Jefferson County
Department of Health

Financial Statements

September 30, 2017

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Jefferson County Department of Health
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REPORT

Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

(205) 933-7822
(205) 933-7944 (fax)
www.cricpa.com

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, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of September 30, 2017, 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 3.1 through 3.4 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 14, 2018, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

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

Birmingham, Alabama
March 14, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

JEFFERSON COUNTY DEPARTMENT OF HEALTH

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the government written by its *financial managers*. As financial management of the Department, 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. As with other sections of this financial report, the information contained within this narrative should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and other required supplemental information.

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

The Department's basic financial statements are comprised of three components: 1) *government-wide financial statements* 2) *fund financial statements,* and 3) *notes to the basic 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, indicating both long-term and short-term information about the Department's overall financial status. *Government-wide statements* report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Department's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financials reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Department as a whole.

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. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. 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 Position

Assets	2017	2016	Percentage Change
Current assets	$ 71,296,218	$ 70,480,366	1.16%
Noncurrent assets	50,300,463	49,051,658	2.55%
Deferred outflows of resources	9,737,841	7,451,525	30.68%
Total Assets	**131,334,522**	**126,983,549**	**3.43%**
Liabilities			
Current liabilities	4,801,784	6,015,832	-20.18%
Noncurrent liabilities	64,896,842	61,659,915	5.25%
Deferred inflows of resources	381,034	267,219	42.59%
Total Liabilities	**70,079,660**	**67,942,966**	**3.14%**
Net Position			
Invested in capital assets	41,223,011	41,090,674	0.32%
Restricted	2,904,046	3,625,278	-19.89%
Unrestricted	17,127,805	14,324,631	19.57%
Total Net Position	**$ 61,254,862**	**$ 59,040,583**	**3.75%**

As shown in the table above, the Department experienced an increase of $2,214,279 in net position at the government-wide level. The majority of the Department's net position is invested in capital assets (land, buildings, and equipment) owned by the Department. These assets are not available for future expenditures since they will not be sold.
Total assets and deferred outflows of resources increased by $4,350,973 (3.43%) and are primarily due to the increases in the cash and investment balances ($842K); Post-Employment Benefits Other Than Pension (OPEB) assets ($309K); pension-related Deferred Outflow of Resources ($2.3M); and an increase in Net Pension Asset ($807K).

The $2,136,694 (3.14%) net increase in total liabilities and deferred inflows of resources is primarily due to increases in Accounts Payable ($246K), Accrued Leave ($266K), Net Pension Obligation ($3M) and pension-related Deferred Inflow of Resources ($114K) and a decrease in accrued self-insurance ($1.46M).

The Statement of Activities (page 5) presents information showing how the Department's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Department. By showing the change in net position for the year, the reader may be able to determine whether the Department's financial position has improved or deteriorated over the course of the current fiscal year.

Government-wide Statement of Activities

Program activities:	Expenses 2017	Expenses 2016	Program Revenues 2017	Program Revenues 2016	Net (Expense) Revenue 2017	Net (Expense) Revenue 2016
General administration	$ 12,435,468	$ 16,313,074	$ 326,079	$ 396,420	$ (12,109,389)	$ (15,916,654)
Health statistics and vital records	425,359	298,968	433,147	474,398	7,788	175,430
Environmental health	8,344,586	7,821,647	5,786,540	5,827,564	(2,558,046)	(1,994,083)
Disease control	5,559,932	4,985,301	1,346,025	1,470,532	(4,213,907)	(3,514,769)
Dental health	1,902,686	1,600,505	1,028,796	998,936	(873,890)	(601,569)
Emergency preparedness and response	339,948	332,370	337,077	331,260	(2,871)	(1,110)
Primary care services	19,342,711	16,452,353	10,816,019	11,120,944	(8,526,692	(5,331,409)
Total program activities	$48,349,690	$47,804,218	$20,073,683	$20,620,054	$ (28,277,007)	$ (27,184,164)

	2017	2016
General revenues:		
Shared revenues	$ 29,122,715	$ 27,316,180
Investment earnings (loss)	171,690	254,891
Gain (loss) on disposal of capital assets	-	(364,290)
Miscellaneous revenues	1,195,881	1,156,308
Total general revenues	30,490,286	28,363,089
Change in net position	**2,214,279**	**1,178,925**
Net position at beginning of year	59,040,583	57,861,658
Net position at end of year	**$ 61,254,862**	**$ 59,040,583**

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

Total program revenues of $20 million decreased by $546,371 (-2.65%). The increase in shared revenues reflects an increase in tax revenue ($1.8M) in fiscal year 2017 as compared to fiscal year 2016. Investment earnings and the adjustment to market value were 33% lower than the previous year.

Total Expenses of $48.3 million reflected an increase of $546K (1.14%) from the previous fiscal year. The increase was primarily due to the purchase of furniture for the renovated areas of the Guy M. Tate building.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model requires the Department to present financial statements on a fund basis. All of the funds of the Department can be classified into two categories: governmental funds and fiduciary funds.

The *fund financial statements* presented herein display information on each of the Department's most important governmental funds or *major funds*. This is required in order to better assess the Department's accountability for significant governmental programs or certain dedicated revenue.

The *fund financial statements* are measured on the modified-accrual basis of accounting, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial* *statements* focus more on the near term use and availability of expendable resources. The information provided in these statements is useful in determining the Department's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements,* which focus more on overall long-term availability of expendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* is reconciled on pages 7 to 9 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Department's short-term financing decisions.

Fiduciary Funds – The Department is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. Fiduciary funds also include the balances of agency funds, such as accounts payable clearing and payroll clearing funds. All of the Department's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* on page 110 of these financial statements. These funds are not available to the Department to finance its operations, and therefore are not included in the *government-wide financial statements*. The Department is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

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

Capital expenditures of $2,137,770 were necessary during fiscal year 2017. The capital expenditures were for the repairs to the Guy M. Tate Building's (GMT) parking structure, design fees for the partial renovation of the GMT building, the expansion of Eastern Health Center parking, the purchase of fleet vehicles and computer network infrastructure upgrades.

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 higher than those budgeted by $2.8 million due primarily to favorable budget variances for taxes ($2.3M), other revenue ($302K) and fees for services ($174K) and an unfavorable variance in operating grants ($197K).

Expenditures were lower by $4.7 million than those budgeted. The main factors in this department-wide budget variance were primarily salary and wages/benefits ($3.6M), contractual services ($575K), building, equipment and vehicles ($765K) and general office operations ($1.4M). Budget transfers to the Capital Fund were completed to cover expenditures for the new western clinic and future capital outlay.

Economic Factors and Fiscal 2018 General Fund Budget

Revenue Highlights

The budget includes $7,078,000 of ad valorem tax, a $273,000 (4%) increase from fiscal year 2017. 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 Departments of Education, and is the minimum percentage allowed in the funding legislation. The budget includes sales tax revenue of $21,095,000, a 5% increase from fiscal year 2017.

Net Intergovernmental Revenue of $2,074,307 is a $288,049 (-12%) decrease over prior year budget. Revenues for services provided by the Department in fiscal year 2018 are budgeted to be $11,342,344. The increase of $129,948 (1%) from the 2017 budgeted amount is primarily the result of a projected increase in clinical services private pay and third party reimbursement.

The $1,576,825 amount budgeted for Other Revenue/Non-Operating Revenue is higher than the prior year budget by $471,196 (43%) due to indirect cost reimbursement and sales of obsolete assets.

An allocation of $6,793,924 from fund balance is required to offset expected expenditures.

Expenditure Highlights
Personnel costs of $36,283,666 are $1,190,925 (3%) higher than those budgeted for fiscal year 2017 and includes a 2% Cost-of Living-Adjustment. Salaries are 73% of personnel cost budget, with employee and retiree benefits representing 26% and 1% respectively.

Contract Services of $2,972,321 are higher by $818,669 (38%) than those budgeted in 2017 and are primarily due to the contracting of services for certain pilot programs included in the Department's 2017-2021 Strategic Plan. Materials and Supplies costs are projected to be $9,504,413 which is a $769,927 (9%) increase from fiscal year 2017 and are primarily related to the purchase of furniture and fixtures for renovated facilities.

The Capital Expenditure/Transfer budget of $1,200,000 for capital asset replacement transfer remains unchanged from fiscal year 2017.

Capital Projects Fund
Expenditures of $4,492,590 are planned for fiscal year 2018. This includes funds for capital improvements to the Guy M. Tate Building, the purchase of motor vehicles and the replacement of some IT infrastructure.

Special Revenue Funds
In addition to the General Fund Budget, the Department has fourteen active Special Revenue Funds expected to total $6,184,944. 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 2018 total $60,637,934.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 12 through 44.

Other Information
Required supplementary information can be found on page 46 of this report.

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

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

FINANCIAL STATEMENTS

Jefferson County Department of Health
Statement of Net Position

September 30, 2017	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 27,722,987
Investments	37,094,029
Receivables (net of allowance for doubtful accounts)	6,009,536
Prepaid items	341,110
Inventories	128,556
Total current assets	71,296,218
Noncurrent assets	
Net pension asset	4,863,787
Net OPEB asset	4,213,665
Land	3,410,768
Construction in progress	189,801
Buildings and equipment	61,654,217
Accumulated depreciation	(24,031,775)
Total noncurrent assets	50,300,463
Total assets	121,596,681
Deferred outflows of resources	
Employer contributions subsequent to measurement date	5,506,081
Net difference between projected and actual earnings on pension plan investment	4,231,760
Total deferred outflows of resources	9,737,841
Total assets and deferred outflows of resources	$ 131,334,522

See accompanying notes to basic financial statements.

September 30, 2017	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	$ 2,167,048
Accrued payroll and related costs	1,058,770
Accrued leave - current	18,242
Accrued self-insurance	1,557,724
Total current liabilities	4,801,784
Noncurrent liabilities	
Accrued leave - noncurrent	5,196,126
Net pension liability	59,700,716
Total noncurrent liabilities	64,896,842
Total liabilities	69,698,626
Deferred inflows of resources	381,034
Net position	
Net investment in capital assets	41,223,011
Restricted	2,904,046
Unrestricted	17,127,805
Total net position	$ 61,254,862

Year ended September 30, 2017

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	$ 12,435,468	$ 2,893	$ 323,186	$ (12,109,389)
Health statistics and vital records	425,359	433,147	-	7,788
Environmental health	8,344,586	4,583,566	1,202,974	(2,558,046)
Disease control	5,559,932	319,677	1,026,348	(4,213,907)
Dental health	1,902,686	1,018,796	10,000	(873,890)
Emergency preparedness and response	338,948	-	337,077	(1,871)
Clinical primary and support service	19,342,711	7,045,516	3,770,503	(8,526,692)
Total government activities	$ 48,349,690	$ 13,403,595	$ 6,670,088	(28,276,007)
General revenues:				
Shared governmental revenues				29,122,715
Investment earnings				171,690
Miscellaneous revenues				1,195,881
Total general revenues				30,490,286
Change in net position				2,214,279
Net position at beginning of year				59,040,583
Net position at end of year				$ 61,254,862

See accompanying notes to basic financial statements.

Jefferson County Department of Health
Balance Sheet—Governmental Funds

September 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 27,722,987	$ -	$ -	$ 27,722,987
Investments	37,094,029	-	-	37,094,029
Receivables	6,296,954	-	784,265	7,081,219
Allowance for bad debts	(1,071,683)	-	-	(1,071,683)
Interfund receivables	733,619	22,015,452	7,909,238	30,658,309
Inventories	128,556	-	-	128,556
Prepaid items	341,110	-		341,110
Total assets	$ 71,245,572	$ 22,015,452	$ 8,693,503	$ 101,954,527
Liabilities				
Accounts payable	$ 2,029,358	$ 48,468	$ 89,222	$ 2,167,048
Accrued payroll and related costs	1,058,770	-	-	1,058,770
Accrued leave - current	18,242	-	-	18,242
Interfund payables	29,924,690	-	733,619	30,658,309
Total liabilities	33,031,060	48,468	822,841	33,902,369
Fund balance				
Nonspendable:				
Inventory and prepaids	469,666	-	-	469,666
Restricted for:				
Air pollution requirements	-	-	1,146,448	1,146,448
Immunization requirements	5,753	-	5,531	11,284
Small grants	-	-	21,754	21,754
Storm water requirements	-	-	1,724,560	1,724,560
Committed to:				
Capital projects	-	21,966,984	-	21,966,984
Disaster recovery	1,000,000	-	-	1,000,000
Public health community projects		-	5,000,000	5,000,000
Compensated absence obligations	5,196,126	-	-	5,196,126
General liability trust	5,229,831	-		5,229,831
Patient/client assistance	39,008	-	-	39,008
Assigned to:				
General government	124,317	-	-	124,317
Subsequent year's budget	5,695,498	-	-	5,695,498
Unassigned	20,454,313	-	(27,631)	20,426,682
Total fund balances	38,214,512	21,966,984	7,870,662	68,052,158
Total liabilities and fund balances	$ 71,245,572	$ 22,015,452	$ 8,693,503	$ 101,954,527

See accompanying notes to basic financial statements.

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

September 30, 2017

Fund balance - total governmental funds	$ 68,052,158
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.	41,223,011
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,213,665
Net pension assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,863,787
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(64,896,842)
Deferred outflow related to pensions	9,737,841
Deferred inflow related to pensions	(381,034)
Accrued self insurance is not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(1,557,724)
Net position of governmental activities	$ 61,254,862

See accompanying notes to basic financial statements.

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

Year ended September 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Tax revenues:				
Sales tax revenues	$ 22,045,103	$ -	$ -	$ 22,045,103
Advalorem tax revenues	7,077,612	-	-	7,077,612
Total tax revenues	29,122,715	-	-	29,122,715
Fees for services	3,963,005	-	795,931	4,758,936
Third-party reimbursement	7,755,483	-	-	7,755,483
Intergovernmental revenues:				
Federal grants and special contracts	974,771	-	4,523,111	5,497,882
State grants and other government revenues	1,134,713	-	693,395	1,828,108
Other revenues	1,598,133	-	2,714	1,600,847
Total revenues	44,548,820	-	6,015,151	50,563,971
Expenditures				
Current:				
General government administration	12,197,500	-	-	12,197,500
Health statistics and vital records	423,010	-	-	423,010
Environmental health	5,372,840	-	2,748,594	8,121,434
Disease control	5,215,135	-	285,864	5,500,999
Dental health	1,875,590	-	-	1,875,590
Health promotion and community relations	-		14,625	14,625
Clinical primary and support service	15,693,693	-	2,892,970	18,586,663
Emergency preparedness and response	-	-	337,077	337,077
Other expenditures	799,016	-	-	799,016
Capital outlay	-	1,926,204	211,566	2,137,770
Total expenditures	41,576,784	1,926,204	6,490,696	49,993,684
Excess of revenues (expenditures)	2,972,036	(1,926,204)	(475,545)	570,287
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	1,772,036	(726,204)	(475,545)	570,287
Fund balances at beginning of year	36,442,476	22,693,188	8,346,207	67,481,871
Fund balances at end of year	$ 38,214,512	$ 21,966,984	$ 7,870,662	$ 68,052,158

See accompanying notes to basic financial statements.

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

Year ended September 30, 2017	
Net change in fund balances - total governmental funds	$ 570,287
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.	(265,685)
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.	2,147,213
Some expenses reported on the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net post-employment benefit asset	309,132
Change in accrued self insurance liability	1,459,613
Depreciation expense on capital assets and a change in the depreciation estimate are reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense and change in depreciation estimates are not reported as expenditures in governmental funds.	(2,006,464)
The net effect of transactions involving pension activity is to decrease net position.	8,595
The net effect of transactions involving the disposal of capital assets is to decrease net position.	(8,412)
Change in net position of governmental activities	$ 2,214,279

See accompanying notes to basic financial statements.

September 30, 2017

		OPEB Trust Fund
Assets		
Cash and cash equivalents	$	276,195
Investments		4,459,348
Total assets		4,735,543
Liabilities		
Accounts payable		-
Net position restricted for OPEB	$	4,735,543

See accompanying notes to basic financial statements.

Jefferson County Department of Health
Statement of Changes in Fiduciary Net Position—OPEB Trust Fund

Year ended September 30, 2017

		OPEB Trust Fund
Additions		
Contributions:		
Employer	$	283,422
Investment activity:		
Investment income		107,713
Net gain on investments		344,728
Less investment expense		(11,104)
Total investment activity		441,337
Total additions		724,759
Deductions		
Benefit payments:		
Employer		283,422
Total deductions		283,422
Net increase in net position		441,337
Net position restricted for other post-employment benefits - beginning of year		4,294,206
Net position restricted for other post-employment benefits - end of year	$	4,735,543

See accompanying notes to basic financial statements.

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

A. Description of business

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

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

B. Basis of presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the Department as a whole. They include all funds of the reporting entity, except fiduciary funds. The statements also distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues or other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. For the year ended September 30, 2017, the Department had no business-type activities.

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

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

B. Basis of presentation (continued)

Fund financial statements

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

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

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

The Department's funds are described below:

Governmental fund types

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

a) General Fund

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

b) Special Revenue Funds

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

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

B. Basis of presentation (continued)

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

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

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

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

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

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

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

G. Inventories

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

H. Investments

Investments are stated at market value plus accrued interest.

I. Compensated absences

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

The total liability for these compensated absences is recorded in the government-wide financial statements. In the fund financial statements, only the portion of compensated absences representing amounts due to separated employees at September 30, 2017 is recorded as a liability.

J. Encumbrances

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

K. Management estimates

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

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

L. Receivables

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

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

M. Interfund transactions

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

N. Capital assets

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

Government-wide financial statements

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

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

Buildings	25 – 50 years
Equipment	3 – 20 years

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

N. Capital assets (continued)

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

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

Fixed asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increase/ Reclassifications	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Land	$ 3,410,768	$ -	$ -	$ 3,410,768
Construction progress	-	189,801	-	189,801
Total capital assets not being depreciated	3,410,768	189,801	-	3,600,569
Capital assets being depreciated:				
Buildings	52,618,603	628,500	-	53,247,103
Equipment	7,530,042	1,328,912	(451,840)	8,407,114
Total capital assets being depreciated	60,148,645	1,957,412	(451,840)	61,654,217
Less accumulated depreciation for:				
Buildings	(16,191,590)	(1,523,976)	-	(17,715,566)
Equipment	(6,277,149)	(482,488)	443,428	(6,316,209)
Total accumulated depreciation	(22,468,739)	(2,006,464)	443,428	(24,031,775)
Total capital assets being depreciated, net	37,679,906	(49,052)	(8,412)	37,622,442
Governmental activities capital assets, net	$ 41,090,674	$ 140,749	$ (8,412)	$ 41,223,011

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	$	1,130,465
Environmental health		178,064
Disease control		28,393
Dental health		16,683
Clinical primary and support service		652,859
Total depreciation expense – governmental activities	$	2,006,464

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 $21,966,984 of the Capital Projects Fund fund balance to provide resources for the future purchase of capital assets and the construction of buildings and facilities.

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

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

O. Equity classifications (continued)

Fund statements (continued)

The Board has committed $5,000,000 of the Special Revenue Fund fund balance 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 $5,196,126 of General Fund balance to fund this future amount.

The Board has committed $5,229,831 of General Fund balance to the Jefferson County Department of Health Professional and General Liability Trust Fund, the purpose of which is to pay claims against Department directors, officers, agents, servants and employees.

P. Expenditures/expenses

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

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

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

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

Q. Pensions

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

R. Subsequent events

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

NOTE 2 – CASH AND INVESTMENTS

A. Cash and cash equivalents

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

	Carrying amount	Bank balance
All funds	$ 27,722,987	$ 27,469,739

At September 30, 2017, the bank balances of the Department's deposit accounts were covered by federal depository insurance, secured by collateral through a financial institution or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE Program, the Department's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against those deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the pledged securities failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

B. Investments

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

The following schedule of investments displays the fair value of assets held in the General Fund as of September 30, 2017, as well as the valuation approaches and inputs used in determining fair value:

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

Professional and General Liability Reserve Investments

Investment type	Fair Value	Modified Duration	Fair Value Measurements Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 9,411,647	1.55	$ -	$ 9,411,647	$ -
GNMA Mortgage Backed Securities	5,293	1.77	-	5,293	-
Net investments	9,416,940	1.55	-	9,416,940	-
Accrued interest income	24,495		-	24,495	-
Total portfolio	$ 9,441,435		$ -	$ 9,441,435	$ -

Other General Fund Investments

Investment type	Fair Value	Effective Duration	Fair Value Measurements Level 1	Level 2	Level 3
Government Asset Backed/CMO Securities	$ 20,632,347	1.41	$ -	$ 20,632,347	$ -
Net investments	20,632,347	1.43	-	20,632,347	-
Accrued interest income	84,020		-	84,020	-
Total portfolio	$ 20,716,367		$ -	$ 20,716,367	$ -
Certificates of deposit	$ 6,936,227	0.79	$ -	$ 6,936,227	$ -
Total investments	$ 37,094,029		$ -	$ 37,094,029	$ -

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

The following schedule of investments displays the fair value of assets held in the Fiduciary Fund as of September 30, 2017, as well as the valuation approaches and inputs used in determining fair value:

OPEB Trust		Fair Value Measurements		
Investment type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Stocks	$ 1,429,195	$ 1,429,195	$ -	$ -
Mutual Funds	1,932,280	1,932,280	-	-
U.S. Government Bonds	365,134	365,134	-	-
Mortgage Backed Securities	212,658		212,658	
Corporate Bonds	511,721	511,721	-	-
Net investments	4,450,988	4,238,330	212,658	-
Accrued interest income	8,360	-	8,360	-
Total portfolio	$ 4,459,348	$ 4,238,330	$ 221,018	$ -

Interest rate risk

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

Credit risk

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

The Department's certificates of deposit totaling $6,936,227 are secured by federal depository insurance or the SAFE Program.

NOTE 3 – PENSION PLANS

A. Employees' Retirement System of Alabama

Plan Description

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

ERS was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Board of Control authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

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

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

NOTE 3 – PENSION PLANS (CONTINUED)

Benefits Provided

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

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

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

The ERS membership includes approximately 85,874 participants from approximately 906 local participating employers. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	54,823
Post-DROP participants who are still in active service	235
Total	85,874

NOTE 3 – PENSION PLANS (CONTINUED)

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the Department's active employee contribution rate was 17.23% of covered employee payroll.

The Department's contractually required contribution rate for the year ended September 30, 2017 was 17.76% of pensionable pay for Tier 1 employees and 15.44% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 $4,342,996 for the year ended September 30, 2017.

NOTE 3 – PENSION PLANS (CONTINUED)

Net Pension Liability

The Department's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward

		Expected Valuation Assumption	Actual 2015 Valuation Asssumptions	Actual 2016 Valuation Asssumptions
(a)	**Total Pension Liability** as of September 30, 2015	$ 161,332,955	$ 161,074,621	$ 165,566,411
(b)	**Discount Rate**	8.00%	8.00%	7.75%
(c)	**Entry Age Normal Cost** for October 1, 2015 – September 30, 2016	2,125,909	2,125,909	2,007,584
(d)	**Transfers Among Employers**	-	10,519	10,519
(e)	**Actual Benefit Payment and Refunds** for October 1, 2015 – September 30, 2016	(12,769,910)	(12,769,910)	(12,769,910)
(f)	**Total Pension Liability** as of September 30, 2016 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]	$ 163,084,794	$ 162,816,312	$ 167,151,167
(g)	**Difference between Expected and Acutal Experience (Gain)/Loss**		$ (268,482)	
(h)	**Less Liability Transferred for Immediate Recognition**		10,519	
(i)	**Experience (Gain)/Loss = (g) - (h)**		$ (257,963)	
(j)	**Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss**			$ 4,334,855

Actuarial assumptions

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

Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return	7.75%*

*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.

NOTE 3 – PENSION PLANS (CONTINUED)

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

Actuarial assumptions (continued)

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

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	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%

Discount rate

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

NOTE 3 – PENSION PLANS (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2015	$ 161,332,955	$ 104,603,481	$ 56,729,474
Changes for the year:			
Service cost	2,125,909	-	2,125,909
Interest	12,395,840	-	12,395,840
Changes in assumptions	4,334,855	-	4,334,855
Difference between expected and actual experience	(279,001)	-	(279,001)
Contributions – employer	-	4,059,458	(4,059,458)
Contributions – employee	-	1,272,188	(1,272,188)
Net investment income	-	10,274,715	(10,274,715)
Benefit payments, including refunds of employee contributions	(12,769,910)	(12,769,910)	-
Administrative expense	-	-	-
Transfers among employers	10,519	10,519	-
Net Changes	5,818,212	2,846,970	2,971,242
Balances at September 30, 2016	$ 167,151,167	$ 107,450,451	$ 59,700,716

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability	$ 75,714,063	$ 59,700,716	$ 45,965,353

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 3 – PENSION PLANS (CONTINUED)

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

For the year ended September 30, 2017, the Department recognized pension expense of $4,334,401. At September 30, 2017, 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	$ -	$ 381,034
Changes of assumptions	3,251,141	-
Net difference between projected and actual earnings on plan investments	980,619	-
Employer contributions subsequent to the Measurement Date	5,506,081	-
Total	$ 9,737,841	$ 381,034

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:	
2018	$ 1,119,697
2019	1,138,785
2020	2,032,954
2021	(440,710)
2022	-
Thereafter	-
Total	$ 3,850,726

B. City of Birmingham Retirement and Relief System

Plan Description

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

NOTE 3 – PENSION PLANS (CONTINUED)

Benefits Provided

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

Membership as of the Valuation Date June 30, 2016:	
Active Employees	9
Retired Participants and Beneficiaries	37
Total	46

Contributions

Covered employees are required by law to contribute to the Plan. The Department contributes a required amount of 2% of employee compensation to the Plan, which is determined by the consulting actuary. Eligible department employees contribute 6% of compensation to the Plan. For fiscal years ended September 30, 2017 and 2016, the Department contributed 100% of the required contributions. The Department contributed $12,147 and $12,535 for fiscal years 2017 and 2016, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, rolled forward to June 30, 2016 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward

Total Pension Liability	
as of June 30, 2015 (a)	$ 11,124,212
Entry Age Normal Cost for	
August 1, 2015 – June 30, 2016 (b)	61,004
Actual Benefit Payment and Refunds for	
August 1, 2015 – June 30, 2016 (c)	(838,553)
Total Pension Liability	
as of June 30, 2016	
[(a) x (1.075)] + (b) – [(c) x (1.035)]	$ 10,824,469

NOTE 3 – PENSION PLANS (CONTINUED)

Actuarial Assumptions

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	35%	6.90%
Small and mid-cap domestic equity	10%	7.80%
International equity	20%	6.70%
Core fixed income	10%	2.90%
Short-term high yield fixed income	5%	4.95%
REITs	5%	5.50%
Hedge Funds	15%	3.70%
Total	**100%**	

NOTE 3 – PENSION PLANS (CONTINUED)

Discount Rate

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

Total Pension Liability	$	10,822,003
Plan Fiduciary Net Position		15,685,790
The Plan's Net Pension Liability (Asset)	$	(4,863,787)
Plan Fiduciary Net Position as a percentage of Total Pension Liability		114.94%

Changes in Net Pension Asset

		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2016	$	10,824,469	$	14,880,920	$	(4,056,451)
Changes for the year:						
Service cost		49,939		-		49,939
Interest		778,040		-		778,040
Changes in assumptions		-		-		-
Difference between expected and actual experience		70,755		-		-
Contributions – employer		-		12,517		(12,517)
Contributions – employee		-		31,164		(31,164)
Net investment income		-		1,662,389		(1,662,389)
Benefit payments, including refunds of employee contributions		(901,200)		(901,200)		-
Administrative expense		-		-		-
Transfers among employers		-		-		-
Net Changes		(2,466)		804,870		(878,091)
Balances at June 30, 2017	$	10,822,003	$	15,685,790	$	(4,863,787)

NOTE 3 – PENSION PLANS (CONTINUED)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Asset	$ 3,904,096	$ 4,863,787	$ 5,695,169

Pension Plan Fiduciary Net Position

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

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

At September 30, 2017, the Department had fully funded the Plan. No additional significant employer contributions were made subsequent to the measurement date. Therefore, no deferred outflows for contributions made after the measurement date but before the end of the fiscal year have been recorded.

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

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

NOTE 4 – SELF-INSURANCE PLAN

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

Changes in the fund's estimated liability amount for fiscal years 2017 and 2016 are as follows:

Balance as of September 30, 2015	$ 3,547,153
Claims paid	(529,816)
Balance as of September 30, 2016	3,017,337
Claims paid	(1,459,613)
Balance as of September 30, 2017	$ 1,557,724

NOTE 5 – SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended September 30, 2017, was as follows:

	Balance at Sept. 30, 2016	Additions	Reductions	Balance at Sept. 30, 2017	Due Within one year
Compensated absences	$ 4,976,105	$ 1,739,727	$ 1,501,464	$ 5,214,368	$ 18,242

NOTE 6 – CONTINGENCIES

A. Litigation

At September 30, 2017, several suits have been filed and are pending against the Department. The Department maintains a Trust Fund (see Note 4) to pay claims against the Department. Management and counsel feel that no opinion can be given on the ultimate outcome of these proceedings but management believes that the amount in the Trust Fund is adequate to cover any adverse claims that may arise from them. The Department intends to vigorously defend its position in each of these matters.

NOTE 6 – CONTINGENCIES (CONTINUED)

B. Grant contingencies

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

NOTE 7 – RECEIVABLES

Accounts receivable at September 30, 2017 consists of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds
Due from other governments	$ 4,099,990	$ -	$ 784,265
Client patient billings	1,733,233	-	-
Other – Environmental Health, etc.	463,731	-	-
Total receivables	6,296,954	-	784,265
Allowance for doubtful accounts	(1,071,683)	-	-
Receivables – net	$ 5,225,271	$ -	$ 784,265

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
Capital projects fund	General fund	$ 22,015,452
Nonmajor governmental funds	General fund	7,909,238
General fund	Nonmajor governmental funds	733,619
Total		$ 30,658,309

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

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

The General fund transferred out $1,200,000 to the Capital Projects fund during the year. The transfer was required to support fixed asset acquisitions and maintenance expenses related to the Capital Projects fund.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

At September 30, 2017, the Department has implemented GASBS No. 74, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans. This Statement requires that notes disclose certain details of the Plan as well as total OPEB liability and net OPEB liability information. While the Plan reporting falls under GASBS No. 74, the accounting for the Plan continues to be under GASBS No. 45 until GASBS No. 75 is implemented in fiscal year 2018. Because of this transition, certain OPEB notes are related to GASBS No. 45 and GASBS No. 74, respectively.

Plan Disclosures Under GASB Statement No. 45

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

		Medical
Normal cost	$	30,722
30 year AAL amortization amount		(96,741)
Annual required contribution	$	(66,019)

Net post-employment benefit obligation (asset)
The table below shows the Department's net other post-employment benefit (OPEB) obligation (asset) for fiscal year ending September 30, 2017:

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

Annual required contribution	$	(66,019)
Interest on net OPEB obligation (asset)		(273,317)
ARC adjustment		314,652
Annual OPEB cost		(24,684)
Contributions		-
Current year retiree premium		(284,448)
Change in net OPEB obligation		(309,132)
Beginning net OPEB obligation (asset), beginning of year		(3,904,533)
Ending net OPEB obligation (asset), end of year	$	(4,213,665)

The following table shows the Department's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability as of September 30, 2017.

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2017	$ (24,684)	1152.36%	$ (4,213,665)
Medical	September 30, 2016	75,820	264.07%	(3,904,532)

Funded status and funding progress

In the fiscal year ending September 30, 2009, the Department made a lump sum contribution of $1,983,373 to its post-employment benefits plan by a transfer of assets within the meaning of paragraph 141 of GASB 45 as of the end of the fiscal year. The Department also contributed an additional $848,343 to its post-employment benefits plan in the fiscal year ending September 30, 2012. Based on the most recent actuarial valuation, the end of year AAL was $3,685,874, which is defined as that portion, as determined by a particular actuarial cost method (the Department uses the projected unit cost method), for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2017 (most recent actuarial valuation) are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll (b-a)/c
September 30, 2017	$ 4,735,542	$ 2,965,828	$ (1,769,714)	159.67%	$ 22,309,641	-7.93%

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

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

Actuarial methods and assumptions

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

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

Actuarial cost method

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

Actuarial value of plan assets

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

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

Turnover rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 8%. The rates for each age are below:

Age	Percent Turnover
25	20.0%
40	11.0%
55	8.0%

Post-employment benefit plan eligibility requirements

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

Investment return assumption (discount rate)

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

Health care cost trend rate

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

Mortality rate

The 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, is used. This is a recently published mortality rate which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

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

Method of determining value of benefits
The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. We have used the "unblended" rates provided as required by GASB 45/75 for valuation purposes. We have assumed that 62% of retirees decline participation upon retirement and an additional 5% decline coverage upon Medicare eligibility, both because of the substantial member contributions required.

Plan Disclosures Under GASB Statement No. 74

Plan description
The Department has established a cost-sharing post-employment benefits plan. Medical benefits are provided to former employees through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by the Retirement System of Alabama and must meet the retirement eligibility provisions of that system to receive retiree medical benefits. Those eligibility provisions are as follows: 25 years of consecutive service; or, attainment of age 60 and 10 years of service. Complete plan provisions are included in the official plan documents.

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, 2017, the Plan's membership consisted of 347 active employees and 99 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 "Tier I members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. 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 post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

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, 2017:

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

Asset Class	Target Allocation
Domestic Equity	42%
Foreign Equity	23%
Bonds	35%

Concentrations

The plan has three investments each exceeding 5% of total assets. The funds and corresponding allocations are: Oppenheimer Main Street Small & Mid Cap Fund, 5.58%; Goldman Sachs Small/Mid-Cap Growth Fund, 8.42%; and, MFS Research International Fund, 8.57%.

Rate of return

For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability

The components of the Department's OPEB liability at September 30, 2017, were as follows:

Total OPEB liability	$ 2,965,828
Plan fiduciary net position	4,735,542
Net OPEB liability (asset)	$ (1,769,714)
Plan fiduciary net position as a percentage of the total OPEB liability	159.67%

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, 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
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Flat 4% annually

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.

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

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of ongoing evaluations from October 1, 2006 to September 30, 2017.

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, 2017 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.

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

The following represents the net OPEB liability of the Jefferson County Department of Health, as well as what the Jefferson County Department of Health's net OPEB liability 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	$ (1,431,275)	$ (1,769,714)	$ (2,056,697)

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

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

The following represents the net OPEB liability of the Jefferson County Department of Health, as well as what the Jefferson County Department of Health's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0% decreasing to 4.0%) or 1-percentage-point higher (9.0% decreasing to 6.0%) than the current healthcare trend rates:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB Liability	$ (1,141,894)	$ (1,769,714)	$ (200,650)

NOTE 10 – ECONOMIC DEPENDENCE

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

NOTE 11 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB – accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

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, 2017

	Budgeted Amounts Original and Final	Actual	Variance
Revenue			
Tax revenues:			
Sales tax revenues	$ 20,000,000	$ 22,045,103	$ 2,045,103
Advalorem tax revenues	6,805,000	7,077,612	272,612
Fees for services	3,788,009	3,963,005	174,996
Third-party reimbursement	7,552,816	7,755,483	202,667
Intergovernmental revenues:			
Federal grants and special contracts	1,086,046	974,771	(111,275)
State grants and other governmental revenues	1,220,934	1,134,713	(86,221)
Other revenues	1,295,979	1,598,133	302,154
Total revenues	41,748,784	44,548,820	2,800,036
Expenditures			
Current (operating):			
General government administration	11,961,477	12,197,500	(236,023)
Health statistics and vital records	432,364	423,010	9,354
Environmental health	6,021,475	5,372,840	648,635
Disease control	5,909,664	5,215,135	694,529
Dental health	2,158,609	1,875,590	283,019
Clinical primary and support service	17,933,246	15,693,693	2,239,553
Other expenditures	1,827,447	799,016	1,028,431
Total expenditures	46,244,282	41,576,784	4,667,498
Excess of revenues (expenditures)	(4,495,498)	2,972,036	7,467,534
Other financing sources (uses)			
Other sources - transfers in	5,695,498	-	(5,695,498)
Other uses - transfers out	(1,200,000)	(1,200,000)	-
Total other financing uses	4,495,498	(1,200,000)	(5,695,498)
Net change in fund balance	$ -	$ 1,772,036	$ 1,772,036

A. Employees' Retirement System of Alabama

Schedule of Changes in Net Pension Liability

	2016	2015	2014
Total pension liability			
Service Cost	$ 2,125,909	$ 2,084,496	$ 2,117,297
Interest	12,395,840	12,294,221	12,155,638
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(279,001)	(362,655)	-
Changes of assumptions	4,334,855	-	-
Benefit payments, including refunds of employee contributions	(12,769,910)	(12,721,731)	(12,359,564)
Transfers among employers	10,519	-	-
Net change in total pension liability	5,818,212	1,294,331	1,913,371
Total pension liability - beginning	161,332,955	160,038,624	158,125,253
Total pension liability - ending (a)	$ 167,151,167	$ 161,332,955	$ 160,038,624
Plan Fiduciary Net Position			
Contributions - employer	$ 4,059,458	$ 3,970,489	$ 3,279,227
Contributions - employee	1,272,188	1,213,267	1,180,665
Net investment income	10,274,715	1,270,798	12,295,106
Benefit payments, including refunds of employee contributions	(12,769,910)	(12,721,731)	(12,359,564)
Transfers among employers	10,519	(29,140)	(40,811)
Net change in plan fiduciary net position	2,846,970	(6,296,317)	4,354,623
Plan net position - beginning	104,603,481	110,899,798	106,545,175
Plan net position - ending (b)	$ 107,450,451	$ 104,603,481	$ 110,899,798
Net pension liabilty (asset) - ending (a) - (b)	$ 59,700,716	$ 56,729,474	$ 49,138,826
Plan fiduciary net position as a percentage of total pension liability	64.28%	64.84%	69.30%
Covered employee payroll	$ 24,017,021	$ 23,374,483	$ 23,697,656
Net pension liabilty as a percentage of covered employee payroll	248.58%	242.70%	207.36%

B. City of Birmingham Retirement & Relief Pension System

	2017	2016	2015	2014
Total pension liability				
Service Cost	$ 49,939	$ 61,004	$ 64,181	$ 62,675
Interest	778,040	749,345	764,708	765,878
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	70,755	(187,011)	(202,192)	-
Changes of assumptions	-	(84,528)	-	-
Benefit payments, including refunds of employee contributions	(901,200)	(838,553)	(853,769)	(836,771)
Net change in total pension liability	(2,466)	(299,743)	(227,072)	(8,218)
Total pension liability - beginning	10,824,469	11,124,212	11,351,284	11,359,502
Total pension liability - ending (a)	$ 10,822,003	$ 10,824,469	$ 11,124,212	$ 11,351,284
Plan Fiduciary Net Position				
Contributions - employer	$ 12,517	$ 12,474	$ 13,888	$ 14,707
Contributions - employee	31,164	31,055	34,556	36,616
Net investment income	1,662,389	61,975	665,531	2,288,551
Benefit payments, including refunds of employee contributions	(901,200)	(838,553)	(853,769)	(836,771)
Net change in plan fiduciary net position	804,870	(733,049)	(139,794)	1,503,103
Plan net position - beginning	14,880,920	15,613,969	15,753,763	14,250,660
Plan net position - ending (b)	$ 15,685,790	$ 14,880,920	$ 15,613,969	$ 15,753,763
Net pension liabilty (asset) - ending (a) - (b)	$ (4,863,787)	$ (4,056,451)	$ (4,489,757)	$ (4,402,479)
Plan fiduciary net position as a percentage of total pension liability	144.94%	137.47%	140.36%	138.78%
Covered employee payroll	$ 519,400	$ 517,583	$ 575,933	$ 610,267
The Plan's net pension liability as a pecentage of covered employee payroll	-936.42%	-783.73%	-779.56%	-721.40%

Jefferson County Department of Health
Schedule of Employer Contributions

A. Employees' Retirement System of Alabama

	2017	2016	2015
Actuarially Determined Contribution	4,342,996	$ 4,151,055	$ 4,057,707
Employer Contributions to Pension Plan	4,342,996	4,151,055	4,057,707
Annual Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 24,017,021	$ 24,017,021	$ 23,374,484
Employer Contributions to Pension Plan as a % of Covered Employee Payroll	18.08%	17.28%	17.36%

B. City of Birmingham Retirement & Relief Pension System

	2017	2016	2015
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Contributions	12517	12,474	13,888
Contribution Deficiency (Excess)	$ (12,517)	$ (12,474)	$ (13,888)
Covered Employee Payroll*	519400	$ 517,583	$ 575,933
Contributions as a Percentage of Covered Employee Payroll	2.41%	2.41%	2.41%

* Included assumed contribution rate of 7.00%

Post-employment benefits (See also Note 9)

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2017	$ (24,684)	1152.36%	$ (4,213,665)
Medical	September 30, 2016	75,820	264.07%	(3,904,532)
Medical	September 30, 2015	71,403	362.69%	(3,704,317)
Medical	September 30, 2014	30,333	946.06%	(3,445,344)
Medical	September 30, 2013	29,657	1087.71%	(3,188,704)
Medical	September 30, 2012	183,788	614.13%	(2,895,780)
Medical	September 30, 2011	224,224	93.07%	(1,950,876)
Medical	September 30, 2010	196,067	99.94%	(1,966,422)

B. Funded Status and Funding Progress.

In the fiscal year ending September 30, 2009, the Department made a lump sum contribution of $1,983,373 to its post-employment benefits plan by a transfer of assets within the meaning of paragraph 141 of GASB 45 as of the end of the fiscal year. The Department also contributed an additional $848,343 to its post-employment benefits plan in the fiscal year ending September 30, 2012. Based on the most recent actuarial valuation, the end of year AAL was $2,639,631, which is defined as that portion, as determined by a particular actuarial cost method (the Department uses the projected unit cost method), for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2017 are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll (b-a)/c
September 30, 2017	$ 4,735,542	$ 2,965,828	$ (1,769,714)	159.67%	$ 22,309,641	-7.93%
September 30, 2016	4,090,231	3,685,874	(404,357)	110.97%	25,625,104	-1.58%
September 30, 2015	4,090,231	3,685,874	(404,357)	110.97%	25,625,104	-1.58%
September 30, 2014	3,752,401	2,369,631	(1,382,770)	158.35%	21,607,500	-6.40%
September 30, 2013	3,752,401	2,369,631	(1,382,770)	158.35%	21,607,500	-6.40%
September 30, 2012	3,317,392	2,767,625	(549,767)	119.86%	30,437,001	-1.81%

C. Schedule of changes in Net OPEB Liability and related ratios for the year ended September 30, 2017:

Total OPEB Liability	
Service cost	$ 30,722
Interest	206,643
Changes in benefit terms	-
Difference between expected an actual experience	(81,862)
Changes of assumptions	-
Benefit payments	283,422
Net change in total OPEB liability	$ (127,919)
Total OPEB liability, beginning of year	3,093,747
Total OPEB liability, end of year	2,965,828
Plan Fiduciary Net Position	
Contributions - employer	283,422
Contributions - other	-
Net investment income	441,337
Benefit payments and net transfers	283,422
Administrative expense	-
Net change in fiduciary net position	441,337
Plan fiduciary net position, beginning of year	4,294,206
Plan fiduciary net position, end of year	4,735,543
Net OPEB liability, end of year	(1,769,715)
Plan fiduciary net position as a percentage of the total OPEB liability	159.67%
Covered employee payroll in year ending September 30, 2017	22,309,641
Net OPEB liability as a percentage of covered-employee payroll	-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.

D. Schedule of Employer Contributions

Actuarially determined contribution			(66,019.00)
Contributions in relation to the actuarially determined contribution			
Employer contributions to trust	-		
Employer-paid retiree premiums	284,448		
Employer-paid expenses	-		
			284,448
Contribution deficiency (excess)			(350,467.00)
Covered annual payroll		$	22,309,641
Contributions as a percentage of covered employee payroll			1.28%

Notes to Schedule:

Valuation date	10/1/2016 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 4% annually
Salary increases	4.0% annually
Investment return	7.0% annually
Retirement age	4 years after the earliest of: 25 years of service; 13 years after retirement and Medicare eligibility; employees hired on and after 1/1/2013 are not eligible to retire before age 62.
Mortality	94 GAR projected to 2002, 50% unisex blend
Turnover	Age specific table with an average of 8% when applied to the active census

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

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

	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	13.97%	5.09%	-1.96%	6.07%	17.83%	10.61%	-1.41%	11.39%

Source: Regions Wealth Platform (RWP)

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

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 2017 were 17.76% for tier 1 employees (hired before January 1, 2013) and 15.44% 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 2017 were based on the September 30, 2014 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	29 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return:	8.00%
Projected Salary Increases:	3.75 - 7.25%

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

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

B. City of Birmingham Retirement & Relief Pension System

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

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

NOTE 2 – SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

NOTE 3 – ACTUARIAL ASSUMPTIONS

Valuation Date	7/1/2016
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level percent of payroll, using 2.5% annual increases
Remaining Amortization Period	Rolling 30 years
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a 5 year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	
Investment Rate of Return	7.50%, including inflation, net of pension plan investment expense
Projected Salary Increases	2.50%, plus age-related salary scale based on participant group
Inflation rate	2.50%
Cost of Living Adjustments	N/A

Supplementary Information

Year ended September 30, 2017

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	Unknown	$ 454,388	$ -
Family Planning Services	93.217	Unknown	417,725	-
Public Health Emergency Preparedness	93.069	Unknown	337,077	-
Immunization Cooperative Agreements	93.268	C60112012	192,100	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	Unknown	77,786	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	Unknown	92,587	-
Passed through University of Alabama at Birmingham				
HIV Demonstration, Research, Public and Professional Education Projects	93.941	Unknown	10,071	-
Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	Unknown	60,000	-
Total U.S. Department of Health and Human Services			1,641,734	-
U.S. Department of Agriculture				
Passed through State of Dept. of Public Health				
Special Supplemental Food Program for Women, Infants, and Children	10.557	C570115079	2,892,970	-
Total U.S. Department of Agriculture			2,892,970	-
U.S. Environmental Protection Agency				
Direct				
Air Pollution Control Program Support	66.001		610,355	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		322,858	-
Total U.S. Environmental Protection Agency			933,213	-
U.S. Department of Transportation				
Passed through State Dept. of Transportation				
Highway Planning and Construction Cluster	20.205	Unknown	57,595	-
Total U.S. Department of Transportation			57,595	-
Total federal awards			$ 5,525,512	$ -

See notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – INDIRECT COST RATE

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

Jefferson County Department of Health

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

(205) 933-7822
(205) 933-7944 (fax)
www.cricpa.com

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, 2017, 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 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Birmingham, Alabama
March 14, 2018

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

Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

(205) 933-7822
(205) 933-7944 (fax)
www.cricpa.com

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, 2017. 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, 2017.

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
March 14, 2018

Jefferson County Department of Health

Schedule of Findings and Questioned Costs

Year ended September 30, 2017

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 - Special Supplemental Food Program for Wom Infants, and Children

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

Section II - Financial Statement Findings

There were no matters to be reported.

Section III - Federal Awards Findings and Questioned Costs

There were no matters to be reported.