Jefferson County
Department of Health

FINANCIAL STATEMENTS

September 30, 2019

Jefferson County Department of Health
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REPORT

CRI CARR RIGGS & INGRAM
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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, 2019, 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 involves performing procedures to obtain audit evidence about 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, the fiduciary fund, each major fund, and the aggregate remaining fund information of the Department, as of September 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4.1 through 4.4 and information beginning on page 46 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.

Other 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 March 10, 2020, 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

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

Birmingham, Alabama

March 10, 2020

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	2019	2018	Percentage Change
Current assets	$ 70,116,980	$ 72,782,855	-3.66%
Noncurrent assets	46,501,091	48,721,280	-4.56%
Deferred outflows of resources	9,114,241	7,089,766	28.55%
Total Assets	**125,732,312**	**128,593,901**	**-2.23%**
Liabilities			
Current liabilities	4,272,255	3,869,578	10.41%
Noncurrent liabilities	58,352,022	61,704,462	-5.43%
Deferred inflows of resources	5,768,918	3,693,581	56.19%
Total Liabilities	**68,393,195**	**69,267,621**	**-1.26%**
Net Position			
Invested in capital assets	41,179,979	41,792,385	-1.47%
Restricted	2,449,006	2,761,080	-11.30%
Unrestricted	13,710,132	14,772,815	-7.19%
Total Net Position	**$ 57,339,117**	**$ 59,326,280**	**-3.35%**

As shown in the table above, the Department experienced a decrease of $1,987,163 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 decreased by $2,861,589 (2.23%) and are primarily due to increases in pension-related Deferred Outflow of Resources ($2.0M) and Net Pension Asset ($390K) and decreases in the Cash and Investment balances ($2.0M); Accounts Receivable ($644K); Post-Employment Benefits Other Than Pension (OPEB) assets ($2.0M) and Property, Plant and Equipment ($612K)

The $874,426 (1.26%) net decrease in total liabilities and deferred inflows of resources is primarily due to increases in Accrued Payroll ($403K); pension-related Deferred Inflow of Resources ($2.08M) and Accrued Leave ($97K) and decreases in Accounts Payable ($826K) and Net Pension Obligation ($2.62M).

The Statement of Activities (page 6) 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:	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
General administration	$ 13,505,277	$ 14,756,780	$ 372,595	$ 373,141	$ (13,132,682)	$ (14,383,639)
Health statistics and vital records	311,152	456,108	440,711	450,124	129,559	(5,984)
Environmental health	8,856,847	8,480,700	6,181,879	6,112,421	(2,674,968)	(2,368,279)
Disease control	5,999,872	6,022,269	1,342,006	1,397,756	(4,657,866)	(4,624,513)
Dental health	2,179,734	1,995,718	981,433	957,992	(1,198,301)	(1,037,726)
Emergency preparedness and response	360,138	308,254	358,696	306,604	(1,442)	(1,650)
Primary care services	22,248,388	20,002,218	8,609,327	11,314,254	(13,639,061)	(8,687,964)
Total program activities	$ 53,461,408	$ 52,022,047	$18,286,647	$20,912,292	$ (35,174,761)	$ (31,109,755)
General revenues:						
Shared revenues					$ 30,275,209	$ 31,195,295
Investment earnings (loss)					1,851,979	374,960
Miscellaneous revenues					1,060,410	1,409,938
Total general revenues					33,187,598	32,980,193
Change in net position					**(1,987,163)**	**1,870,438**
Net position at beginning of year					59,326,280	61,254,862
Restatement (OPEB)						(3,799,020)
Net position at beginning of year as restated					59,326,280	57,455,842
Net position at end of year					**$ 57,339,117**	**$ 59,326,280**

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 $18.3 million decreased by $2.625 million (12.56%). This decrease was due in large part to decreased patient visits as a result of the implementation of the new electronic health record system. The decrease in shared revenues reflects a decrease in tax revenue ($920K) in fiscal year 2019 as compared to fiscal year 2018. Investment earnings and the adjustment to market value were 394% higher than the previous year.

Total Expenses of $53.4 million reflected an increase of $1.439 million (2.77%) from the previous fiscal year. The increase was primarily due to 2% Cost-of Living-Adjustment for all full-time employees and expenses related to the implementation of the new electronic medical record system.

Fund Financial Statements

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (page 9) 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 8 and 10.

Capital expenditures of $3,165,014 were necessary during fiscal year 2019. The capital expenditures were primarily for the partial renovation of the GMT building and the purchase of fleet vehicles.

General Fund comparison of Actual to Budgeted results (page 46)

The budgeted excess of expenditures over revenues for the fiscal period was not realized. Revenues were lower than those budgeted by $195,730 due to unfavorable budget variances for tax revenue ($513K) and third party reimbursement ($1.790M) and favorable budget variances for other revenue ($1.351M), fees for services ($690K), and operating grants ($67K).

Expenditures were lower by $8.3 million than those budgeted. The main factors in this department-wide budget variance were primarily due to decreases in clinical services ($2.4M) and contractual services ($4.3M). Budget transfers to the Capital Fund were completed to cover future capital outlay.

Economic Factors and Fiscal 2020 General Fund Budget

The proposed General Fund budget totals $51,793,692. This is an increase of $864,254 (1.7%) from the fiscal year 2019 budget.

Revenue Highlights

The budget includes $7,288,198 of ad valorem tax which is no change from fiscal year 2019. 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 $23,750,000, a 1% increase from fiscal year 2019.

Net Operating Grants and Contracts of $2,082,304 is a $124,521 (-5.6%) decrease under prior year budget. Revenues for services provided by the Department in fiscal year 2020 are budgeted to be $12,104,082. The increase of $950,470 (8.5%) from the 2019 budgeted amount is primarily the result of a projected increase in clinical services private pay and third party reimbursement.

The $1,524,269 amount budgeted for Other Revenue/Non-Operating Revenue is higher than the prior year budget by $73,294.

An allocation of $4,024,839 from the Department's fund balance is expected to be required to offset expected expenditures.

Expenditure Highlights

Personnel costs of $35,332,397 are $2,060,699 (6.2%) higher than those budgeted for fiscal year 2019. Salaries are 76% of personnel cost budget, with employee and retiree benefits representing 23% and 1% respectively.

Contract Services of $3,646,360 are lower by $3,718,107 (-50.4%) than those budgeted in 2019 and is primarily due to $4,000,000 budgeted for the Trail System in FY 2019 not included in the FY 2020 budget. Materials and Supplies costs are projected to be $11,614,935 which is a $2,521,662 (27.7%) increase from fiscal year 2019.

The Capital Expenditure/Transfer budget of $1,200,000 for capital asset replacement transfer remains unchanged from fiscal year 2019.

Capital Projects Fund

Expenditures of $4,139,552 are planned for fiscal year 2020. This includes funds for capital improvements to the Guy M. Tate Building, renovations at Eastern Health Center, the purchase of air monitoring equipment and the replacement of some IT infrastructure.

Special Revenue Funds

In addition to the General Fund Budget, the Department has ten active Special Revenue Funds expected to total $6,009,825. 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 2020 total $61,943,069.

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 13 through 44.

Other Information

Required supplementary information can be found on page 45 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, Director, Finance and Administration, Jefferson County Department of Health, P.O. Box 2648, Birmingham, AL 35202.

FINANCIAL STATEMENTS

Jefferson County Department of Health
Statement of Net Position

September 30, 2019		Governmental Activities
Assets		
Current assets		
Cash and cash equivalents	$	4,004,884
Investments		58,777,131
Receivables (net of allowance for doubtful accounts)		6,733,164
Prepaid items		362,934
Inventories		238,867
Total current assets		70,116,980
Noncurrent assets		
Net pension asset		5,248,146
Net OPEB asset		72,966
Land		3,410,768
Buildings and equipment		65,223,725
Accumulated depreciation		(27,454,514)
Total noncurrent assets		46,501,091
Total assets		116,618,071
Deferred outflows of resources		
Employer contributions subsequent to measurement date - pension		4,500,683
Changes of assumptions - pension		1,639,162
Difference between projected and actual experience - pension		398,081
Difference between projected and actual earnings - OPEB		84,280
Changes of assumptions - OPEB		2,492,035
Total deferred outflows of resources		9,114,241
Total assets and deferred outflows of resources	$	125,732,312

September 30, 2019	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	$ 1,614,648
Accrued payroll and related costs	1,417,847
Accrued leave - current	839,760
Accrued liabilities	400,000
Total current liabilities	4,272,255
Noncurrent liabilities	
Accrued leave - noncurrent	4,735,317
Net pension liability	53,616,705
Total noncurrent liabilities	58,352,022
Total liabilities	62,624,277
Deferred inflows of resources	
Net difference between projected and actual pension experience	1,553,705
Net difference between projected and actual earnings on pension plan investm	3,887,903
Net difference between projected and actual OPEB experience	327,310
Total deferred inflows of resources	5,768,918
Net position	
Net investment in capital assets	41,179,979
Restricted	2,449,006
Unrestricted	13,710,132
Total net position	$ 57,339,117

Year ended September 30, 2019

Program Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:				
General government administration	$ 13,505,277	$ 1,674	$ 370,921	$ (13,132,682)
Health statistics and vital records	311,152	440,711	-	129,559
Environmental health	8,856,847	5,191,444	990,435	(2,674,968)
Disease control	5,999,872	394,112	947,894	(4,657,866)
Dental health	2,179,734	971,433	10,000	(1,198,301)
Emergency preparedness and response	360,138	-	358,696	(1,442)
Clinical primary and support service	22,248,388	5,225,900	3,383,427	(13,639,061)
Total government activities	$ 53,461,408	$ 12,225,274	$ 6,061,373	(35,174,761)
General revenues:				
Shared governmental revenues				30,275,209
Investment earnings				1,851,979
Miscellaneous revenues				1,060,410
Total general revenues				33,187,598
Change in net position				(1,987,163)
Net position at beginning of year				59,326,280
Net position at end of year				$ 57,339,117

The accompanying notes are an integral part of the financial statements.

Jefferson County Department of Health
Balance Sheet—Governmental Funds

September 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 4,004,884	$ -	$ -	$ 4,004,884
Investments	58,777,131	-	-	58,777,131
Receivables, net of allowance for doubtful accounts	6,265,770	-	467,394	6,733,164
Interfund receivables	364,840	20,835,341	7,419,114	28,619,295
Inventories	238,867	-	-	238,867
Prepaid items	362,934	-	-	362,934
Total assets	$ 70,014,426	$ 20,835,341	$ 7,886,508	$ 98,736,275
Liabilities				
Accounts payable	$ 1,502,569	$ 39,417	$ 72,662	$ 1,614,648
Accrued payroll and related costs	1,417,847	-	-	1,417,847
Accrued leave - current	4,116	-	-	4,116
Interfund payables	28,254,455	-	364,840	28,619,295
Total liabilities	31,178,987	39,417	437,502	31,655,906
Fund balance				
Nonspendable:				
Inventory and prepaids	601,801	-	-	601,801
Restricted for:				
Air pollution requirements	-	-	598,664	598,664
Immunization requirements	-	-	5,531	5,531
Small grants	-	-	28,639	28,639
Storm water requirements	-	-	1,816,172	1,816,172
Committed to:				
Capital projects	-	20,795,924	-	20,795,924
Disaster recovery	1,000,000	-	-	1,000,000
Public health community projects		-	5,000,000	5,000,000
Compensated absence obligations	5,570,960	-	-	5,570,960
General liability obligations	4,278,841	`		4,278,841
On the job injury obligations	1,000,000	-	-	1,000,000
Patient/client assistance	43,925	-	-	43,925
Freshwater Land Trust	4,000,000	-	-	4,000,000
Assigned to:				
General government	124,317	-	-	124,317
Subsequent year's budget	5,049,828	-	-	5,049,828
Unassigned	17,165,767	-	-	17,165,767
Total fund balances	38,835,439	20,795,924	7,449,006	67,080,369
Total liabilities and fund balances	$ 70,014,426	$ 20,835,341	$ 7,886,508	$ 98,736,275

The accompanying notes are an integral part of this financial statement.

Jefferson County Department of Health
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

September 30, 2019

Fund balance - total governmental funds	$ 67,080,369
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.	41,179,979
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	72,966
Net pension assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	5,248,146
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Accrued leave	(5,570,961)
Net pension obligation	(53,616,705)
Deferred outflow related to pensions	6,537,926
Deferred outflow related to OPEB	2,576,315
Deferred inflow related to pensions	(5,441,608)
Deferred inflow related to OPEB	(327,310)
The related fund liability has not been incurred for certain accrued liabilities and therefore is not reported in the governmental funds balance sheet.	(400,000)
Net position of governmental activities	$ 57,339,117

The accompanying notes are an integral part of this financial statement.

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

Year ended September 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Tax revenues:				
Sales tax revenues	$ 22,827,212	$ -	$ -	$ 22,827,212
Advalorem tax revenues	7,447,997	-	-	7,447,997
Total tax revenues	30,275,209	-	-	30,275,209
Fees for services	4,267,760	-	1,280,566	5,548,326
Third-party reimbursement	5,582,319	-	-	5,582,319
Intergovernmental revenues:				
Federal grants and special contracts	944,391	-	4,027,266	4,971,657
State grants and other government revenues	1,076,569	-	21,363	1,097,932
Other revenues	3,315,574	-	683,228	3,998,802
Total revenues	45,461,822	-	6,012,423	51,474,245
Expenditures				
Current:				
General government administration	12,284,245	-	-	12,284,245
Health statistics and vital records	310,523	-	-	310,523
Environmental health	5,599,102	-	3,045,057	8,644,159
Disease control	5,906,090	-	54,262	5,960,352
Dental health	2,156,603	-	-	2,156,603
Clinical primary and support service	18,878,196	-	2,663,670	21,541,866
Emergency preparedness and response	-	-	359,410	359,410
Other expenditures	1,061,018	-	10,000	1,071,018
Capital outlay	-	1,215,406	163,571	1,378,977
Total expenditures	46,195,777	1,215,406	6,295,970	53,707,153
Excess of revenues (expenditures)	(733,955)	(1,215,406)	(283,547)	(2,232,908)
Other financing sources (uses)				
Other sources - transfers in	-	1,200,000	-	1,200,000
Other uses - transfers out	(1,200,000)	-	-	(1,200,000)
Total other financing sources (uses)	(1,200,000)	1,200,000	-	-
Net change in fund balances	(1,933,955)	(15,406)	(283,547)	(2,232,908)
Fund balances at beginning of year	40,769,394	20,811,330	7,732,553	69,313,277
Fund balances at end of year	$ 38,835,439	$ 20,795,924	$ 7,449,006	$ 67,080,369

The accompanying notes are an integral part of this financial statement.

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, 2019

Net change in fund balances - total governmental funds	$ (2,232,908)
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.	(106,038)
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.	1,378,977
Depreciation expense on capital assets is 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 is not reported as expenditures in governmental funds.	(1,990,991)
The net effect of transactions involving pension activity is to decrease net position.	669,406
The net effect of transactions involving OPEB activity is to increase net position.	294,783
The net effect of transactions involving the disposal of capital assets is to decrease net position.	(392)
Change in net position of governmental activities	$ (1,987,163)

The accompanying notes are an integral part of this financial statement.

September 30, 2019

		OPEB Trust Fund
Assets		
Cash and cash equivalents	$	31,380
Investments		5,259,301
Total assets		5,290,681
Liabilities		
Accounts payable		-
Net position restricted for OPEB	$	5,290,681

Year ended September 30, 2019

		OPEB Trust Fund
Additions		
Contributions:		
Employer	$	344,829
Investment activity:		
Gains on investments and investment income		259,605
Less investment expense		(11,944)
Total investment activity		247,661
Total additions		592,490
Deductions		
Benefit payments:		
Employer		344,829
Total deductions		344,829
Net increase in net position		247,661
Net position restricted for other post-employment benefits - beginning of year		5,043,020
Net position restricted for other post-employment benefits - end of year	$	5,290,681

The accompanying notes are an integral part of this financial statement.

Jefferson County Department of Health
Notes to Financial Statements Index

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 local taxes, 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, 2019, 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 to 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, 2019 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. Any 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.

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

N. Capital assets (continued)

The range of useful lives by type of asset is as follows:

Buildings	25 – 50 years
Equipment	3 – 20 years

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.

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increase/ Reclassifications	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Land	$ 3,410,768	$ -	$ -	$ 3,410,768
Construction progress	1,786,037	-	(1,786,037)	-
Total capital assets not being depreciated	5,196,805	-	(1,786,037)	3,410,768
Capital assets being depreciated:				
Buildings	53,405,598	2,628,312	-	56,033,910
Equipment	8,875,857	536,702	(222,744)	9,189,815
Total capital assets being depreciated	62,281,455	3,165,014	(222,744)	65,223,725
Less accumulated depreciation for:				
Buildings	(19,259,700)	(1,362,430)	-	(20,622,130)
Equipment	(6,426,175)	(628,561)	222,352	(6,832,384)
Total accumulated depreciation	(25,685,875)	(1,990,991)	222,352	(27,454,514)
Total capital assets being depreciated, net	36,595,580	1,174,023	(392)	37,769,211
Governmental activities capital assets, net	$ 41,792,385	$ 1,174,023	$ (1,786,429)	$ 41,179,979

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	$ 1,086,748
Environmental health	195,171
Disease control	27,442
Dental health	18,762
Clinical primary and support service	662,868
Total depreciation expense – governmental activities	$ 1,990,991

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 $20,795,924 of the Capital Projects 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 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 $5,570,960 of General Fund balance to fund this future amount.

The Board has committed $4,728,841 of General Fund fund balance for the funding of the Jefferson County Department of Health Professional and General Liability Trust Fund, the purpose of which will be to pay claims against the Department's directors, officers, agents, servants, and employees.

The Board has committed $1,000,000 of General Fund fund balance for funding a trust for potential on-the-job-injury claims.

The Board has committed $43,925 of General Fund fund balance for various patient and client benefits.

The Board has committed $4,000,000 of General Fund fund balance for funding of the Freshwater Land Trust, to provide funding for public health and environmental protection infrastructure projects.

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.

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

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.

The City of Birmingham Retirement and Relief System Retirement Plan (the "Plan") financial statements are prepared using the accrual basis for accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a pension trust fund (fiduciary fund type) in the City of Birmingham's Comprehensive Annual Financial Report.

R. Other postemployment benefits

The fiduciary net position of the Department's Retiree Benefits Plan (the "OPEB Plan") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

S. Subsequent events

The Department has evaluated subsequent events through March 10, 2020, 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 governmental funds	$ 4,004,884	$ 4,203,316
OPEB Trust Fund	31,380	31,380

At September 30, 2019, 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.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

The following schedule of investments displays the fair value of assets held in the General Fund as of September 30, 2019, as well as the valuation approaches and inputs used in determining fair value:

Professional and General Liability Reserve Investments

			Fair Value Measurements		
Investment type	**Fair Value**	**Duration**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Notes	$ 9,715,428	1.33	$ -	$ 9,715,428	$ -
GNMA Mortgage Backed Securities	4,914	1.10	-	4,914	-
Net investments	9,720,342		-	9,720,342	-
Accrued interest income	41,240		-	41,240	-
Total portfolio	9,761,582		-	9,761,582	-

Other General Fund Investments

			Fair Value Measurements		
Investment type	**Fair Value**	**Duration**	**Level 1**	**Level 2**	**Level 3**
Government Asset Backed/CMO Securities	21,598,263	1.56	-	21,598,263	-
Net investments	21,598,263		-	21,598,263	-
Accrued interest income	175,013		-	175,013	-
Total portfolio	21,773,276		-	21,773,276	-
Certificates of deposit	21,984,288	1.26	-	21,984,288	-
Money market funds	5,257,985	*	-	5,257,985	-
Total portfolio	27,242,273		-	27,242,273	-
Total portfolios	$ 58,777,131		$ -	$ 58,777,131	$ -

*Duration information could not be located for the money market fund account (Regions RTCS); however, the portfolio is required to maintain a weighted average maturity period of 60 days or less.

The following schedule of investments displays the fair value of assets held in the Fiduciary Fund as of September 30, 2019, 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**
Equities	$ 3,430,539	$ 3,430,539	$ -	$ -
U.S. Government Bonds	298,442	298,442	-	-
Mortgage Backed Securities	429,107	-	429,107	-
U.S. Credit	586,206	-	586,206	
Fixed Income Mutual Funds	506,814	506,814	-	-
Net investments	5,251,108	4,235,795	1,015,313	-
Accrued interest income	8,193	-	8,193	-
Total portfolio	$ 5,259,301	$ 4,235,795	$ 1,023,506	$ -

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 and money market funds totaling $27,242,273 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.

NOTE 3 – PENSION PLANS (CONTINUED)

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.

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 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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.

NOTE 3 – PENSION PLANS (CONTINUED)

Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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 874 local participating employers. These participating employers include 297 cities, 65 counties, and 511 other public entities. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,021
Terminated employees entitled to but not yet receiving benefits	1,401
Active Members	56,109
Total	81,687

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. 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. 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, 2019, the Department's active employee contribution rate was 5.40% of covered employee payroll.

NOTE 3 – PENSION PLANS (CONTINUED)

The Department's contractually required contribution rate for the year ended September 30, 2019 was 17.70% of pensionable pay for Tier 1 employees and 15.46% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 $4,500,683 for the year ended September 30, 2019.

Net pension liability

The Department's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward

		Expected Valuation Assumption	Actual Valuation Assumptions Original	Actual Valuation Assumptions Final
(a)	**Total Pension Liability**			
	as of September 30, 2017	$ 169,566,517	$ 167,697,434	$ 168,455,446
(b)	**Discount Rate**	7.75%	7.75%	7.70%
(c)	**Entry Age Normal Cost** for			
	October 1, 2017 – September 30, 2018	2,043,773	2,043,773	2,061,737
(d)	**Transfers Among Employers**	-	119,258	119,258
(e)	**Actual Benefit Payment and Refunds** for			
	October 1, 2017 – September 30, 2018	(13,321,335)	13,321,335	13,321,335
(f)	**Total Pension Liability**			
	as of September 30, 2018			
	[(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]	$ 170,914,158	$ 169,019,479	$ 169,773,303
(g)	**Difference between Expected and Actual Experience (Gain)/Loss**		$ (1,894,679)	
(h)	**Less Liability Transferred for Immediate Recognition**		119,258	
(i)	**Experience (Gain)/Loss = (g) - (h)**		$ (2,013,937)	
(j)	**Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]=**			$ 753,824

NOTE 3 – PENSION PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%
Salary increases	3.375%-5.125%
Investment rate of return	7.875%*

*Net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the September 30, 2017 actuarial 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, 2015.

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

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

* Included assumed rate of Inflation of 2.50%

NOTE 3 – PENSION PLANS (CONTINUED)

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2017	$ 169,566,517	$ 113,326,978	$ 56,239,539
Changes for the year:			
Service cost	2,043,773	-	2,043,773
Interest	12,625,203	-	12,625,203
Changes in assumptions	753,824	-	753,824
Difference between expected and actual experience	(2,013,937)	-	(2,013,937)
Contributions – employer	-	4,546,425	(4,546,425)
Contributions – employee	-	1,335,891	(1,335,891)
Net investment income	-	10,149,381	(10,149,381)
Benefit payments, including refunds of employee contributions	(13,321,335)	(13,321,335)	-
Administrative expense	-	-	-
Transfers among employers	119,258	119,258	-
Net changes	206,786	2,829,620	(2,622,834)
Balances at September 30, 2018	$ 169,773,303	$ 116,156,598	$ 53,616,705

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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability	$ 70,026,041	$ 53,616,705	$ 39,530,377

NOTE 3 – PENSION PLANS (CONTINUED)

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 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.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2019, the Department recognized pension expense of $3,831,277. At September 30, 2018, 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	$ 398,081	$ 1,553,705
Changes of assumptions	1,639,162	-
Net difference between projected and actual earnings on plan investments	-	3,887,903
Employer contributions subsequent to the Measurement Date	4,500,683	-
Total	$ 6,537,926	$ 5,441,608

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:	
2020	$ 543,787
2021	(1,974,110)
2022	(1,644,005)
2023	(330,037)
2024	-
Thereafter	-
Total	$ (3,404,365)

NOTE 3 – PENSION PLANS (CONTINUED)

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 another local governmental unit in the City of Birmingham Retirement and Relief System (the "Plan"), an agent multiple-employer retirement plan. The Plan was created by legislation enacted by the Alabama State Legislature and is, therefore, governed by state statute. The plan is closed to new entrants.

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. At June 30, 2018, membership consisted of:

Membership as of the Valuation Date June 30, 2018:	
Active Employees	7
Retired Participants and Beneficiaries	38
Total	45

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, 2019 and 2018, the Department contributed 100% of the required contributions. The Department contributed $8,702 and $10,614 for fiscal years 2019and 2018, respectively.

NOTE 3 – PENSION PLANS (CONTINUED)

Net pension liability (asset)

The Department's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward

Total Pension Liability	
as of June 30, 2018	$ 11,027,291
Service Cost	36,091
Interest	766,879
Differences between expected and actual experience	(421,970)
Benefit payments and refunds	(832,729)
Net changes	(451,729)
Total Pension Liability	
as of June 30, 2019	$ 10,575,562

Actuarial assumptions

The actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30, 2019 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, 2018 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.

NOTE 3 – PENSION PLANS (CONTINUED)

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large cap domestic equity	30%	6.20%
Small and mid-cap domestic equity	10%	6.60%
International equity	27%	5.60%
Core fixed income	11%	2.20%
Short-term high yield fixed income	4%	3.90%
Private equity	15%	10.20%
Cash	2%	0.00%
Other fixed income	1%	4.00%
Total	**100%**	6.17%

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 future employer contributions will be made. 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	$	10,575,562
Plan fiduciary net position		15,823,708
The Plan's net pension liability (asset)	$	(5,248,146)
Plan fiduciary net position as a percentage of total pension liability		149.63%

NOTE 3 – PENSION PLANS (CONTINUED)

Changes in net pension liability (asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2018	$ 11,027,291	$ 15,885,742	$ (4,858,451)
Changes for the year:			
Service cost	36,091	-	36,091
Interest	766,879	-	766,879
Changes in assumptions	-	-	-
Difference between expected and actual experience	(421,970)	-	-
Contributions – employer	-	8,702	(8,702)
Contributions – employee	-	21,663	(21,663)
Net investment income	-	740,330	(740,330)
Benefit payments, including refunds of employee contributions	(832,729)	(832,729)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	(451,729)	(62,034)	32,275
Balances at June 30, 2019	$ 10,575,562	$ 15,823,708	$ (5,248,146)

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

The following table presents the net pension asset of the Department, calculated using the discount rate of 7.50%, as well as what the Department's net pension asset 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	$ 4,350,917	$ 5,248,146	$ 6,028,279

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.

NOTE 3 – PENSION PLANS (CONTINUED)

Deferred outflows of resources and deferred inflows of resources related to pensions
At September 30, 2019, 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 – SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended September 30, 2019, was as follows:

	Balance at Sept. 30, 2018	Additions	Reductions	Balance at Sept. 30, 2019	Due Within one year
Compensated absences	$ 5,478,581	$ 1,976,342	$ 1,879,847	$ 5,575,076	$ 839,760

NOTE 5 – CONTINGENCIES

A. Litigation
At September 30, 2019, several suits have been filed and are pending against the Department. The Department maintains an investment account 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 account 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.

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 6 – RECEIVABLES

Accounts receivable at September 30, 2019 consists of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Due from other governments	$ 4,419,777	$ -	$ 467,394	$ 4,887,171
Client patient billings	2,571,987	-	-	2,571,987
Other – Environmental Health, etc.	325,262	-	-	325,262
Total receivables	7,317,026	-	467,394	7,784,420
Allowance for doubtful accounts	(1,051,256)	-	-	(1,051,256)
Receivables – net	$ 6,265,770	$ -	$ 467,394	$ 6,733,164

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	$ 20,835,341
Nonmajor governmental funds	General Fund	7,419,114
General Fund	Nonmajor governmental funds	364,840
Total		$ 28,619,295

The purpose of the interfund receivable balance to the General Fund from Nonmajor governmental funds is for reimbursement of operating expenditures paid from the General Fund on behalf of Nonmajor governmental funds. The interfund receivable balance to the Capital Projects Fund from the General Fund is for future health center construction projects and 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.

The Department has recorded $20,000,000 as a due from the General Fund to the Capital Projects Fund for future construction projects for the health centers. The cash transfer will be made at the time of construction. The remaining $817,163 represents reimbursements for various capital expenditures made by the Capital Projects Fund.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan description

The Department has established a single-employer postemployment benefit plan. The Plan is funded through an irrevocable Trust which holds investments to fund future benefits. Medical benefits are provided to former employees upon retirement through participation in the Local Government Health Insurance Plan (LGHIP), a multiple-employer self-insured welfare plan administered by the State of Alabama’s Local Government Health Insurance Board (LGHIB).

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.

Management of the Plan is vested in the Jefferson County Board of Health, who may vary from time to time and who may designate certain administration officials as signatories on the Trust’s investment account.

Plan membership

At September 30, 2019, the Plan’s membership consisted of 337 active employees and 31 retirees.

Benefits provided

The employer pays a portion of the cost of the retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier1” members). Employees hired on and after January 1, 2013 (called "Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. See the section below entitled "Expected Time of Commencement of Benefits" for the assumption concerning actual assumed retirement.

Contribution rates

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

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Investment policy

The Plan's policy regarding the allocation of invested assets is established and may be amended by the Department. The following was the asset allocation policy as of September 30, 2019:

Asset Class	Target Allocation
Equity	65%
Fixed Income	35%

Concentrations

The Plan had no concentrations in investments at September 30, 2019.

Rate of return

For the year ended September 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability (asset)

The components of the Department's OPEB liability at September 30, 2019, were as follows:

Total OPEB liability	$	5,217,715
Plan fiduciary net position		5,290,681
Net OPEB liability (asset)	$	(72,966)
Plan fiduciary net position as a percentage of the total OPEB liability		101.40%

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00%, including inflation
Discount Rate	7.00% annually (Beginning of Year to Determine ADC)
	7.00% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Mortality rates were based on the 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates.

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of ongoing evaluations from October 1, 2006 to September 30, 2019.

The long-term expected rate of return on OPEB 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6%
Corporate Bonds	5%
Certificates of Deposit	1%
Cash	0%

Discount rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Jefferson County Department of Health contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Changes in the net OPEB liability (asset)

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (Asset) (a-b)
Balance at September 30, 2018	$ 2,972,577	$ 5,043,020	$ (2,070,443)
Service cost	32,438	-	32,438
Interest cost at 7.00%	196,011	-	196,011
Difference between expected and actual experience	(357,066)	-	(357,066)
Employer contributions trust	-	-	-
Net investment income	-	247,661	(247,661)
Changes in assumptions	2,718,584	-	2,718,584
Benefit payments			
a. From trust	-	-	-
b. Direct	(344,829)	-	(344,829)
Administrative expense			
a. From trust	-	-	-
b. Direct	-	-	-
Net changes	2,245,138	247,661	1,997,477
Balance at September 30, 2019	$ 5,217,715	$ 5,290,681	$ (72,966)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate

The following represents the net OPEB liability (asset) of the Jefferson County Department of Health, as well as what the Jefferson County Department of Health's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	$ 356,465	$ (72,966)	$ (459,651)

Sensitivity of the net OPEB liability (asset) to changes in healthcare cost trend rates

The Department has placed a cap on the amount that will be paid for retiree healthcare costs; therefore, the Department is not subject to sensitivities in healthcare cost trends.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2019, the Department recognized OPEB expense of $92,425. At September 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ 84,280	$ -
Net differences between expected and actual experience	-	327,310
Change of assumptions	2,492,035	
Total	$ 2,576,315	$ 327,310

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

Fiscal Years Ending September 30,	Net Amount to be Recognized
2020	$ 217,863
2021	217,863
2022	217,863
2023	217,863
2024	196,793
Thereafter	1,180,760
Total	$ 2,249,005

NOTE 9 – 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 10 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Fiduciary activities;
- Lease assets and liabilities;
- Certain disclosures related to debt, including direct borrowings and direct placements; and
- Accounting for interest cost incurred before the end of a construction period.

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, 2019

	Budgeted Amounts Original and Final	Actual	Variance
Revenue			
Tax revenues:			
Sales tax revenues	$ 23,500,000	$ 22,827,212	$ (672,788)
Advalorem tax revenues	7,288,198	7,447,997	159,799
Fees for services	3,577,398	4,267,760	690,362
Third-party reimbursement	7,372,214	5,582,319	(1,789,895)
Intergovernmental revenues:			
Federal grants and special contracts	951,538	944,391	(7,147)
State grants and other governmental revenues	1,003,474	1,076,569	73,095
Other revenues	1,964,730	3,315,574	1,350,844
Total revenues	45,657,552	45,461,822	(195,730)
Expenditures			
Current (operating):			
General government administration	12,619,739	12,284,245	335,494
Health statistics and vital records	441,555	310,523	131,032
Environmental health	6,143,409	5,599,102	544,307
Disease control	6,084,529	5,906,090	178,439
Dental health	2,484,662	2,156,603	328,059
Clinical primary and support service	21,315,516	18,878,196	2,437,320
Other expenditures	5,374,651	1,061,018	4,313,633
Total expenditures	54,464,061	46,195,777	8,268,284
Excess of revenues (expenditures)	(8,806,509)	(733,955)	8,072,554
Other financing sources (uses)			
Other sources - transfers in	5,049,828	-	(5,049,828)
Other uses - transfers out	(1,200,000)	(1,200,000)	-
Total other financing uses	3,849,828	(1,200,000)	(5,049,828)
Net change in fund balance	$ (4,956,681)	$ (1,933,955)	$ 3,022,726

A. Employees' Retirement System of Alabama

Schedule of Changes in Net Pension Liability

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 2,043,773	$ 2,067,101	$ 2,125,909	$ 2,084,496	$ 2,117,297
Interest	12,625,203	12,453,562	12,395,840	12,294,221	12,155,638
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(2,013,937)	840,395	(279,001)	(362,655)	-
Changes of assumptions	753,824	-	4,334,855	-	-
Benefit payments, including refunds of employee contributions	(13,321,335)	(12,920,100)	(12,769,910)	(12,721,731)	(12,359,564)
Transfers among employers	119,258	(25,608)	10,519	-	-
Net change in total pension liability	206,786	2,415,350	5,818,212	1,294,331	1,913,371
Total pension liability - beginning	169,566,517	167,151,167	161,332,955	160,038,624	158,125,253
Total pension liability - ending (a)	$ 169,773,303	$ 169,566,517	$ 167,151,167	$ 161,332,955	$ 160,038,624
Plan fiduciary net position					
Contributions - employer	$ 4,546,425	$ 4,253,014	$ 4,059,458	$ 3,970,489	$ 3,279,227
Contributions - employee	1,335,891	1,285,442	1,272,188	1,213,267	1,180,665
Net investment income	10,149,381	13,283,779	10,274,715	1,270,798	12,295,106
Benefit payments, including refunds of employee contributions	(13,321,335)	(12,920,100)	(12,769,910)	(12,721,731)	(12,359,564)
Transfers among employers	119,258	(25,608)	10,519	(29,140)	(40,811)
Net change in plan fiduciary net position	2,829,620	5,876,527	2,846,970	(6,296,317)	4,354,623
Plan net position - beginning	113,326,978	107,450,451	104,603,481	110,899,798	106,545,175
Plan net position - ending (b)	$ 116,156,598	$ 113,326,978	$ 107,450,451	$ 104,603,481	$ 110,899,798
Net pension liability (asset) - ending (a) - (b)	$ 53,616,705	$ 56,239,539	$ 59,700,716	$ 56,729,474	$ 49,138,826
Plan fiduciary net position as a percentage of total pension liability	68.42%	66.83%	64.28%	64.84%	69.30%
Covered employee payroll	$ 26,000,122	$ 25,156,550	$ 24,017,021	$ 23,374,483	$ 23,697,656
Net pension liability as a percentage of covered employee payroll	206.22%	223.56%	248.58%	242.70%	207.36%

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

B. City of Birmingham Retirement & Relief Pension System

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 36,091	$ 48,781	$ 49,939	$ 61,004	$ 64,181	$ 62,675
Interest	766,879	803,649	778,040	749,345	764,708	765,878
Changes in benefit terms		-	-	-	-	-
Differences between expected and actual experience	(421,970)	336,211	70,755	(187,011)	(202,192)	-
Changes of assumptions		-	-	(84,528)	-	-
Benefit payments, including refunds of employee contributions	(832,729)	(983,354)	(901,200)	(838,553)	(853,769)	(836,771)
Net change in total pension liability	(451,729)	205,287	(2,466)	(299,743)	(227,072)	(8,218)
Total pension liability - beginning	11,027,291	10,822,003	10,824,469	11,124,212	11,351,284	11,359,502
Total pension liability - ending (a)	$ 10,575,562	$ 11,027,290	$ 10,822,003	$ 10,824,469	$ 11,124,212	$ 11,351,284
Plan fiduciary net position						
Contributions - employer	$ 8,702	$ 10,614	$ 12,517	$ 12,474	$ 13,888	$ 14,707
Contributions - employee	21,663	26,426	31,164	31,055	34,556	36,616
Net investment income	740,330	1,146,266	1,662,389	61,975	665,531	2,288,551
Benefit payments, including refunds of employee contributions	(832,729)	(983,354)	(901,200)	(838,553)	(853,769)	(836,771)
Net change in plan fiduciary net position	(62,034)	199,952	804,870	(733,049)	(139,794)	1,503,103
Plan net position - beginning	15,885,742	15,685,790	14,880,920	15,613,969	15,753,763	14,250,660
Plan net position - ending (b)	$ 15,823,708	$ 15,885,742	$ 15,685,790	$ 14,880,920	$ 15,613,969	$ 15,753,763
Net pension liability (asset) - ending (a) - (b)	$ (5,248,146)	$ (4,858,452)	$ (4,863,787)	$ (4,056,451)	$ (4,489,757)	$ (4,402,479)
Plan fiduciary net position as a percentage of total pension liability	149.63%	144.06%	144.94%	137.47%	140.36%	138.78%
Covered employee payroll	$ 361,050	$ 440,433	$ 519,400	$ 517,583	$ 575,933	$ 610,267
The Plan's net pension liability as a percentage of covered employee payroll	-1453.58%	-1103.11%	-936.42%	-783.73%	-779.56%	-721.40%

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

A. Employees' Retirement System of Alabama

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 4,485,270	$ 4,282,218	$ 4,342,996	$ 4,151,055	$ 4,057,707
Employer contributions to pension plan	4,485,270	4,282,218	4,342,996	4,151,055	4,057,707
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 26,000,122	$ 25,156,550	$ 24,017,021	$ 23,374,483	$ 23,697,656
Employer contributions to pension plan as a % of covered employee payroll	17.25%	17.02%	18.08%	17.76%	17.12%

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

B. City of Birmingham Retirement & Relief Pension System

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	8,702	10,614	12,517	12,474	13,888
Contribution deficiency (excess)	$ (8,702)	$ (10,614)	$ (12,517)	$ (12,474)	$ (13,888)
Covered employee payroll*	$ 361,050	$ 440,433	$ 519,400	$ 517,583	$ 575,933
Contributions as a percentage of covered employee payroll	2.41%	2.41%	2.41%	2.41%	2.41%

* Included assumed contribution rate of 6.00%

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

Schedule of changes in net OPEB liability and related ratios for the year ended September 30, 2019:

Total OPEB liability	2019	2018	2017
Service cost	$ 32,438	$ 32,736	$ 30,722
Interest	196,011	205,312	206,643
Changes in benefit terms	-	-	-
Difference between expected an actual experience	(357,066)	(68,141)	(81,862)
Changes of assumptions	2,718,584	-	-
Benefit payments	344,829	260,729	283,422
Net change in total OPEB liability	2,245,138	(90,822)	(127,919)
Total OPEB liability, beginning of year	2,972,577	3,063,399	3,093,747
Total OPEB liability, end of year	$ 5,217,715	$ 2,972,577	$ 2,965,828
Plan fiduciary net position			
Contributions - employer	$ 344,829	$ 260,729	$ 283,422
Contributions - other	-	-	-
Net investment income	247,661	307,478	441,337
Benefit payments and net transfers	344,829	260,729	283,422
Administrative expense	-	-	-
Net change in fiduciary net position	247,661	307,478	441,337
Plan fiduciary net position, beginning of year	5,043,020	4,735,542	4,294,206
Plan fiduciary net position, end of year	$ 5,290,681	$ 5,043,020	$ 4,735,543
Net OPEB liability, end of year	$ (72,966)	$ (2,070,443)	$ (1,769,715)
Plan fiduciary net position as a percentage of the total OPEB liability	101.40%	169.65%	159.67%
Covered employee payroll	22,962,950	25,205,739	22,309,641
Net OPEB liability as a percentage of covered-employee payroll	-0.32%	-8.21%	-7.93%

Note to schedule:

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

Schedule of employer contributions for the year ended September 30, 2019

Actuarially determined contribution	$ (134,412)
Contributions in relation to the actuarially determined contribution	
Employer contributions to trust	-
Employer-paid retiree premiums	344,829
Employer-paid expenses	-
Contribution deficiency (excess)	$ (479,241)
Covered annual payroll	$ 22,962,950
Contributions as a percentage of covered employee payroll	1.50%

Annual money-weighted rate of return, net of investment expense

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	4.91%	6.54%	10.54%	8.17%	-2.45%	9.28%	13.39%	16.25%	-0.99%	11.39%

Source: Regions Wealth Platform (RWP)

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 2019 were 17.70% for Tier 1 employees (hired before January 1, 2013) and 15.46% 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 2018 were based on the September 30, 2015 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	28.5 years
Asset Valuation Method	5-year smoothed market
Inflation	2.875%
Salary increases	3.375-5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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 and 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	7/1/2018
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

C. Other Postemployment Benefits

NOTE 1 – SCHEDULE OF CHANGES IN NET OPEB LIABILITY

The net OPEB liability presented in these schedules were provided by the Department's actuarial consultants, Fontenot Benefits and Actuarial Consulting. The net OPEB liability is measured as the total OPEB liability less the components of the plan net position reserved to fund the total OPEB liability. The related ratios show plan net position as a percentage of the total OPEB liability and the net OPEB liability as a percentage of employee covered payroll.

NOTE 2 – SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

There were no contributions to the Plan outside of employer-paid retiree premiums for the year ended September 30, 2019.

NOTE 3 – ACTUARIAL ASSUMPTIONS – OPEB

The schedule of employer contributions is based on the following actuarial assumptions:

Valuation date	10/1/2018 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Healthcare trend	Flat 5.5% annually
Salary increases	4.0% annually
Discount Rate	7.0% annually (Beginning of Year to Determine ADC) 7.0% annually (As of End of Year Measurement Date)
Retirement age	4 years after the earliest of: 25 years of service; 13 years after retirement and Medicare eligibility; employees hired on and after 1/1/13 are not eligible to retire before age 62.
Mortality	RP-2000 employee/health annuitant mortality table
Turnover	Age specific table with an average of 8% when applied to the active census

SUPPLEMENTARY INFORMATION

Jefferson County Department of Health
Schedule of Expenditures of Federal Awards

Year ended September 30, 2019

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through State Dept. of Public Health				
Maternal and Child Health Services Block Grant to the States	93.994	C80113023	$ 412,385	$ -
Family Planning Services	93.217	FPHA006461	444,353	-
Public Health Emergency Preparedness	93.069	NU90TP922030	358,823	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	C80113077	82,500	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	NU58DP006527	71,087	-
Immunization Cooperative Agreements	93.268	C60112012	54,261	-
National Bioterrorism Hospital Preparedness Program	93.889	U3REP190587	19,979	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	C70115160	19,696	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	NU58DP006301	5,153	
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	NU50CK000545	3,000	
Passed through University of Alabama at Birmingham				
HIV Demonstration, Research, Public and Professional Education Projects	93.941	000506238-001	23,095	-
Total U.S. Department of Health and Human Services			1,494,332	-
U.S. Department of Agriculture				
Passed through State of Dept. of Public Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C90116010	2,500,174	-
Total U.S. Department of Agriculture			2,500,174	-
U.S. Environmental Protection Agency				
Direct				
Air Pollution Control Program Support	66.001		664,690	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		192,237	-
Total U.S. Environmental Protection Agency			856,927	-
U.S. Department of Justice				
Direct				
Comprehensive Opioid Abuse Site-Based Program	16.838		58,219	-
Total U.S. Department of Transportation			58,219	-
U.S. Department of Transportation				
Passed through State Dept. of Transportation				
Highway Planning and Construction Cluster	20.205	100063991	57,532	-
Total U.S. Department of Transportation			57,532	-
Total federal awards			$ 4,967,184	$ -

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.

NOTE 4 – FEDERALLY FUNDED INSURANCE AND FEDERALLY FUNDED LOANS

The Department has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2019.

NOTE 5 – NON-CASH AWARDS

During the year ended September 30, 2019, the Department did not receive any non-cash federal assistance.

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, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 10, 2020.

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 material weaknesses or significant 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*.

Response to Findings
The City’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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, 2019. 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, 2019.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	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*
10.557	U.S. Department of Agriculture- WIC Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between type A and type B programs?	$ 750,000
Auditee qualified as low-risk auditee?	___ yes _x_ 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

REQUIRED COMMUNICATIONS

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March 10, 2020

To the Board of Directors
Jefferson County Department of Health

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Department of Health (the Department) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies used by the Department were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management’s estimate of the allowance for doubtful accounts is based on management’s knowledge of historical loss levels and the collectability of accounts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management’s estimate over the residual value of capital assets based on the Department’s depreciation policy and management’s approximation of the remaining useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management’s valuation of certain investments is based on the investment custodian. We evaluated the key factors and assumptions used to develop estimated market values of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

The estimate of deferred outflows/inflows of resources, net pension liability, and pension expense. These estimates are prepared by the RSA's actuaries based on the information provided by participating employers.

The estimate of the net OPEB asset and the related deferred outflows/inflows of resources are prepared by actuaries based on payroll and related data provided by the Department.

The amount of the liability accrued for compensated absences is based on management's estimate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The liability accrued for professional fees is based on management's estimate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for fees due to the Jefferson County Personnel Board is based on management's knowledge of the amounts for previous liabilities. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of the Department's pension plan and post-employment benefits other than pensions in Notes 3 and 8, respectively to the financial statements. These disclosures contain actuarial assumptions and valuations that may differ from actual results.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Managements
For purposes of this letter, disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated March 10, 2020.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>
We applied certain limited procedures to pages 46-55 of the financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

<u>Restriction on Use</u>
This information is intended solely for the use of the Department and management of the Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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