

CULLMAN COUNTY CENTER FOR THE
DEVELOPMENTALLY DISABLED, INC.

FINANCIAL STATEMENTS

September 30, 2017

Dyer & Smith, LLC

Certified Public Accountants

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CULLMAN COUNTY CENTER FOR THE
DEVELOPMENTALLY DISABLED, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cullman County Center for the Developmentally Disabled, Inc.
Cullman, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Cullman County Center for the Developmentally Disabled, Inc. (CCCDD), as of September 30, 2017 as described in the accompanying table of contents and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCCDD, as of September 30, 2017, and the changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Continued - Next Page

Other Matters

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Requirements, and Audit Requirements of Federal Awards (Uniform Guidance) and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A), on pages i-v, be presented to supplement the basic financial statements, although not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Required Supplementary Information:

Pension Liabilities and Related Disclosures

Accounting principles generally accepted in the United States of America require that the accompanying Schedules related to Pension Liability, on pages 32-36, be presented to supplement the basic financial statements, although not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

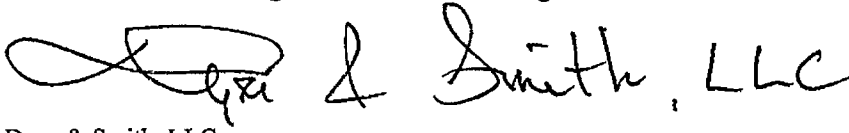
Additional Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements referred to above taken as a whole. The accompanying additional information (pages 14 - 22) is presented for purposes of additional analysis and is not a required part of the basic financial statements of CCCDD. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Continued – Next Page

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017 on our consideration of the CCCDD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 CCCDD's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Dyer & Smith, LLC". The signature is stylized and cursive, with a large loop at the beginning and a long tail extending to the right.

Dyer & Smith, LLC
Certified Public Accountants
February 2, 2018

SECTION I

MANAGEMENT'S DISCUSSION AND ANALYSIS INTRODUCTION

Cullman County Center for the Developmentally Disabled, Inc., hereafter referred to as "CCCDD," is pleased to present its Annual Financial Report developed in compliance with Statement of Governmental Accounting Standards No. 62, entitled "Codification of Accounting and Financial Reporting guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements" (hereafter "GASB 62"), and related standards.

Mission

The mission of CCCDD is to provide educational and vocational training for physically and mentally challenged persons and facilitate this broad compassion by offering day care and rehabilitation to adults, group home living assistance, adult day health services, transportation services, targeted adult case management services, early intervention child care services, infant and toddler day care services, summer program, total quality industries job placement, and coordinated integration and management of these programs. This mission serves as the foundation for CCCDD's operational and financial initiatives of the departments and functions, and performance development for employees and systems. The Annual Financial Report is one of many tools used to communicate historical financial condition and performance results

Responsibility and Controls

CCCDD has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

CCCDD's system of internal accounting controls is evaluated on an ongoing basis by the CCCDD's financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Board of Directors serves as the Audit Committee. The Board is composed of eleven members who are not employees and who provide a broad overview of management's financial reporting and control functions.

Management believes that its policies and procedures provide guidance and reasonable assurance that the CCCDD's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of CCCDD in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unqualified (i.e. clean) opinion of our independent external auditors, Dyer & Smith, L.L.C, CPA's, is included in this report.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the CCCDD's financial condition and performance.

Financial Highlights

Total assets at year-end were \$1,625, 948 and exceeded liabilities by \$806,628.

Operating revenues were \$4,040,338.

Operating expenses were \$3,965,803.

Operating income for the year was \$74,535.

Overview of Annual Financial Report

The financial statements report information about CCCDD using full accrual accounting methods promulgated for governmental entities:

Government Wide Financial Statements

The Statement of Net Position include all of CCCDD's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It is also the basis for evaluating the capital structure of CCCDD and assessing the liquidity and financial flexibility of CCCDD.

All of each year's revenues and expenses are accounted for in the Statement of Activities and Changes in Net Position. This statement measures the success of the CCCDD's operations during the year and can be used to determine whether CCCDD has successfully recovered all its costs through contract rates and fees, highlights profitability and credit worthiness.

Governmental Fund Financial Statements

The Balance Sheet - Governmental Funds includes assets and liabilities only related to government contracts, grants. It is also the basis for evaluating CCCDD's compliance with grants and contracts.

The Statement of Grants, Support, Revenues, Expenditures and Changes in Fund Balance of Governmental Funds summarizes all grants, support revenues and expenditures related to governmental activities as well as the basis for determining grant compliance.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared by CCCDD's staff from the detailed books and records of the Board. The financial statements were audited and adjusted, if material, during the independent external audit process.

Summary of Organization and Business

CCCDD was incorporated on August 10, 1990, under the laws of Alabama, more particularly Act 310 adopted by the Alabama legislature in 1967. CCCDD is a quasi-governmental entity as defined by the Alabama legislature, but operates as a non-profit as defined in its Articles of Incorporation.

CCCDD has no taxing power. Operational and maintenance costs are funded primarily from federal, and state grants and generous assistance from local jurisdictions and donors. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers and developers, customer revenues, and long-term borrowing.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

Contacting the Board's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the CCCDD's finances and to demonstrate the CCCDD's accountability for the money it receives. If you have any questions about this report, or need additional information, please contact the CCCDD at Cullman, Alabama at (256) 737-1915.

CONDENSED BALANCE SHEETS

	September 30	
	<u>2017</u>	<u>2016</u>
Current and unrestricted assets	\$ 166,383	\$ 6,205
Restricted & reserved assets assets	39,324	29,010
Grants receivable	239,436	362,758
Other current assets	9,393	9,393
Capital assets (net)	626,524	582,403
Deferred outflows	544,888	163,184
Total Assets	<u>\$ 1,625,948</u>	<u>\$ 1,152,953</u>
Current liabilities	\$ 126,628	\$ 166,369
Line of credit	300	21,651
Long-term liabilities	-	-
Net pension liability	673,733	210,726
Deferred inflows	18,659	22,114
Total Liabilities	<u>819,320</u>	<u>420,860</u>
Net Position:		
Invested in Capital Assets,		
Net of Related Debt	626,524	582,403
Unrestricted	<u>180,104</u>	<u>149,690</u>
Total Net Position	<u>806,628</u>	<u>732,093</u>
Total Liabilities and Net Position	<u>1,625,948</u>	<u>1,152,953</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30	
	<u>2017</u>	<u>2016</u>
Grants including local match funds	\$ 4,040,338	\$ 3,670,355
Interest income		14,907
Other revenues	-	248,177
Total Operating Revenues	<u>4,040,338</u>	<u>3,933,439</u>
Program expenses	3,868,703	3,480,438
Administrative expenses	97,100	158,763
Transfers	-	-
Total Operating Expenses	<u>3,965,803</u>	<u>3,639,201</u>
Operating Income	74,535	294,238
Beginning Net Position	<u>732,093</u>	<u>437,855</u>
Ending Net Position	<u>\$ 806,628</u>	<u>\$ 732,093</u>

SECTION II

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
STATEMENT OF NET POSITION
September 30, 2017

ASSETS

ASSETS

Cash - unrestricted	\$	166,383
Cash - board reserved		15,339
Client deposits		23,985
Accounts receivable - grants - net of allowance of \$ -0-		239,436
Prepaid expenses		9,393
Capital assets:		
Land	\$	44,000
Land - future development		39,823
Buildings and improvements - group homes		1,386,920
Office furniture and equipment		59,217
Transportation equipment		453,143
Leasehold improvements		181,787
Less: accumulated depreciation		<u>(1,538,366)</u>
		<u>626,524</u>
 DEFERRED OUTFLOWS		 <u>544,888</u>
 TOTAL ASSETS		 <u>\$ 1,625,948</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$	35,951
Client deposits		23,985
Accrued expenses		10,252
Accrued absences		56,440
Line of credit		<u>300</u>
Total Current liabilities		126,928
 NET PENSION LIABILITY		 673,733
 DEFERRED INFLOWS		 <u>18,659</u>
 TOTAL LIABILITIES		 <u>819,320</u>
 NET POSITION		
Invested in capital assets, net of related debt		626,524
Unrestricted		<u>180,104</u>
 TOTAL NET POSITION		 <u>\$ 806,628</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions / Programs	Expenses	Contracts Grants & Support	Revenue (Expense) and Changes in Net Assets Governmental Activities
<u>Primary Governmental Activities:</u>			
Program expenses	\$ 3,868,703	\$ 3,943,869	\$ 75,166
Administrative expenses	97,100	96,469	(631)
Total Governmental Activities	3,965,803	4,040,338	74,535
 <u>Other Financing Sources (Uses)</u>			
Sources			-
Uses			-
Total Other Financing Sources			-
Change in Net Position			74,535
Net Position - Beginning			732,093
Net Position - Ending			\$ 806,628

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
September 30, 2017

Total Fund Balances - Governmental Funds	\$ 384,048
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Land	44,000
Land - future development	39,823
Buildings and improvements	1,386,920
Office furniture and equipment	59,217
Transportation equipment	453,143
Leasehold improvements	181,787
Less: accumulated depreciation	<u>(1,538,366)</u>

Net Capital Assets	626,524
Deferred Outflows	544,888
Accrued Absences	(56,440)
Net Pension Liability	(673,733)
Deferred Inflows	<u>(18,659)</u>
Total Net Position	<u><u>\$ 806,628</u></u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Government Funds</u>
ASSETS			
CURRENT ASSETS			
Cash - unrestricted	\$ 166,383	\$ -	\$ 166,383
Cash - board reserved	15,339	-	15,339
Client deposits	23,985	-	23,985
Accounts receivable - grants - net of allowance of \$ -0-	239,436	-	239,436
Prepaid expenses	9,393	-	9,393
	<u>454,536</u>	<u>-</u>	<u>454,536</u>
Total Current Assets			
	<u>454,536</u>	<u>-</u>	<u>454,536</u>
TOTAL ASSETS	<u>\$ 454,536</u>	<u>\$ -</u>	<u>\$ 454,536</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 35,951	\$ -	\$ 35,951
Client deposits	23,985	-	23,985
Accrued expenses	10,552	-	10,552
	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>70,488</u>	<u>-</u>	<u>70,488</u>
TOTAL LIABILITIES	<u>70,488</u>	<u>-</u>	<u>70,488</u>
FUND BALANCES			
Unassigned	384,048	-	384,048
TOTAL FUND BALANCES	<u>384,048</u>	<u>-</u>	<u>384,048</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 454,536</u>	<u>\$ -</u>	<u>\$ 454,536</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 STATEMENT OF GRANTS, SUPPORT, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 For the Year Ended September 30, 2017

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u> <u>Government</u> <u>Funds</u>
GRANTS, SUPPORT & REVENUES			
Federal	\$ -	\$ 1,957,260	\$ 1,957,260
State	-	970,785	970,785
Local	-	211,902	211,902
Other revenue	-	<u>900,391</u>	<u>900,391</u>
TOTAL REVENUES	-	<u>4,040,338</u>	<u>4,040,338</u>
EXPENDITURES			
Administrative	-	97,100	97,100
Program	-	<u>3,868,703</u>	<u>3,868,703</u>
TOTAL EXPENDITURES	-	<u>3,965,803</u>	<u>3,965,803</u>
CHANGE IN FUND BALANCES	-	74,535	74,535
TRANSFERS- Gov't funds	74,535	(74,535)	-
TRANSFERS- Gov't wide	24,933		24,933
FUND BALANCES - Beginning of year	<u>284,580</u>	<u>-</u>	<u>284,580</u>
FUND BALANCES, End of year	<u>\$ 384,048</u>	<u>\$ -</u>	<u>\$ 384,048</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds \$ -

Change in Fund Balances of Governmental Activites \$ -

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 STATEMENT OF SUPPORT, REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OPERATING - BUDGET TO ACTUAL
 For the Year Ended September 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Federal	\$ 1,808,800	\$ 1,957,260	\$ 148,460
State	859,000	970,785	111,785
Local	195,000	211,902	16,902
Other revenue	<u>692,000</u>	<u>900,391</u>	<u>208,391</u>
TOTAL REVENUES	<u>3,554,800</u>	<u>4,040,338</u>	<u>485,538</u>
EXPENDITURES			
Administrative	87,036	97,100	(10,064)
Program	<u>3,467,764</u>	<u>3,868,703</u>	<u>(400,939)</u>
TOTAL EXPENSES	<u>3,554,800</u>	<u>3,965,803</u>	<u>(411,003)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>74,535</u>	<u>74,535</u>

NOTES TO FINANCIAL STATEMENTS
CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cullman County Center for the Developmentally Disabled, Inc. (CCCDD) have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to government units. The Governmental Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the CCCDD's accounting principles are described below:

Reporting Entity

CCCDD was incorporated in 1990 under the laws of the State of Alabama as provided by Act #310 adopted by the Alabama Legislature in 1967. Statement No. 14 of the GASB establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of CCCDD. However, CCCDD is a component unit of the City of Cullman, Alabama. CCCDD is a component unit of the City of Cullman / Cullman County Commission and is operated by an eleven member Board of Directors appointed by the City of Cullman / Cullman County Commission. The Board is responsible for policy making and monitoring. The Board has hired an Executive Director to administer day-to-day operations. Upon dissolution, the assets of CCCDD would revert to the State of Alabama.

Measurement focus, Basis of Accounting and Financial Statement Presentation

CCCDD uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred, even though actual receipt or payment may not occur until after the accounting period ends. CCCDD has elected to follow GASB #62 and nomenclature changes required under GASB #63. GASB #62 incorporates accounting and financial reporting guidance from FASB and AICPA pronouncements into the GASB authoritative literature. The impact of the adoption of these accounting standards on financial condition or results of operations is inconsequential.

Government-Wide Financial Statements

The statement of net position, GASB #63, and the statement of activities present the financial activities of CCCDD. Governmental activities are financed through grants, intergovernmental revenues and other exchange transactions. The statement of activities presents a comparison between the direct expenses and program revenues for each function of CCCDD's governmental activities. Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. If grant receipts have not been expended, grantors sometimes require that the unexpended funds be reimbursed to the grantor. Net position is defined and categorized as follows: 1) Invested in capital assets, net of related debt – This component of net 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 capital assets. 2) Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, such as debt covenants, grantors, contributors, trusts or laws or regulations of other governments or constraints imposed by law through constitutional or enabling legislation. 3) Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTES TO FINANCIAL STATEMENTS
CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

The fund financial statements provide information about CCCDD's funds. Major funds presented are the General Fund and Special Revenue Fund. The General Fund is the primary operating fund of CCCDD. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fund accounts for the proceeds of entitled revenue requiring separate accounting because of contractual, legal or regulatory provisions in contract and/or grant agreements.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from three to twenty years. Retirements of units of property from service are credited against plant in service at the original cost of the units and accumulated depreciation is debited at the date of retirement. Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset. The cost of maintenance, repairs and replacement of minor items of property are charged to maintenance accounts.

Compensated Absences

Full-time, permanent employees are granted vacation benefits accruing at a specified rate each payroll period. Employees may carry over a portion of their annual leave from year to year and are entitled to such leave upon termination or retirement to a specified maximum. These employees and part-time employees who work over 20 hours per week also accrue sick leave, a portion of which may carry over to the following year but will not be paid upon termination or retirement.

Budgetary Data

The CCCDD's director submits an annual budget to the Board of Directors. Once approved, the budget is a planning tool and is not amended throughout the year. As shown by the Statement of Revenues and Expenditures and Changes in Net Assets - Budget and Actual, the Center's growth this year caused a significant positive difference between budget and actual figures.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses that were assumed in preparing the financial statements

NOTES TO FINANCIAL STATEMENTS
 CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 September 30, 2017

NOTE 2 - TAX STATUS

As provided in the articles of incorporation, CCCDD is to operate as a public non-profit body corporate under the laws of the State of Alabama - ACT 310, Code of AL 1975, 22-51-1 through 22-51-14. CCCDD is a tax exempt organization under the provisions of Section 501 (c) (3) of the Internal Revenue Code (See Note 13).

NOTE 3 – CASH DEPOSITS

At September 30, 2017, all cash of CCCDD is entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14A of the code of the state of Alabama with a Qualified Public Fund Depository. Funds held by the banks' trust departments or agents are invested in U. S. governmental securities or are secured by U. S. governmental securities.

The detail of CCCDD's cash deposits at year end is presented below.

<u>Description</u>	
Cash per balance sheet	\$ 215,228
Outstanding checks	50,773
Deposits in transit	(4,532)
Petty Cash	(400)
	<u>261,069</u>
Cash insured by FDIC	<u>261,069</u>
Potential exposure under SAFE Program	<u>\$ -0-</u>

NOTE 4 - RESTRICTED CASH

Client Deposits

Client deposits for personal and incidental expenses in the amount of \$23,985 are maintained in a separate account and are not available for CCCDD operations. A deferred liability for client deposits is also reflected in the statement of net assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
 CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 September 30, 2017

NOTE 5 – ACCOUNTS RECEIVABLE

Amounts due from other governments include \$239,436 to be reimbursed by the Department of Mental Health and Mental Retardation under contractual grants. Subsequent to year end all receivables were collected. Therefore, no allowance for uncollectible receivables is considered appropriate and none was recorded.

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

Description	Balance October 1, 2016	Additions	Retirements Transfers	Balance September 30, 2017
Buildings and Improvements	\$ 1,277,822	\$ 109,098	-0-	\$ 1,386,920
Land	44,000		-0-	44,000
Land for future development	39,823		-0-	39,823
Equipment	55,892	3,325	-0-	59,217
Vehicles	423,982	29,161	-0-	453,143
Leasehold Improvements	181,787	-0-	-0-	181,787
Accumulated Depreciation	<u>(1,440,903)</u>	<u>(97,463)</u>	<u>-0-</u>	<u>(1,538,366)</u>
Net	<u>\$ 582,403</u>	<u>\$ 44,121</u>	<u>-0-</u>	<u>\$ 626,524</u>

Depreciation expense for the year ended September 30, 2017 was \$97,463.

NOTE 7 - CONTINGENT LIABILITIES AND CONCENTRATIONS OF CREDIT RISK

Operations

CCCDD receives substantial funding under contracts from various federal and Alabama agencies. Receipt of money from these agencies is subject to the availability of funds.

CCCDD receives grants and contracts from various federal and State agencies. These grants and contract programs are subject to audit by these agencies, the purpose of which is to ensure compliance with conditions precedent to the granting and reimbursement of such funds. Any liability, if any, for reimbursement which may arise as the result of these audits is not believed to be material.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
September 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN

All CCCDD's full-time employees are eligible to participate in the system. Employees who retire at or after 60 (As of January 1, 2013 new hires, age 62) with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, based on a percentage of the employee's final average salary. Final average salary is attained by averaging the salary for the three highest annual salaries of the last 10 years service (As of January 1, 2013, new hires five highest). The Benefit Factor is 2.0125% per year (As of January 1, 2013 the Factor for new hires reduces to 1.65%). Benefits fully vest on reaching 10 years of service. Vested employees also may retire after 25 years of service at any age and without any reduced benefits. The system also provides death and disability benefits. Benefits are established by State statute and approved by CCCDD. Covered employees are required by State statute to contribute 5 percent of their salary to the plan. CCCDD is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the fiscal year beginning October 1, 2018, CCCDD's portion will consist of a 2.40% normal contribution rate, a 1.62% accrued liability rate, a .02% pre-retirement death benefit and a .35% administrative expense rate, totaling a 4.39% rate.

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits on an elective basis. The responsibility for the general administration and operation of the Plan is vested in its Board of Control. Title 35 – Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits. Benefits vest after 10 years of service. Employees may retire after age 60 with 10 years or more service or with 25 or 30 years of service are entitled to an annual benefit payable monthly for life. Service and disability 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. Contributions to the Plan is 7.25% for members. For each of year of service members are allowed 2.0125% of their average final compensation.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier II). Contributions to the Plan is 7.25% for members. These members are eligible for retirement after age 62 with 10 years or more of service. Service and disability 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. For each of year of service members are allowed 1.65 % of their average final compensation. For the fiscal year beginning October 1, 2018, the CCCDD's portion, for Tier I employees consists of a 2.40% normal contribution rate, a 1.62% accrued liability rate, a .02% pre-retirement death benefit and a .35% administrative expense rate, totaling a 4.39% rate. For the fiscal year beginning October 1, 2018, the CCCDD's portion, for Tier II employees consists of a (0.06)% normal contribution rate, a 4.41% accrued liability rate, a .02% pre-retirement death benefit and a .35% administrative expense rate, totaling a 4.72% rate. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the system and employers.

Values reflects Alabama Act 2011-676 increasing member contribution rates by 2.25% on October 1, 2011 and an additional 0.25% beginning October 1, 2012.

Effective for plan years beginning after September 30, 2014, GASB #68, 71 and as modified, sets standards for the measurement, recognition and disclosure in financial statements of plan liabilities. Under Alabama law the Power Board has sole responsibility for funding this liability.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
September 30, 2017

NOTE 9 - DEFERRED COMPENSATION

CCCDD offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer Federal income taxation on a portion of their compensation until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of CCCDD (without being restricted to provisions of benefits, under the plan), subject only to claims of the Center's general creditors. Participants' rights under the plan are equal to those of general creditors of CCCDD in an amount equal to the fair market value of the deferred account for each participant. These assets are reported on the fiscal year of the plan which ends September 30. The plan assets are accounted for in a legally separate Deferred Compensation Fund and not recorded in these financial statements.

NOTE 10 - LONG-TERM LEASE COMMITMENTS

Adult Day Care, Administrative Offices and Total Quality Industries (TOI)

On October 1, 2003 CCCDD entered into a long-term lease with the Cullman County ARC for certain premises. The lease call for monthly payments for two buildings aggregating to \$9,000 per month. CCCDD's administrative offices, Day Care Center and Workshop occupied the new facility in February 1998. \$108,000 been charged to rent during 2017 under terms of the lease arrangement. The lease lapses on September 30, 2043.

Group Home

CCCDD entered into a one year lease in the amount of \$850 per month for one year, beginning in May 2017 to house supervisory personnel that will monitor clients at the Nail house. Total rent charged during the year was \$5,581.

New Building

CCCDD pays Cullman County ARC \$7,400 per month for the new building beginning August 1, 2015 through July 1, 2020.

Adult Case Management pays \$1,900 per month rent for use of office space in the New Building. \$22,800 was charged to expense during the year.

NOTE 11- LINE OF CREDIT

Line of Credit payable to Peoples Bank of Alabama - \$100,000. Interest accrues at 4.25% per annum and is payable monthly. The note is due on July, 2018. At September 30, 2017 the outstanding principal balance is \$300.

NOTE 12 – ALLOCATION OF ADMINISTRATION COSTS

Allocation of administration costs is based upon direct labor by program. Administrative costs allocated to program costs are first reduced by ineligible costs as defined in the MR/DD Waiver Fiscal Procedures Manual audit guidelines promulgated by the Alabama Medicaid Agency.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
September 30, 2017

NOTE 13 - TAX RELATED UNCERTAINTIES (SEE NOTE 2)

CCCDD has adopted the provisions of ASC topic 740 - 10 (FASB Interpretation 48), "Accounting for Uncertainty in Income Taxes." The standard provides clarification on accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition, measurement and disclosure of a tax position taken or expected to be taken in a tax return. Examples of uncertainties under the standard are: 1) Tax exempt status, 2) Disallowance or redetermination of various positions related to sources of unrelated business taxable income (UBIT), 3) Penalties for failure to provide required disclosure regarding *quid pro quo* contributions over \$75. There are no unrecognized tax benefits reflected in the accompanying financial statements or positions taken in the tax returns that are believed to be uncertain. Tax years open to examination by the taxing authorities are the years ended September 30, 2017, 2016 and 2017.

NOTE 14 – PRIVATE PURPOSE TRUST – RICHARD BLAND IRREVOCABLE TRUST – RELATED PARTY

Proceeds from the estate of Dortha Marie Bland, in the amount of \$393,996, are restricted as provided by the will of Dortha Marie Bland, are maintained in separate accounts and are not available for CCCDD operations. During the year ended September 30, 2011 the Estate's executor filed for the transfer of the assets of the estate to the Richard Bland Irrevocable Trust. CCCDD has acted under the authority of the Probate Court of Cullman County, Alabama, pursuant to a writ of Letters Testamentary, Case #PC2010-066. CCCDD is the Trustee of the Trust. Richard Bland is a client in the care of CCCDD. The Trust provides for the perpetual care of Richard Bland, not already provided by the state of Alabama, until his death, at which time the remaining assets, if any, are to be transferred to CCCDD for its unrestricted use. The Trust is accounted for, on a calendar year basis and the value of the assets of the Trust is maintained at market value as of December 31, 2017. Assets include a group home owned by the Trust and occupied by the beneficiary and managed by CCCDD and investment assets. CCCDD pays rent to the Trust for the use of the group home. CCCDD has no control over the Trust except as described. The assets are not included in the accompanying financial statements. The Trust and CCCDD are related by common management.

NOTE 15 - SUBSEQUENT EVENTS

In preparing these financial statements, CCCDD evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available and issued. There are no subsequent events to be recorded or disclosed in the financial statements for the fiscal year ended September 30, 2017.

ADDITIONAL INFORMATION

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
SCHEDULE OF SUPPORT AND REVENUES
For the Year Ended September 30, 2017

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Other</u>	<u>Total</u>
U.S. Department of Health and Human Services DMH/MR Contract	\$ 1,957,260	\$ -	\$ -	\$ -	1,957,260
State Department of Mental Health and Mental Retardation DMH/MR Contract	-	776,068	-	-	776,068
Special Education Trust Fund	-	194,717	-	-	194,717
City of Cullman	-	-	73,902	-	73,902
Cullman County Commission	-	-	75,000	-	75,000
Summer Program	-	-	-	4,600	4,600
Group Home Client Deposits	-	-	-	387,838	387,838
Private pay	-	-	-	5,240	5,240
United Way	-	-	63,000	-	63,000
Client Meals	-	-	-	34,773	34,773
Snack Sales	-	-	-	19,279	19,279
Daycare	-	-	-	141,124	141,124
Walmart Workshop Revenue	-	-	-	139,593	139,593
Other Workshop Revenue	-	-	-	7,607	7,607
TQI - transportation	-	-	-	5,879	5,879
Rent	-	-	-	62,000	62,000
Contributions	-	-	-	92,458	92,458
	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,458</u>	<u>92,458</u>
Total	<u>\$ 1,957,260</u>	<u>\$ 970,785</u>	<u>\$ 211,902</u>	<u>\$ 900,391</u>	<u>\$ 4,040,338</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

	Total Program Services	Support Services and Management	Total Memorandum Only
Salaries	\$ 2,107,265	\$ 169,600	\$ 2,276,865
Equipment Rental	-	790	790
Professional Fees	89,516	8,000	97,516
Benefits	94,671	102,767	197,438
Transportation	134,034	-	134,034
Payroll Taxes	162,112	11,374	173,486
Depreciation Expense	63,156	34,307	97,463
Client Food, Lunches, & Supplies	65,719	-	65,719
Utilities	78,054	33,327	111,381
Insurance	20,787	20,787	41,574
MJJ Expenses	14,501	-	14,501
Golden Summer Program	575	-	575
Client Personal Expenses	101,536	-	101,536
Telephone	15,133	9,628	24,761
Repairs & Maintenance	74,417	73,520	147,937
Program Supplies	74,094	-	74,094
Client Vacation Expense	1,579	-	1,579
Conferences & Meetings	10,142	4,758	14,900
Workmen Compensation Insurance	38,504	3,093	41,597
Supplies	6,203	10,958	17,161
Postage	-	1,007	1,007
Miscellaneous	1,030	2,880	3,910
Staff Mileage	152	-	152
Rent	82,381	54,000	136,381
Security & Monitoring	1,350	-	1,350
Dues and Subscriptions	54	1,575	1,629
Non-medicaid Costs	-	19,165	19,165
310 Expenses	-	(853)	(853)
Medical and nursing services	89,361	-	89,361
New Building	-	78,794	78,794
Allocate Administration Costs By Program	542,377	(542,377)	-
TOTAL	\$ 3,868,703	\$ 97,100	\$ 3,965,803

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 SCHEDULE OF REVENUES BY PROGRAM
 For the Year Ended September 30, 2017

Revenues:	<u>Day Habilitation</u>	<u>Group Home</u>	<u>Infant/Toddler Targeted Case Management</u>	<u>Adult Targeted Case Management</u>	<u>Todd's Friends Daycare</u>
Federal	\$ 519,407	\$ 1,297,670	\$ 64,266	\$ 75,917	\$ -
State	25,227	535,537	186,695	28,609	-
SETF	194,717	-	-	-	-
City and County	148,903	-	-	-	-
Workshop	-	-	-	-	-
Daycare	-	-	-	-	-
Client deposits	-	387,838	-	-	141,124
Private pay	5,240	-	-	-	-
Client meals	34,773	-	-	-	-
MJJ snack sales	19,279	-	-	-	-
United Way	63,000	-	-	-	-
Fund raising	7,320	-	-	-	-
Summer Program	-	-	-	-	14,342
New Building rent	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ <u>1,017,866</u>	\$ <u>2,221,045</u>	\$ <u>250,961</u>	\$ <u>104,526</u>	\$ <u>155,466</u>

<u>TQI</u>	<u>Golden Summer Program</u>	<u>Total Program Services</u>	<u>Support Services and Management</u>	<u>Total Memorandum Only</u>
\$ -	\$ -	\$ 1,957,260	\$ -	\$ 1,957,260
-	-	776,068	-	776,068
-	-	194,717	-	194,717
-	-	148,903	-	148,903
153,078	-	153,078	-	153,078
-	-	141,124	-	141,124
-	-	387,838	-	387,838
-	-	5,240	-	5,240
-	-	34,773	-	34,773
-	-	19,279	-	19,279
-	-	63,000	-	63,000
36,327	-	57,989	34,469	92,458
-	4,600	4,600	-	4,600
-	-	-	62,000	62,000
<u>\$ 189,405</u>	<u>\$ 4,600</u>	<u>\$ 3,943,869</u>	<u>\$ 96,469</u>	<u>\$ 4,040,338</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
SCHEDULE OF EXPENSES BY PROGRAM
For the Year Ended September 30, 2017

	Day Habilitation	Group Home	Infant/Toddler Targeted Case Management	Adult Targeted Case Management	Todd's Friends Daycare
Salaries	\$ 485,140	\$ 1,226,455	\$ 81,530	\$ 90,888	\$ 93,708
Equipment Rental	-	-	-	-	-
Professional Fees	-	-	89,516	-	-
Benefits	47,765	18,511	2,943	4,851	20,601
Transportation	134,034	-	-	-	-
Payroll Taxes	36,965	95,000	6,212	6,925	7,140
Depreciation Expense	-	63,156	-	-	-
Client Food, Lunches, & Supplies	41,219	24,500	-	-	-
Utilities	31,209	46,845	-	-	-
Insurance	-	20,787	-	-	-
MJJ Expenses	14,501	-	-	-	-
Golden Summer Program	-	-	-	-	-
Client Personal Expenses	-	101,536	-	-	-
Telephone	4,058	8,231	2,565	279	-
Repairs & Maintenance	25,056	49,361	-	-	-
Program Supplies	5,108	45,575	-	942	8,187
Client Vacation Expense	-	1,579	-	-	-
Conferences & Meetings	1,053	8,086	250	753	-
Workmen Compensation Insurance	9,471	21,799	1,495	1,660	1,712
Supplies	3,234	1,247	69	1,653	-
Postage	-	-	-	-	-
Miscellaneous	-	1,030	-	-	-
Staff Mileage	-	-	152	-	-
Rent	54,000	5,581	-	22,800	-
Security & Monitoring	-	1,350	-	-	-
Dues & Subs	-	-	-	54	-
Non-medicaid Costs	-	-	-	-	-
310 Expenses	-	-	-	-	-
Medical and nursing services	-	82,192	7,106	63	-
New Building	-	-	-	-	-
Allocate Administration Costs By Program	<u>124,873</u>	<u>315,667</u>	<u>20,984</u>	<u>23,393</u>	<u>24,118</u>
TOTAL	\$ <u>1,017,686</u>	\$ <u>2,138,488</u>	\$ <u>212,822</u>	\$ <u>154,261</u>	\$ <u>155,466</u>

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<u>TOI</u>	<u>Golden Summer Program</u>	<u>Total Program Services</u>	<u>Support Services and Management</u>	<u>Total Memorandum Only</u>
\$ 129,544	\$ -	\$ 2,107,265	\$ 169,600	\$ 2,276,865
-	-	-	790	790
-	-	89,516	8,000	97,516
-	-	94,671	102,767	197,438
9,870	-	134,034	-	134,034
-	-	162,112	11,374	173,486
-	-	63,156	34,307	97,463
-	-	65,719	-	65,719
-	-	78,054	33,327	111,381
-	-	20,787	20,787	41,574
-	-	14,501	-	14,501
-	575	575	-	575
-	-	101,536	-	101,536
-	-	15,133	9,628	24,761
-	-	74,417	73,520	147,937
14,282	-	74,094	-	74,094
-	-	1,579	-	1,579
-	-	10,142	4,758	14,900
2,367	-	38,504	3,093	41,597
-	-	6,203	10,958	17,161
-	-	-	1,007	1,007
-	-	1,030	2,880	3,910
-	-	152	-	152
-	-	82,381	54,000	136,381
-	-	1,350	-	1,350
-	-	54	1,575	1,629
-	-	-	19,165	19,165
-	-	-	(853)	(853)
-	-	89,361	-	89,361
-	-	-	78,794	78,794
<u>33,342</u>	<u>-</u>	<u>542,377</u>	<u>(542,377)</u>	<u>-</u>
\$ <u>189,405</u>	\$ <u>575</u>	\$ <u>3,868,703</u>	\$ <u>97,100</u>	\$ <u>3,965,803</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 BOARD OF DIRECTORS AND OFFICIALS
 October 1, 2015 through September 30, 2017

Board Member			Term Expires
Pam Nail*	Secretary	200 Second Avenue, SW Cullman, AL 35055	2019
Judy Green*	Vice President	115 5th Street SE Cullman, AL 35055	2022
Burma Graves*	Member	307 McNutt Drive NW Hanceville, AL 35077	2022
James Chumley*	Treasurer	120 County Road 237 Cullman, AL 35055	2020
Beverly Wilkerson*	Member	1331 Goehler Road SE Cullman, AL 35055	2019
Frances Cooper*	President	1008 Chatteau Dr Cullman, AL 35055	2020
Peggy Day	Member	706 5 th Avenue Cullman, AL 35055	2020
Darlene Quick*	Member	4100 Cord 1422 Cullman, AL 35058	2019
Mary Lamar	Member	1400 Lenwood Dr Cullman, AL 35055	2019

* Denotes member of Executive Committee.

Officials

J. Terry McGill	Executive Director	106 Waterford Drive Cullman, AL 35057
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CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
LEGAL AUTHORITY
September 30, 2017

Code of Alabama 1975, 22-51-1 through 22-51-14.

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
SCHEDULE OF BONDED OFFICIALS
Year Ended September 30, 2017

Name	Position	Bonding Authority	Amount of Bond
J. Terry McGill	Executive Director	Continental	\$ 25,000
Charese Morris	Assistant Director	Continental	25,000
Frances Cooper	President	Continental	25,000
Judy Green	Vice - President	Continental	25,000
James Chumley	Treasurer	Continental	25,000
Pam Nail	Secretary	Continental	25,000

Dyer & Smith, LLC

Certified Public Accountants

112-F South Side Square
Huntsville, Alabama 35801

Phone: 256-536-1020, 256-426-1641

Email: tom.dyer@dyerandsmith.com

Fax: 256-536-1030

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION CONTRACT

Board of Directors
Cullman County Center for the Developmentally Disabled, Inc.
Cullman, Alabama

We have audited the contract numbers G7-3390-54H and G7-190472 between the Department of Mental Health/Mental Retardation (DMH/MR) and Cullman County Center for the Developmentally Disabled, Inc. as of and for the year ended September 30, 2017.

Compliance with the DMH/MR contract/agreement, Provider Agreement and all applicable laws, rules, and regulations applicable to Cullman County Center for the Developmentally Disabled, Inc. is the responsibility of the Center's management. As part of obtaining reasonable assurance about whether the contract/agreement, Provider Agreement and all applicable laws, rules and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of DMH/MR Audit Guidelines. Revenues and expenditures of cost reimbursement contracts were analyzed on a monthly basis to determine if they were in compliance with applicable terms and conditions of the contract; e.g., costs billed / vouchered to DMH/MR or Medicaid were equal to or less than actual, necessary, reasonable, and eligible costs for each respective month during the fiscal year based on the accrual basis of accounting and Section 4.d. of the DMH/MR Audit Guidelines.

The results of our tests disclosed no material instances of noncompliance with the DMH/MR contract/agreement, Provider Agreement and all applicable laws, rules, and regulations, as applicable.

This report is intended for the information of management and DMH/MR. However, this report is a matter of public record and its distribution is not limited.



Dyer & Smith, LLC
Certified Public Accountants
February 2, 2018

Dyer & Smith, LLC

Certified Public Accountants

112-F South Side Square

Scottsboro, Alabama 35801

Phone: 256-536-1020, 256-426-1641

Email: tom.dyer@dyerandsmith.com

Fax: 256-536-1030

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Officers and Directors

Cullman County Center for the Developmentally Disabled, Inc. (CCCDD)

Cullman, 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 Government Auditing Standards issued by the Comptroller of the United States, the financial statements of CCCDD as of and for the year ended September 30, 2017, and the related notes to the financial statements, which comprise CCCDD and have issued our report thereon.

Internal Control Over Financial Reporting

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

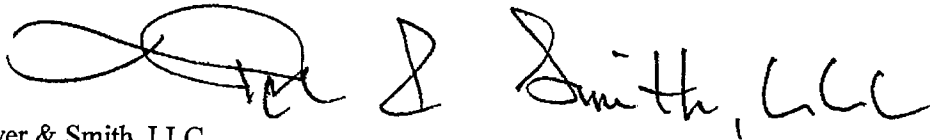
Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal controls over financial reporting that might be material and was not designed to identify all deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCCDD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 of the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in consideration of the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dyer & Smith, LLC
February 2, 2018

Dyer & Smith, LLC

Certified Public Accountants

112-F South Side Square

Scottsboro, Alabama 35801

Phone: 256-536-1020, 256-426-1641

Email: tom.dyer@dyerandsmith.com

Fax: 256-536-1030

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

To The Officers and Directors
Cullman County Center for the Developmentally Disabled, Inc. (CCCDD)
Cullman, Alabama

Report on Compliance for Each Major Federal Program

We have audited the CCCDD's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of CCCDD's major federal programs for the year ended September 30, 2017. CCCDD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of CCCDD's major federal programs based on our audit 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 of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-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 CCCDD'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 CCCDD's compliance.

Opinion of Each Major Federal Program

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

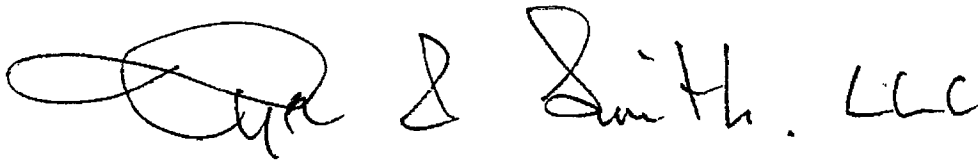
Report on Internal Control Over Compliance

Management of CCCDD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CCCDD's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing an opinion on compliance for each major 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 CCCDD'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 control deficiencies, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink, appearing to read "Dyer & Smith, LLC". The signature is stylized and cursive, with a large loop at the beginning and a period at the end.

Dyer & Smith, LLC
February 2, 2018

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY, DISABLED, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Grant Number	Revenue Recognized	Expenses
<u>MAJOR FEDERAL PROGRAMS</u>				
Department of Health and Human Services				
Passed through State Department of Mental				
Health and Mental Retardation				
Medicaid Assistance Program				
Day Habitation	93.778	G7-3390-54H	\$ 519,407	\$ 519,407
Residential	93.778	G7-3390-54H	1,297,670	1,297,670
Infant / Toddler CM	93.778	G7-1904-72	64,266	64,266
Adult Case Management	93 778	G7-3390-54H	75,917	75,917
Total Federal Programs			<u>\$ 1,957,260</u>	<u>\$ 1,957,260</u>

See auditors' report and accompanying notes to schedule of federal awards.

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I-Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant Deficiency(s) identified yes no

Noncompliance material to financial
statements noted? yes no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes no

Significant Deficiency(s) identified yes no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Assistance

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee, qualified as low risk-auditee? yes no

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 GASB # 68 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
 For the Year Ended September 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>TOTAL PENSION LIABILITY</u>			
Service Cost	\$ 64,945	\$ 67,733	\$ 79,199
Interest	266,461	248,026	226,968
Changes of benefit terms	-	-	-
Difference between expected and actual experience	39,145	(25,569)	-
Changes of assumptions	522,551	-	-
Benefit payments, including refunds of employee contributions	<u>(72,918)</u>	<u>(46,573)</u>	<u>(39,331)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	820,184	243,617	266,836
PENSION LIABILITY - BEGINNING	<u>3,367,223</u>	<u>3,123,606</u>	<u>2,856,770</u>
 PENSION LIABILITY - ENDING (a)	 <u>\$ 4,187,407</u>	 <u>\$ 3,367,223</u>	 <u>\$ 3,123,606</u>
 <u>PLAN FIDUCIARY NET POSITION</u>			
Contributions - employer	55,690	62,276	76,566
Contributions - member	51,213	51,996	52,049
Net investment income	323,192	36,612	322,205
Benefit payments, including refunds of employee contributions	(72,918)	(46,573)	(39,331)
Transfers among employees	-	-	-
 Net change in plan fiduciary net position	 357,177	 104,311	 411,489
 Plan net position - beginning	 <u>3,156,497</u>	 <u>3,052,186</u>	 <u>2,640,697</u>
 Plan net position - ending (b)	 <u>3,513,674</u>	 <u>3,156,497</u>	 <u>3,052,186</u>
 Net pension liability (a) - (b)	 <u>\$ 673,733</u>	 <u>\$ 210,726</u>	 <u>\$ 71,420</u>
 Plan fiduciary net position as a percentage of the total pension liability	 83.91%	 93.74%	 97.71%
Covered - employee payroll	\$ 980,346	\$ 1,001,364	\$ 1,020,333
Net pension liability as a percentage of covered - employee payroll	68.72%	21.04%	6.99%

Compliance Disclosure

Full disclosure requires information for 10 years. However, until a full 10 - year trend is compiled governmental units should present information for those years for which information is available.

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 GASB #68 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For the year ended September 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 103,905	\$ 110,606	\$ 71,962
Contributions in relation to the actuarially determined contribution	<u>\$ 103,905</u>	<u>\$ 110,606</u>	<u>\$ 71,962</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 980,346	\$ 1,001,364	\$ 1,020,333
Contributions as a percentage of covered - employee payroll	10.59%	11.04%	7.05%

NOTES TO SCHEDULE:

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. Contribution for fiscal year 2016 was based on September 30, 2014 actuarial valuation.

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	7 years
Asset valuation method	Five year smoothed market
Inflation	2.88%
Salary increases	3.375-5.125% including inflation
Investment rate of return	7.875%, net of pension plan investment expense including inflation

Compliance Disclosure

Full disclosure requires information for 10 years. However, until a full 10 - year trend is compiled governmental units should present information for those years for which information is available.

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 GASB # 68, 71 ADDITIONAL SUPPLEMENTAL INFORMATION
 September 30, 2017

MEMBERSHIP AS OF THE MEASURE DATE

Retired Members or Beneficiaries Receiving Benefits	5
Non-vested Inactive Members	3
Active members	<u>21</u>
Total	<u>30</u>

SENSITIVITY OF THE NPL TO CHANGES IN THE DISCOUNT RATE

Decrease of 1% to 6.75%	\$ 1,074,092
Current Discount Rate 7.75%	\$ 673,733
Increase of 1% to 8.75%	\$ 336,949

SCHEDULE OF CHANGES / ROLLFORWARD IN NET PENSION LIABILITY

	Total Pension <u>Liability</u>	#	Plan Fiduciary Net <u>Position</u>	Net Pension <u>Liability</u>
Balances at September 30, 2015	\$ 3,367,223	#	\$ 3,156,497	\$ 210,726
Changes for the year:				
Service cost	64,945		-	64,945
Interest	266,461		-	266,461
Changes of assumptions:	522,551			1,150,842
Difference between expected and actual experience:	39,145			39,145
Change in assumptions	-			
Contributions - employer	-		55,690	(55,690)
Contributions - employee	-		51,213	(51,213)
Net investment income	-		323,192	(323,192)
Benefits payments, including refunds	(72,918)		(72,918)	-
Administrative expense	-		-	-
Transfers among employees	-		-	-
Net Changes	<u>820,184</u>		<u>357,177</u>	<u>463,007</u>
Balances at September 30, 2016	\$ 4,187,407		\$ 3,513,674	\$ 673,733

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 GASB # 68, #71 ADDITIONAL SUPPLEMENTAL INFORMATION
 September 30, 2017

SUMMARY OF DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

	Deferrd <u>Outflows</u>	Deferred <u>Inflows</u>
Differences between expected and actual experiences	\$ 32,155	\$ 18,659
Changes of assumptions	429,238	-
Net difference between projected and actual earnings on plan investments	27,763 *	-
Employer contributions after mesurement date	<u>55,732</u>	<u>-</u>
Total	<u>\$ 544,888</u>	<u>\$ 18,659</u>

PENSION EXPENSE

Service cost	\$ 64,945
Interest on total pension liability	266,461
Current period benefit changes	-
ExpenseD portion of current period differences and actual experience in the total pension liability	6,990
expenseD portion of current period assumption changes	93,313
Member contributions	(51,213)
Projected earnings on plan investments	(253,879)
Recognition of beginning deferred outflows as expense	20,578
Recognitionof beginning deferred inflows as expense	(3,455)
Expensed portion of current period differences between and actual and projected earnings on plan investments	<u>(13,863)</u>
Total Pension Expense	<u>\$ 129,877</u>

CULLMAN COUNTY CENTER FOR THE DEVELOPMENTALLY DISABLED, INC.
 GASB #68, #71 ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2017

Beginning

<u>Year</u>	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflows	Amorti- ation Period Years	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in Pension Expense Deferred Outflow	Amounts Recognized in Pension Expense Deferred Inflow	Deferred Outflows	Deferred Inflows	<u>Ending Balance</u>
<u>Collective Deferred Outflows and Inflows between Expected and Actual Experience</u>												
2016	\$ 39,145	\$ -	5.60	\$ -	\$ -	\$ 39,145	\$ -	\$ 6,990	\$ -	\$ 32,155	\$ -	\$ 32,155
2015	\$ -	\$ 25,569	7.4	\$ -	\$ 22,114	\$ -	\$ 251,541	\$ -	\$ 3,455	\$ -	\$ 18,659	\$ 18,659
2014	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				<u>\$ -</u>	<u>\$ 22,114</u>	<u>\$ 39,145</u>	<u>\$ 251,541</u>			<u>\$ 32,155</u>	<u>\$ 18,659</u>	<u>\$ 32,155</u>

Collective Deferred Outflows and Inflows for Differences from Assumption Changes

2016	\$ 522,551	\$ -	5.60	\$ -	\$ -	\$ 522,551	\$ -	\$ 93,313	\$ -	\$ 429,238	\$ -	\$ 429,238
2015	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,551</u>	<u>\$ -</u>			<u>\$ 429,238</u>	<u>\$ -</u>	<u>\$ 429,238</u>

Collective Deferred Outflows and Inflows for Differences in Investment Experience

2016	\$ -	\$ 69,313		\$ -	\$ -	\$ -	\$ 69,313	\$ -	\$ 13,863	\$ -	\$ 55,450	\$ 55,450
2015	\$ 210,271	\$ -		\$ 168,217	\$ -	\$ -	\$ -	\$ 42,054	\$ -	\$ 126,163	\$ -	\$ 126,163
2014	\$ -	\$ 107,378		\$ -	\$ 64,426	\$ -	\$ -	\$ -	\$ 21,476	\$ -	\$ 42,950	\$ 42,950
Total				<u>\$ 168,217</u>	<u>\$ 64,426</u>	<u>\$ -</u>	<u>\$ 69,313</u>			<u>\$ 126,163</u>	<u>\$ 98,400</u>	<u>\$ 98,400</u>

Net difference between projected and actual earnings on investments

\$ 27,763