

Changes to assumptions
In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

B. City of Birmingham Retirement & Relief Pension System

NOTE 1 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the City's actuarial consultants, The Segal Group, Inc. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 2 – SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements as dictated by the Plan.

NOTE 3 – ACTUARIAL ASSUMPTIONS

Valuation Date	7/1/2015
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level percent of payroll, using 2.5% annual increases
Remaining Amortization Period	Rolling 30 years
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a 5 year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	
Investment Rate of Return	7.50%, including inflation, net of pension plan investment expense
Projected Salary Increases	2.50%, plus age-related salary scale based on participant group
Inflation rate	2.50%
Cost of Living Adjustments	N/A

Supplementary Information

Jefferson County Department of Health
Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Passed through State Dept. of Public Health			
Maternal Child Health Block Grant	93.994	Unknown	$ 539,066
Family Planning Program	93.217	Unknown	413,767
All Hazards & Cities Readiness Initiative	93.069	Unknown	331,260
Immunization Action Plan	93.268	Unknown	409,310
CDC Tobacco Grant	93.283	Unknown	50,287
GISP Program	93.977	Unknown	92,806
Fitway Program	93.800	Unknown	45,944
Passed through University of Alabama at Birmingham			
STD/HIV Prevention	93.941	Unknown	41,025
Racial and Ethnic Approaches to Community Health	93.738	Unknown	69,154
Total U.S. Department of Health and Human Services			1,992,619
U.S. Department of Agriculture			
Passed through State of Dept. of Public Health			
Special Supplemental Food Program for Women, Infants, and Children	10.557	Unknown	2,610,507
Total U.S. Department of Agriculture			2,610,507
U.S. Environmental Protection Agency			
Direct			
Air Pollution Control - Section 105	66.001		709,531
Air Pollution Control - Section 103	66.034		279,967
Total U.S. Environmental Protection Agency			989,498
U.S. Department of Transportation			
Passed through State Dept. of Transportation			
Ozone Awareness Program (CMAQ)	20.205	Unknown	57,501
Total U.S. Department of Transportation			57,501
Total federal awards			$ 5,650,125

See notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Jefferson County Department of Health. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other state and local government agencies, is included in the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's financial statements.

NOTE 3 – INDIRECT COST RATE

The Department has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Jefferson County Department of Health

Independent Auditors' 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*

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Independent Auditors' 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 Board of Directors
Jefferson County Department of Health
Birmingham, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Department of Health (the "Department"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated February 8, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama
February 8, 2017

Jefferson County Department of Health

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

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

To the Board of Directors
Jefferson County Department of Health
Birmingham, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Jefferson County Department of Health's (the "Department") 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 Department's major federal programs for the year ended September 30, 2016. The Department's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the 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, 2016.

Internal Control Over Compliance

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

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama
February 8, 2017

Jefferson County Department of Health

Schedule of Findings and Questioned Costs

Year ended September 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	x no
Significant deficiency(ies)?	___ 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)?	___ yes	x none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ yes	x no

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
66.001	U.S. Environmental Protection Agency - Clean Air - Section 105
66.034	U.S. Environmental Protection Agency - Clean Air - Section 103
93.994	U.S. Department of Health and Human Services - Maternal Child Health

Dollar threshold used to distinguish between type A and type B programs?	$ 750,000	
Auditee qualified as low-risk auditee?	x yes	___ no

Section II - Financial Statement Findings

There were no matters to be reported.

Section III - Federal Awards Findings and Questioned Costs

There were no matters to be reported.