

SOUTH CENTRAL ALABAMA
MENTAL HEALTH BOARD, INC.

FINANCIAL STATEMENTS

Years Ended September 30, 2018 and 2017

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT..... 1

MANAGEMENT'S DISCUSSION AND ANALYSIS..... 4

BASIC FINANCIAL STATEMENTS

 Statements of Net Position..... 14

 Statements of Revenues, Expenses and Changes in Net Position..... 15

 Statements of Cash Flows..... 16

 Notes to Financial Statements..... 18

REQUIRED SUPPLEMENTARY INFORMATION

 Schedule of Changes in the Net Pension Liability..... 34

 Schedule of Employer Contributions..... 35

SUPPLEMENTARY INFORMATION

 Schedules of Revenues..... 36

 Schedules of Expenses..... 38

 Schedule of Expenditures of Federal Awards..... 40

 Notes to the Schedule of Expenditures of Federal Awards..... 41

 Schedule of Findings and Questioned Costs..... 42

 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* 43

 Independent Auditors' Report on Compliance For Each Major Program and on Internal Control
 Over Compliance Required by the Uniform Guidance..... 45

 Report on Compliance with Department of Mental Health Contract..... 47

 Board of Directors..... 48

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

South Central Alabama Mental Health Board, Inc. presents its financial statements for the fiscal years ended September 30, 2018 and 2017. The Board accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB).

The Board is classified as a special-purpose government engaged only in business-type activities as outlined in the **Codification of Governmental Accounting and Financial Reporting Standards**, Section SP20.107. The Board presents its statements as a business-type activity (BTA) under the provisions of GASB Statement No. 34. The BTA format includes accounting on an accrual basis and the recording of depreciation. The BTA format also requires presentation of 1) assets and liabilities as current and non-current, 2) revenues and expenses as operating and non-operating, 3) the use of the direct method for statement of cash flows and 4) a management's discussion and analysis of the financial results.

This discussion and analysis is designed and intended to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources resulting in net position of \$2,538,085 and \$2,410,855 as of September 30, 2018 and 2017, respectively. This is a \$127,230 increase from the prior year.
- Total current assets exceeded total current liabilities as of September 30, 2018 and 2017 by \$979,748 and \$1,131,428, respectively.
- Capital assets amounting to \$289,937 and \$54,661 were placed into service as of September 30, 2018 and 2017, respectively.
- Long term debt decreased by \$52,722 and \$51,960 as of September 30, 2018 and 2017, respectively.
- The Board had no short-term debt as of September 30, 2018 and 2017.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

USING THIS ANNUAL REPORT

One of the most important questions asked about the Board's finances is whether the Board is in better or worse condition as a result of the year's activities. The statement of net position and the statement of revenues, expenses and changes in net position report information on the Board and its activities in a way that helps answer this question. These statements present financial information in a form similar to that used by corporations. Examining the Board's net position is one way to evaluate the Board's financial condition. Over time, increases and decreases in net position are one indicator of whether its financial condition is improving or deteriorating.

THE STATEMENT OF NET POSITION

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the Board as of the end of the fiscal year. The statement is a point in time financial statement.

The purpose of the statement of net position is to present to the readers of the financial statement a fiscal snapshot of South Central Alabama Mental Health Board, Inc. The statement of net position presents end-of-year data concerning assets (current and non-current), deferred outflows, liabilities (current and non-current), deferred inflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Board.

Net position is divided into three major categories. The first category is net investment in capital assets. This represents the Board's equity in property, plant and equipment. The next asset category is restricted net position. Expendable restricted net position is available for use by the Board but must be spent for purposes as determined by the grantors and external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available for use by the Board for any lawful purpose of the Board. Condensed statements of net position for the Board are presented in the following table.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

| | September 30 | | | 2017-2018 | 2016-2017 |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|
| | 2018 | 2017 | 2016 | Change | Change |
| Assets | | | | | |
| Current Assets | \$ 1,689,090 | \$ 1,828,727 | \$ 2,042,327 | \$ (139,637) | \$ (213,600) |
| Noncurrent Assets | 4,374,439 | 4,332,432 | 4,547,709 | 42,007 | (215,277) |
| Total Assets | 6,063,529 | 6,161,159 | 6,590,036 | (97,630) | (428,877) |
| Deferred Outflows of Resources | 215,404 | 352,528 | 472,532 | (137,124) | (120,004) |
| Liabilities | | | | | |
| Current Liabilities | 709,342 | 697,299 | 799,572 | 12,043 | (102,273) |
| Non-Current Liabilities | 2,326,472 | 3,258,116 | 3,232,547 | (931,644) | 25,569 |
| Total Liabilities | 3,035,814 | 3,955,415 | 4,032,119 | (919,601) | (76,704) |
| Deferred Inflows of Resources | 705,034 | 147,417 | 170,736 | 557,617 | (23,319) |
| Net Position | | | | | |
| Net Investment in Capital Assets | 1,923,361 | 1,828,631 | 1,991,948 | 94,730 | (163,317) |
| Unrestricted | 614,724 | 582,224 | 867,765 | 32,500 | (285,541) |
| Total Net Position | \$ 2,538,085 | \$ 2,410,855 | \$ 2,859,713 | \$ 127,230 | \$ (448,858) |
| Increase (Decrease) in Net Position | \$ 127,230 | \$ (448,858) | \$ (343,477) | \$ 576,088 | \$ (105,381) |

The Board's current assets decreased by 8% and 10% during years ended September 30, 2018 and 2017, respectively. Current liabilities increased by 2% and decreased by 13% during years ended September 30, 2018 and 2017, respectively. The Board's current ratio was 2.38 as of September 30, 2018 and 2.62 as of September 30, 2017. The current ratio measures the Board's ability to meet short-term debt obligations.

Total liabilities decreased by 23% and 2% as of September 30, 2018 and 2017, respectively, while total assets decreased by 2% and 7%, respectively. The significant decrease in total liabilities as of September 30, 2018 was attributable to the decrease in net pension liability.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis. Activities on this statement are reported as either operating or non-operating. The utilization of capital assets is reflected as depreciation expense, which amortizes the cost of an asset over its estimated useful life.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Board. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Board. Non-operating revenues are revenues received for which goods and services are not provided. Condensed statements of revenues, expenses, and changes in net position for the Board are shown in the following table.

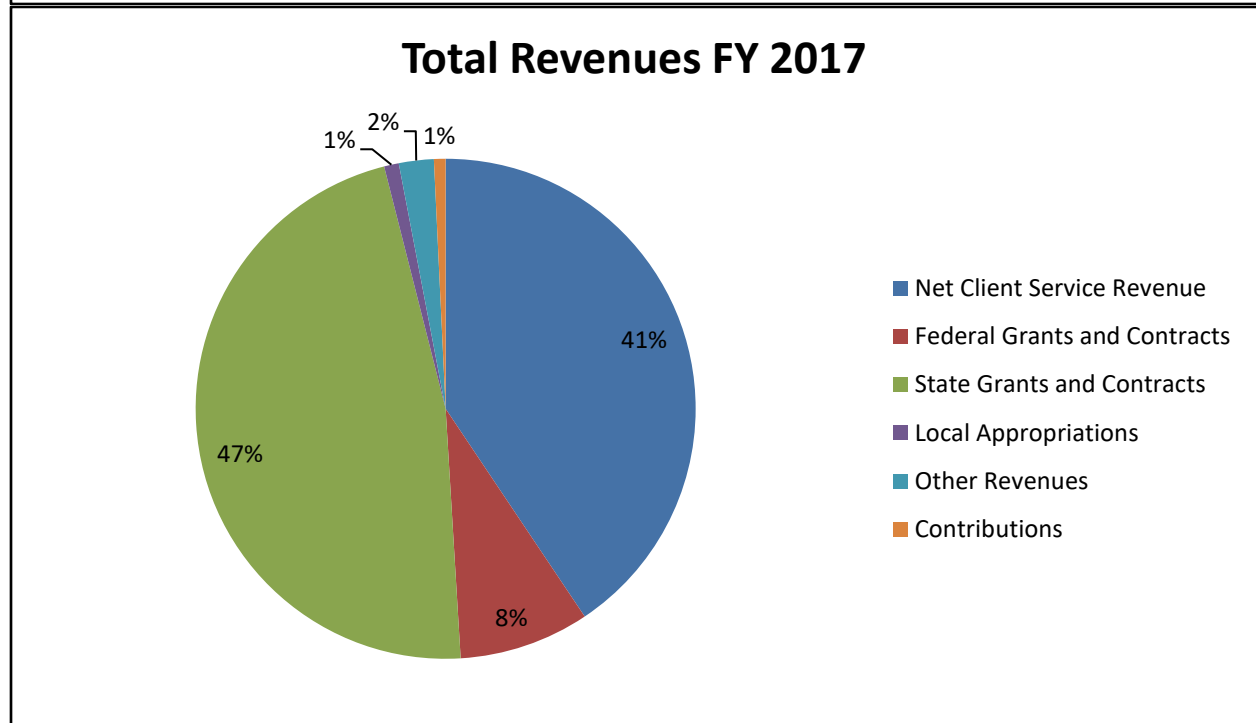
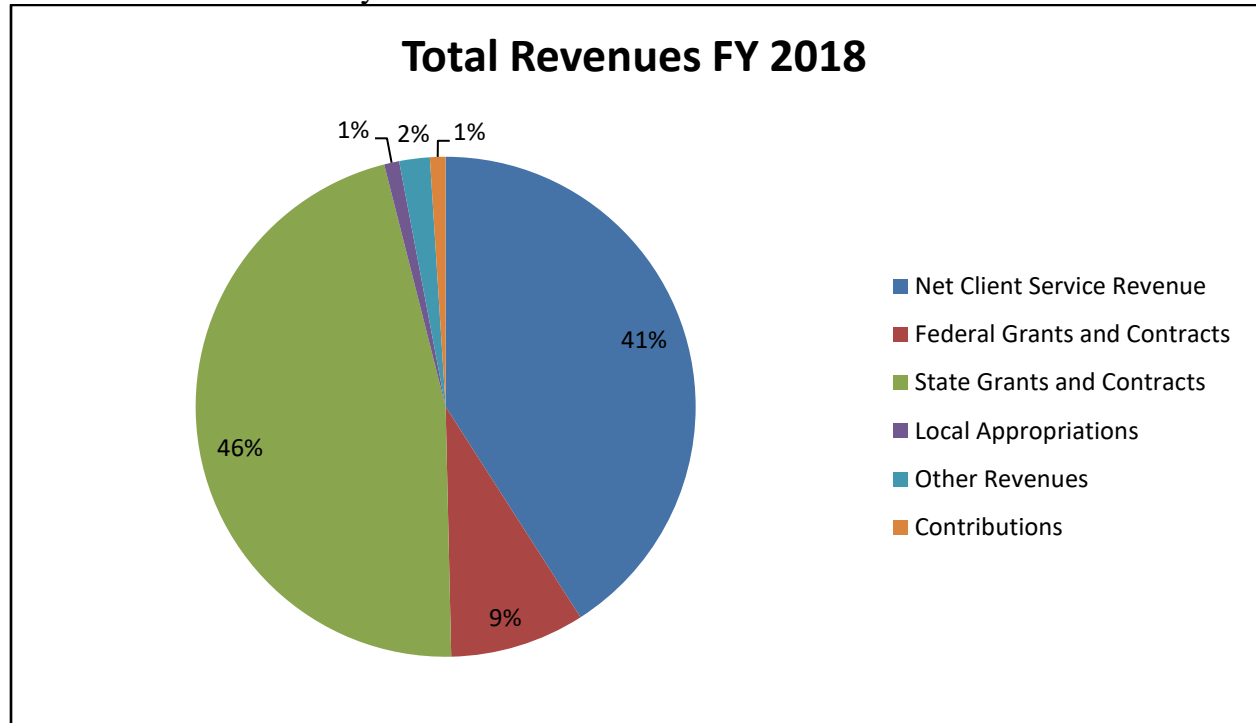
| | Years Ended September 30 | | | 2017-2018 | 2016-2017 |
|-------------------------------------|-----------------------------|---------------------|---------------------|-------------------|---------------------|
| | 2018 | 2017 | 2016 | Change | Change |
| Operating Revenues | \$ 9,193,877 | \$ 8,662,284 | \$ 9,057,200 | \$ 531,593 | \$ (394,916) |
| Operating Expenses | 9,213,713 | 9,072,817 | 9,334,470 | 140,896 | (261,653) |
| Operating Income (Loss) | (19,836) | (410,533) | (277,270) | 390,697 | (133,263) |
| Non-operating Revenues (Expenses) | 147,066 | (38,325) | (66,207) | 185,391 | 27,882 |
| Increase (Decrease) in Net Position | 127,230 | (448,858) | (343,477) | 576,088 | (105,381) |
| Net Position - October 1 | 2,410,855 | 2,859,713 | 3,203,190 | (448,858) | (343,477) |
| Net Position - September 30 | <u>\$ 2,538,085</u> | <u>\$ 2,410,855</u> | <u>\$ 2,859,713</u> | <u>\$ 127,230</u> | <u>\$ (448,858)</u> |

The Board recognized a \$127,230 increase in net position for the year ending September 30, 2018 and a \$448,858 decrease during the prior year. Board operating revenues for the 2018 fiscal year were \$9,193,877, a 6% increase from the fiscal year 2017. For a more detailed understanding of the Board's financial activities, the reader should review the statements of revenues, expenses, and changes in net position.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

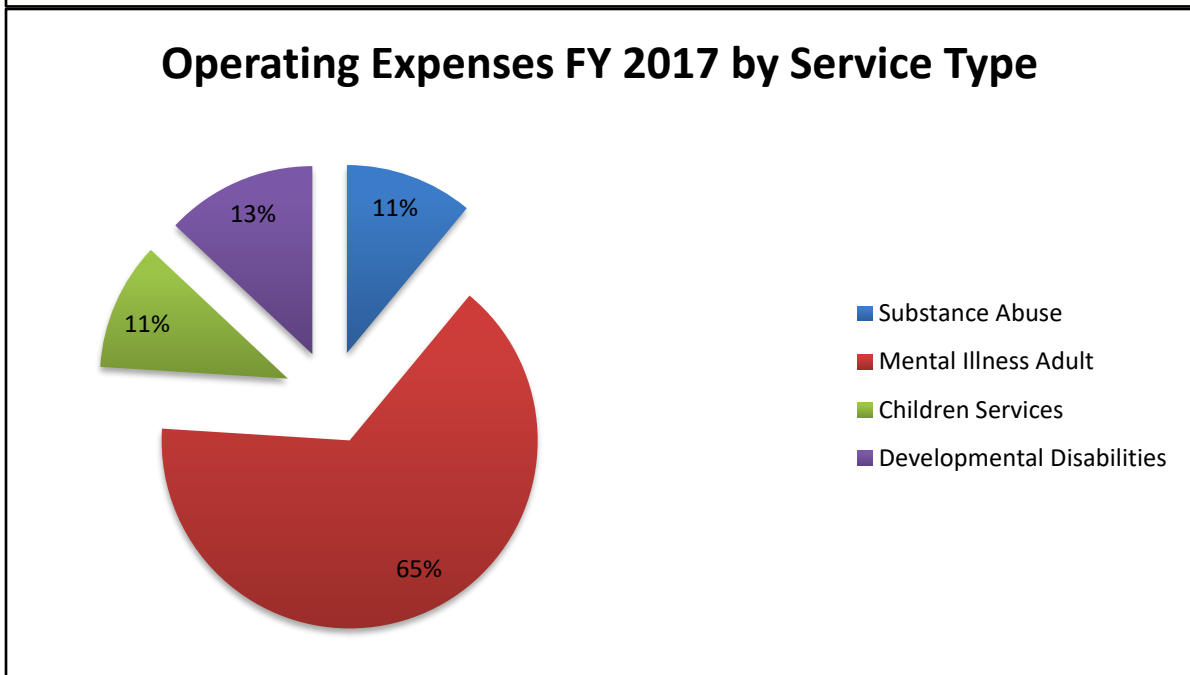
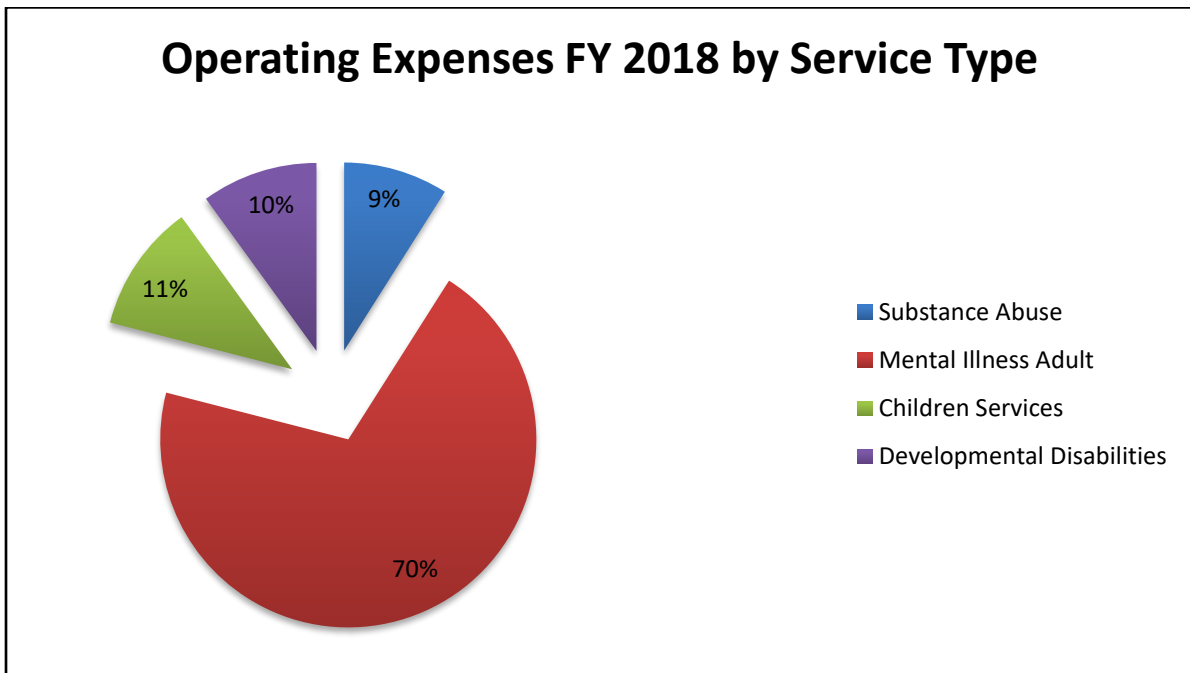
The following charts provide a graphical depiction of the Board's revenues by category for the 2018 and 2017 fiscal years.



SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

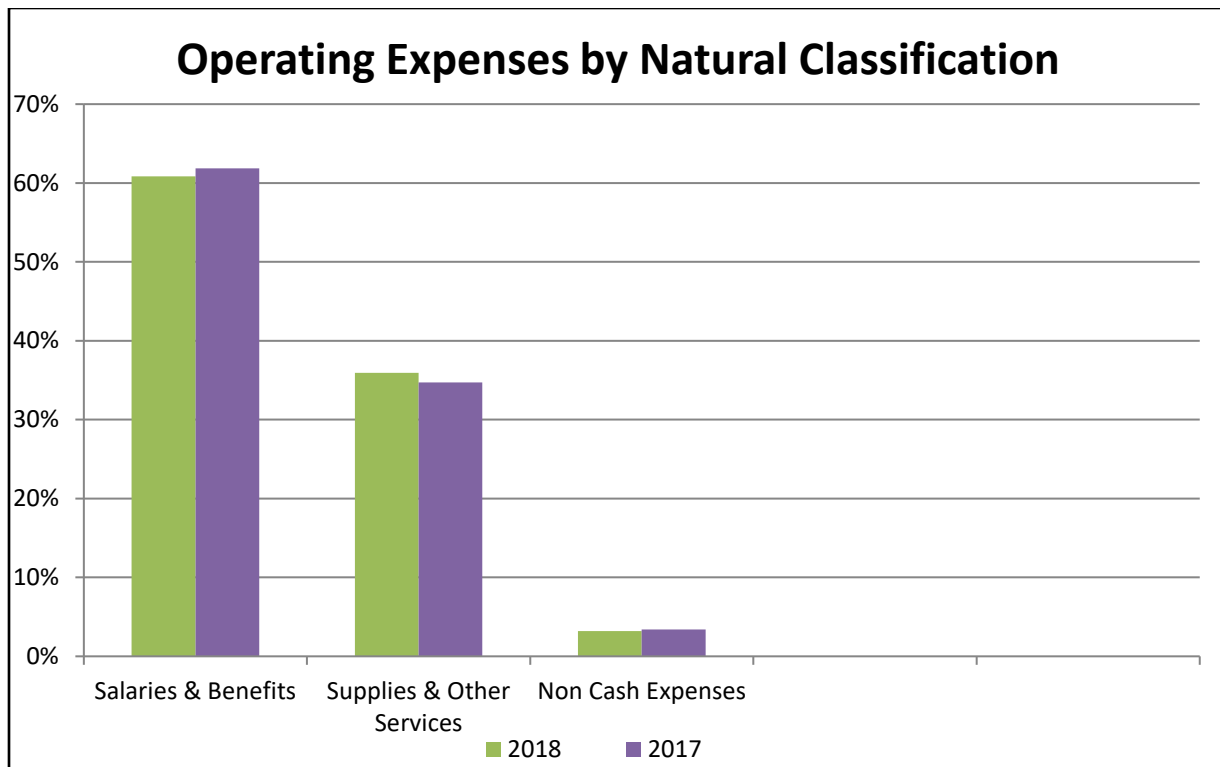
Additional information for the Board's operating expenses is presented in the following charts by service type.



SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

The following graph depicts operating expenses by natural classification. Natural classifications are personal services, supplies and other services, and depreciation. Personal services are salaries, wages and fringe benefits paid to and for employees. Supplies and other services are the normal maintenance and operations of the Board. Of these operating expenses, Personal Services are by far the largest expenses of the Board.



THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide an understanding of the Board's cash activity and its relationship to its various financial activities, operations, and overall changes in cash balances.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

The statement of cash flows presents detailed information about the cash activity of the Board during the year. The statement of cash flows also helps users assess an entity's:

- Ability to generate future cash flows
- Ability to meet obligations as they come due
- Needs for external financing

Condensed statements of cash flows for the Board are presented below:

| Cash Flows for the Years Ended September 30, | | | |
|---|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 |
| Cash Provided (Used) by: | | | |
| Operating Activities | \$ 264,749 | \$ 162,150 | \$ 111,549 |
| Noncapital Financing Activities | 80,262 | 65,604 | 38,267 |
| Capital and Related Financing Activities | (322,607) | (250,060) | (215,200) |
| Investing Activities | 1,232 | 926 | 488 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 23,636 | (21,380) | (64,896) |
| Cash and Cash Equivalents - Beginning of Year | 516,349 | 537,729 | 602,625 |
| Cash and Cash Equivalents - End of Year | <u>\$ 539,985</u> | <u>\$ 516,349</u> | <u>\$ 537,729</u> |

Cash includes petty cash funds, amounts in demand deposits and money market accounts. Cash equivalents are short-term investments with an original maturity date of three months or less. For a more detailed understanding of the Board's cash activity, see the actual statement of cash flows. This statement is divided into four parts. The first part deals with operating cash flows and shows the net cash provided by the operating activities of the Board. The second section represents the cash flows from noncapital financing activities which in this case are primarily donations and fundraising revenues. The third section deals with the cash flows from capital and related financing activities such as cash used for the acquisition and construction of capital and related items. The fourth section represents the cash flows from investing activities and consists of interest income.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At September 30, 2018 and 2017, the Board had \$4,285,265 and \$4,289,778 invested in capital assets, net of depreciation. A summary of capital assets and accumulated depreciation at September 30, 2018 and 2017 is shown in the following table.

| <u>Net Capital Assets</u> | | |
|--------------------------------|---------------------|---------------------|
| September 30, 2018 and 2017 | | |
| | <u>2018</u> | <u>2017</u> |
| Capital Assets | | |
| Buildings | \$ 4,432,835 | \$ 4,432,835 |
| Land | 445,143 | 445,143 |
| Land and Building Improvements | 531,480 | 506,195 |
| Vehicles | 887,433 | 768,353 |
| Equipment | 771,864 | 739,811 |
| Construction in Progress | 5,000 | - |
| Total | <u>7,073,755</u> | <u>6,892,337</u> |
| Less: Accumulated Depreciation | <u>(2,788,490)</u> | <u>(2,602,559)</u> |
| Net Capital Assets | <u>\$ 4,285,265</u> | <u>\$ 4,289,778</u> |
| Decrease in Net Capital Assets | <u>\$ (4,513)</u> | <u>\$ (257,931)</u> |

DEBT

At September 30, 2018, the Board had \$2,702,819 of long-term debt compared to \$2,775,095 long-term debt in the prior year. This is a \$72,276 decrease in debt for the current fiscal year. Additional information about debt and other obligations of the Board are included in the notes to the financial statements.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.

Management's Discussion and Analysis

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic outlook for the Board is closely tied to that of the State Department of Mental Health. The Board must be able to provide the required match from a state dollar to bill Medicaid. With Medicaid revenues dependent on the State contract, the Board's reliance on State and State controlled federal contract dollars, creates an economic dependence on state contracts. Revenues tied to these contracts account for approximately 89% of the Board's total revenues.

These financial statements are designed to provide a general overview of the Board's financial activities and to demonstrate the Board's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Tommy Wright, LICSW
Executive Director
South Central Alabama Mental Health Board, Inc.
19815 Bay Branch Road
Andalusia, AL 36420

FINANCIAL STATEMENTS

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
STATEMENTS OF NET POSITION
September 30, 2018 and 2017

| ASSETS | 2018 | 2017 |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash and Cash Equivalents - Unrestricted | \$ 500,689 | \$ 459,000 |
| Cash and Cash Equivalents - Restricted | 39,296 | 57,349 |
| Receivables, net | 1,092,612 | 1,157,647 |
| Drug Inventory | 1,338 | 1,477 |
| Security Deposit | 1,900 | 1,900 |
| Prepaid Expenses | 53,255 | 151,354 |
| Total Current Assets | <u>1,689,090</u> | <u>1,828,727</u> |
| Noncurrent Assets | | |
| Deposits on Capital Assets | 89,174 | 42,654 |
| Capital Assets: | | |
| Land | 445,143 | 445,143 |
| Construction in Progress | 5,000 | - |
| Depreciable Buildings, Property, Equipment, net | 3,835,122 | 3,844,635 |
| Total Noncurrent Assets | <u>4,374,439</u> | <u>4,332,432</u> |
| Total Assets | <u>6,063,529</u> | <u>6,161,159</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Defined Benefit Pension Plan | <u>215,404</u> | <u>352,528</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 62,843 | 146,192 |
| Payroll Liabilities | 193,937 | 186,233 |
| Accrued Interest Payable | 3,414 | 3,414 |
| Client Funds | 39,296 | 57,349 |
| Other Liabilities | 2,020 | 6,804 |
| Long-Term Liabilities, Current Portion | 407,832 | 297,307 |
| Total Current Liabilities | <u>709,342</u> | <u>697,299</u> |
| Noncurrent Liabilities | | |
| Net Pension Liability | 31,485 | 780,328 |
| Long-Term Liabilities, Net of Current Portion | 2,294,987 | 2,477,788 |
| Total Noncurrent Liabilities | <u>2,326,472</u> | <u>3,258,116</u> |
| Total Liabilities | <u>3,035,814</u> | <u>3,955,415</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Defined Benefit Pension Plan | <u>705,034</u> | <u>147,417</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,923,361 | 1,828,631 |
| Unrestricted | 614,724 | 582,224 |
| Total Net Position | <u>\$ 2,538,085</u> | <u>\$ 2,410,855</u> |

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

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Patient Fees, net | \$ 655,132 | \$ 655,992 |
| Federal Medicaid Fees, net | 3,177,917 | 2,889,286 |
| Federal Grants and Contracts | 739,748 | 736,055 |
| State Grants and Contracts | 4,345,258 | 4,102,976 |
| Local Appropriations | 90,967 | 83,150 |
| Other Operating Revenues | 184,855 | 194,825 |
| Total Operating Revenues | <u>9,193,877</u> | <u>8,662,284</u> |
| OPERATING EXPENSES | | |
| Salaries and Fringe Benefits | 5,607,096 | 5,613,611 |
| Client Expenses | 301,660 | 266,702 |
| Consultants and Contractual Services | 1,390,784 | 1,386,350 |
| Depreciation | 293,450 | 308,448 |
| Dues, Fees, and Licenses | 9,029 | 9,201 |
| Food | 226,485 | 215,856 |
| Indigent Drugs | 139 | 3,832 |
| Insurance | 245,809 | 202,106 |
| Lease and Rent Expenses | 25,599 | 24,388 |
| Other | 35,902 | 24,535 |
| Professional Fees | 39,961 | 42,053 |
| Repairs and Maintenance | 226,389 | 216,854 |
| Small Tools and Equipment | 1,992 | 12,875 |
| Supplies | 171,464 | 163,190 |
| Travel and Training | 199,576 | 163,509 |
| Utilities and Telephone | 438,378 | 419,307 |
| Total Operating Expenses | <u>9,213,713</u> | <u>9,072,817</u> |
| Operating Loss | <u>(19,836)</u> | <u>(410,533)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Federal Grants | 170,614 | - |
| Contributions and Fundraisers | 80,262 | 65,604 |
| Gain on Sale of Assets | 1,023 | 1,105 |
| Interest Income | 1,232 | 926 |
| Interest Expense | (106,065) | (105,960) |
| Total Nonoperating Revenues (Expenses) | <u>147,066</u> | <u>(38,325)</u> |
| Increase (Decrease) in Net Position | 127,230 | (448,858) |
| Net Position - October 1, | <u>2,410,855</u> | <u>2,859,713</u> |
| Net Position - September 30 | <u>\$ 2,538,085</u> | <u>\$ 2,410,855</u> |

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

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Patients | \$ 8,983,090 | \$ 8,597,530 |
| Payments to Employees | (5,680,752) | (5,429,646) |
| Payments to Suppliers and Others | (3,313,411) | (3,283,709) |
| Other Receipts | 275,822 | 277,975 |
| Net Cash Provided by Operating Activities | <u>264,749</u> | <u>162,150</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Contributions and Fundraisers | 80,262 | 65,604 |
| Net Cash Provided by Noncapital Financing Activities | <u>80,262</u> | <u>65,604</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Sale of Capital Assets | 1,023 | 5,249 |
| Purchases of Capital Assets | (164,843) | (97,315) |
| Principal Paid on Debt | (52,722) | (51,960) |
| Interest Paid on Debt | (106,065) | (106,034) |
| Net Cash Used by Capital and Related Financing Activities | <u>(322,607)</u> | <u>(250,060)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Income | 1,232 | 926 |
| Net Cash Provided by Investing Activities | <u>1,232</u> | <u>926</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>23,636</u> | <u>(21,380)</u> |
| Cash and Cash Equivalents - Beginning of Year | | |
| Unrestricted | 459,000 | 461,734 |
| Restricted | 57,349 | 75,995 |
| | <u>516,349</u> | <u>537,729</u> |
| Cash and Cash Equivalents - End of Year | | |
| Unrestricted | 500,689 | 459,000 |
| Restricted | 39,296 | 57,349 |
| | <u>\$ 539,985</u> | <u>\$ 516,349</u> |

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

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 STATEMENTS OF CASH FLOWS (continued)
 Years Ended September 30, 2018 and 2017

| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | 2018 | 2017 |
|--|-------------|--------------|
| Operating Loss | \$ (19,836) | \$ (410,533) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 293,450 | 308,448 |
| Net Change in Assets and Liabilities: | | |
| Receivables, net | 65,035 | 213,221 |
| Inventory | 139 | 3,832 |
| Prepaid Expenses | 98,099 | (24,833) |
| Accounts Payable | (83,349) | (82,001) |
| Other Liabilities | (4,784) | (785) |
| Payroll Liabilities | 7,704 | (10,519) |
| Client Funds | (18,053) | (18,646) |
| Compensated Absences | (19,554) | 8,448 |
| Net Pension Liability | (54,102) | 175,518 |
| | \$ 264,749 | \$ 162,150 |

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

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

South Central Alabama Mental Health Board, Inc. (the Board) was established under Act. No. 310 of the Alabama Legislature on September 20, 1968. The Board is a special purpose governmental entity engaged in business-type activities and exists to promote the health and general welfare of the people in the service area by providing a comprehensive program of community based mental health, intellectual disability, substance abuse, and residential services. The service area consists of Butler, Covington, Crenshaw, and Coffee Counties located in Alabama.

Statements No. 14 and No. 34 of the Governmental Accounting Standards Board established standards for defining and reporting on the financial reporting entity. To fairly present the financial position and results of operations of the financial reporting entity, a government must determine whether its reporting entity consists of only the entity known as the “primary government” or one or more organizations called “component units”. Inclusion of a potential component unit in the primary government’s reporting entity depends primarily on the notion of financial accountability. A primary government is 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. Based upon the application of these criteria, Camellia Health Management, LLC is considered a component unit and has been included in the financial reporting of South Central Alabama Mental Health Board, Inc.

Camellia Health Management, LLC was formed in July 2015 and its one member is South Central Alabama Mental Health Board, Inc. Camellia Health Management, LLC was organized and is operating exclusively to support South Central Alabama Mental Health Board, Inc. in connection with the management, administration, staffing and operation of the facilities comprising the Board’s behavioral health system. All activity of the Camellia Health Management, LLC has been blended with the activity of South Central Alabama Mental Health Board, Inc.

Basis of Accounting and Presentation

The financial statements of South Central Alabama Mental Health Board, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board is a self-supporting entity and follows enterprise fund reporting. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expense, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

The Board's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. All assets, liabilities, net position, revenues, and expenses of the Board are accounted for through a single proprietary (enterprise) fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are patient fees and federal, state, and local grant contract awards. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on all capital assets. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax and Corporate Status

South Central Alabama Mental Health Board, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the Code of Alabama 1975, Section 22-41-1 through 22-51-14. Accordingly, no provision for income taxes has been made.

Cash and Cash Equivalents

Cash and Cash Equivalents, for the purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, with a maturity of three months or less.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Receivables

An amount for unpaid patient services rendered is recorded as a receivable in the records of the Board. An appropriate amount has been reserved as uncollectible patient receivables based upon prior history of uncollected receivables from patient services.

Inventory

Inventory is recorded at cost (first-in, first-out) as incurred. The cost is recorded as an expense at the time individual inventory items are consumed.

Capital Assets

Capital assets are defined by the Board as assets with an initial cost of \$1,000 or more, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at valuations, which approximate costs. Maintenance and repairs, which do not significantly extend the value or life of capital assets, are expensed as incurred.

Property, plant and equipment are depreciated by the straight-line method. Depreciation is calculated using the following estimated useful lives:

| | |
|------------------------|---------------|
| Buildings | 15 - 40 years |
| Equipment | 3 - 20 years |
| Furniture and Fixtures | 3 - 20 years |
| Vehicles | 3 - 5 years |

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Contributions made to the Board's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the Board's fiscal year will be recognized in subsequent fiscal years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred amount related to pensions is a result of pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is for revenues that will be recognized in subsequent fiscal years.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

A liability has been recorded for paid time off (PTO) accumulated but unpaid at September 30, 2018 and 2017. According to the Board's PTO policy, eligible full-time employees of the Board earn PTO each year with total accumulated time limited to 40 days. At termination, employees will be paid for any earned, unused PTO, limited to a maximum of 240 hours.

Defined Benefit Pension Plan

Financial reporting information pertaining to the Board's participation in The Employees' Retirement System of Alabama (the Plan or ERS) is prepared in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The Employees' Retirement System of Alabama's 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 the 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.

Net Position

The Board's net position is divided into three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted – This component represents amounts that are appropriated or are legally segregated for a specific purpose. The Board's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted – This component represents all other net position that is not subject to externally imposed stipulations and may be designated for specific purposes by action of the Board.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is South Central Alabama Mental Health Board, Inc.'s policy to use restricted resources first, followed by unrestricted resources.

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Board would not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year end were entirely covered by the federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). Currently, the Board is not exposed to any interest rate or credit risks.

South Central Alabama Mental Health Board, Inc. has not adopted a written policy for deposits or investing surplus funds; therefore, the Board follows the deposit and investment policies as required by the *Code of Alabama* 1975, Section 41-14A-3 and Section 36-17-18. The Board has the authority to deposit cash in demand accounts or time deposits with any qualified public depository. The Board also has the authority, with the approval of the Board of Directors, to invest funds in direct obligations of the United States of America. Restricted cash in the amounts of \$39,296 and \$57,349 as of September 30, 2018 and 2017 represents client funds.

NOTE 3 - RECEIVABLES

South Central Alabama Mental Health Board, Inc. bills the Alabama Department of Mental Health, Medicaid, Medicare and other third-party providers for services rendered to patients. The following is a mix of patient accounts receivables as of September 30, 2018 and 2017:

| | 2018 | 2017 |
|---|--------------|--------------|
| Alabama Department of Mental Health Contracts | \$ 397,462 | \$ 432,348 |
| Medicaid | 382,013 | 356,376 |
| Medicare | 143,203 | 123,175 |
| Patients and Other Third-Party Providers | 1,478,680 | 1,089,564 |
| | 2,401,358 | 2,001,463 |
| Less: Allowance for Doubtful Accounts | (1,308,746) | (843,816) |
| | \$ 1,092,612 | \$ 1,157,647 |

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 4 - CAPITAL ASSETS

The following schedule summarizes changes in capital assets for the year ended September 30, 2018:

| | Balance 10/1/2017 | Additions | Deletions | Balance 9/30/2018 |
|--|----------------------|-------------------|------------------|----------------------|
| <u>Depreciable Capital Assets:</u> | | | | |
| Buildings | \$ 4,432,835 | \$ - | \$ - | \$ 4,432,835 |
| Land and Building Improvements | 506,195 | 25,285 | - | 531,480 |
| Vehicles | 768,353 | 226,599 | (107,519) | 887,433 |
| Equipment | 739,811 | 32,053 | - | 771,864 |
| | <u>6,447,194</u> | <u>283,937</u> | <u>(107,519)</u> | <u>6,623,612</u> |
| Accumulated Depreciation | <u>(2,602,559)</u> | <u>(293,450)</u> | <u>107,519</u> | <u>(2,788,490)</u> |
| | 3,844,635 | (9,513) | - | 3,835,122 |
| <u>Non-Depreciable Capital Assets:</u> | | | | |
| Land | 445,143 | - | - | 445,143 |
| Construction in Progress | - | 5,000 | - | 5,000 |
| | <u>\$ 4,289,778</u> | <u>\$ (4,513)</u> | <u>\$ -</u> | <u>\$ 4,285,265</u> |

Construction in progress as of September 30, 2018 in the amount of \$5,000 was related to the Forensic Secured Program with the Alabama Department of Mental Health. Depreciation expense for the years ended September 30, 2018 and 2017 was \$293,450 and \$308,448, respectively.

NOTE 5 - SHORT-TERM DEBT

The Board maintains a line of credit agreement with CCB Community Bank with a maximum limit of \$200,175. The line of credit had a \$0 balance as of September 30, 2018 and 2017.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT

The following schedule is a summary of the Board's long-term debt activity for the year ended September 30, 2018:

| | Balance 10/1/2017 | Additions | Deletions | Balance 9/30/2018 |
|---|----------------------|-------------------|---------------------|----------------------|
| United States Department of Agriculture - note payable in annual installments of \$110,427, matures September 2049, fixed interest rate of 4.125%, secured by building. | \$ 1,913,415 | \$ - | \$ (28,946) | \$ 1,884,469 |
| United States Department of Agriculture - note payable in annual installments of \$31,907, matures September 2049, fixed interest rate of 4.25%, secured by building. | 442,433 | - | (12,498) | 429,935 |
| CCB Community Bank - note payable in monthly installments of \$1,371, matures December 2018, fixed interest rate of 4.15%, secured by real estate. | 147,953 | - | (11,278) | 136,675 |
| Compensated Absences | 271,294 | 222,549 | (242,103) | 251,740 |
| | <u>\$ 2,775,095</u> | <u>\$ 222,549</u> | <u>\$ (294,825)</u> | <u>\$ 2,702,819</u> |

Long-term debt maturities are summarized in the schedule below:

| Year | Principal | Interest | Total |
|---------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 407,832 | \$ 97,229 | \$ 505,061 |
| 2020 | 75,526 | 93,889 | 169,415 |
| 2021 | 50,455 | 91,873 | 142,328 |
| 2022 | 52,555 | 89,773 | 142,328 |
| 2023 | 54,742 | 87,586 | 142,328 |
| 2024 and thereafter | 2,061,709 | 1,193,780 | 3,255,489 |
| | <u>\$ 2,702,819</u> | <u>\$ 1,654,130</u> | <u>\$ 4,356,949</u> |

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

South Central Alabama Mental Health Board, Inc. participates in the Employees' Retirement Systems of Alabama (the Plan or ERS), an agent multiple-employer public employee retirement plan that acts as a common investment and administrative agent for various state agencies, departments and local municipalities.

The Employees' Retirement Systems of Alabama, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control 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 the *Code of Alabama 1975, Section 36-27-6*.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

As of September 30, 2017, membership consisted of:

| | |
|----------------------------------|----------------------|
| Retirees and beneficiaries | |
| currently receiving benefits | 23,853 |
| Terminated employees entitled to | |
| but not yet receiving benefits | 1,401 |
| Terminated employees not | |
| entitled to a benefit | 7,154 |
| Active Members | 55,941 |
| Post-DROP participants who | |
| are still in active service | <u>168</u> |
| Total | <u><u>88,517</u></u> |

Contributions

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 preretirement death benefit and administrative expenses of the Plan.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended September 30, 2018, the Board’s active employee contribution rate was 5% of covered employee payroll for Tier 1 employees and 6% for Tier 2 employees, and the Board’s average contribution rate to fund the normal and accrued liability costs was 3.85 % of pensionable payroll.

The Board’s contractually required contribution rate for the year ended September 30, 2018 was 4.99% of pensionable pay for Tier 1 employees, and 1.95% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2015, 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 from the Board were \$88,448 for the year ended September 30, 2018.

Net Pension Liability

The Board’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

| | <u>Expected</u> | <u>Actual</u> |
|---|----------------------|---------------------|
| (a) Total Pension Liability as of September 30, 2016 | \$ 10,388,277 | \$ 10,034,377 |
| (b) Discount Rate | 7.75% | 7.75% |
| (c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017 | 249,898 | 249,898 |
| (d) Transfers Among Employers: | - | (484,226) |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017 | (662,629) | (662,629) |
| (f) Total Pension Liability as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))] | <u>\$ 10,754,961</u> | <u>\$ 9,889,407</u> |
| (g) Difference between Expected and Actual: | | \$ (865,554) |
| (h) Less Liability Transferred for Immediate Recognition: | | <u>(484,226)</u> |
| (i) Experience (Gain)/Loss = (g) - (h) | | <u>\$ (381,328)</u> |

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

| | |
|----------------------------|---------------|
| Inflation | 2.75% |
| Projected Salary Increases | 3.25% - 5.00% |
| Investment Rate of Return* | 7.75% |

* Net of pension plan investment expense.

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

| | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return*</u> |
|---------------------------------------|------------------------------|---|
| Fixed Income | 17.0% | 4.4% |
| U.S. Large Stocks | 32.0% | 8.0% |
| U.S. Mid Stocks | 9.0% | 10.0% |
| U.S. Small Stocks | 4.0% | 11.0% |
| International Developed Market Stocks | 12.0% | 9.5% |
| International Emerging Market Stocks | 3.0% | 11.0% |
| Alternatives | 10.0% | 10.1% |
| Real Estate | 10.0% | 7.5% |
| Cash | 3.0% | 1.5% |
| Total | <u>100.0%</u> | |

*Includes assumed rate of inflation of 2.50%

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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.

Changes in Net Pension Liability:

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a)-(b) |
| Balances at September 30, 2016 | \$ 10,388,277 | \$ 9,607,949 | \$ 780,328 |
| Changes for the year: | | | |
| Service cost | 249,898 | - | 249,898 |
| Interest | 779,415 | - | 779,415 |
| Changes of assumptions | - | - | - |
| Differences between expected and actual experience | (381,328) | - | (381,328) |
| Contributions - employer | - | 90,267 | (90,267) |
| Contributions - employee | - | 135,336 | (135,336) |
| Net investment income | - | 1,171,225 | (1,171,225) |
| Benefit payments, including refunds of employee contributions | (662,629) | (662,629) | - |
| Administrative expense | - | - | - |
| Transfers Among Employers | (484,226) | (484,226) | - |
| Net Changes | (498,870) | 249,973 | (748,843) |
| Balances at September 30, 2017 | \$ 9,889,407 | \$ 9,857,922 | \$ 31,485 |

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The following table presents the Board’s net pension liability calculated using the discount rate of 7.75%, as well as what the Board’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 | \$ 1,144,468 | \$ 31,485 | \$ (912,674) |

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor’s report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2018, the Board recognized pension expense of \$34,346. At September 30, 2018, the Board 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 | \$ - | \$ 404,015 |
| Changes of assumptions | 137,237 | - |
| Net difference between projected and actual earnings on plan investments | - | 301,019 |
| Employer contributions subsequent to the measurement date | 78,167 | - |
| | <u>\$ 215,404</u> | <u>\$ 705,034</u> |

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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: | |
|--------------------------|--------------|
| 2019 | \$ (160,995) |
| 2020 | (92,814) |
| 2021 | (205,748) |
| 2022 | (108,240) |
| 2023 | - |
| Thereafter | - |

NOTE 8 – TAX DEFERRED ANNUITY PLAN

Camellia Health 403(b) Plan (the Plan) is a tax deferred annuity plan created in accordance with Internal Revenue Code 403(b). The Plan is available to full time employees of both South Central Alabama Mental Health Board (the Board) and Camellia Health Management, LLC (the Company). Employees may participate in the Plan with respect to making salary reduction contributions and are eligible for matching contributions once the following requirements have been met (1) employee of the Board or Company (2) continuous employment with the Board or Company for six months (3) attainment of age 21.

Each year, participants may contribute up to 100% of pretax annual gross earnings not to exceed \$18,500 in 2018. Catch-up contributions of an additional amount of \$6,000 in 2018 is allowed for employees aged 50 and older. Employees are immediately vested in their contributions plus actual earnings thereon. Employees are 100% vested in the Plan's matching and discretionary contributions portion of their accounts plus actual earnings thereon after the completion of two years of service.

The Plan may make matching contributions equal to a percentage of each employees' elective deferral contributions. If a matching contribution is made, the Plan will choose the percentage and the 403(b) elective deferral percentage of the employee pay will be matched up to the chosen percentage. Any elective deferrals above that percentage by the employee will not be matched. Matching contributions will be made for all persons who were active participants at any time during the payroll period.

The Plan may make a discretionary contribution each plan year. The Plan will choose the amount of the contribution and whether or not it will be made annually. If a discretionary contribution is made, it will be divided among all eligible participants on September 30th of the year. Employees are eligible if they are active participants of the plan on that date.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 8 – TAX DEFERRED ANNUITY PLAN (Continued)

During the years ended September 30, 2018 and 2017, the Plan had employee deferred contributions in the amount of \$49,875 and \$50,028 and matching contributions of \$28,452 and \$32,241, respectively.

NOTE 9 – RISK MANAGEMENT

South Central Alabama Mental Health Board, Inc. is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to prevent significant uninsured risk exposure to the Board.

NOTE 10 – CONTINGENCIES

South Central Alabama Mental Health Board, Inc. participates in several federally assisted programs that are subject to program compliance audits by federal and state agencies. Such audits could result in a request for reimbursement by the applicable agency for expenditures disallowed under the terms and conditions of the federal financial assistance programs. It is the opinion of the Board's management that such disallowances, if any, would not be material to the Board's financial statements.

NOTE 11 – SUBSEQUENT EVENTS

As of September 30, 2018, South Central Alabama Mental Health Board, Inc. had recorded \$5,000 in construction in progress related to the construction of a new 16 bed facility in Greenville, Alabama. The facility will be used to provide services pursuant to a Forensic Secured Program agreement with the Alabama Department of Mental Health. As of the date of the report, the facility was still under construction.

Subsequent events have been evaluated through July 15, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Last Four Fiscal Years Ending September 30

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|----------------------|----------------------|---------------------|
| <u>Total Pension Liability</u> | | | | |
| Service Cost | \$ 249,898 | \$ 384,701 | \$ 371,065 | \$ 386,511 |
| Interest | 779,415 | 771,707 | 756,087 | 711,981 |
| Changes of Benefit Terms | - | - | - | - |
| Differences between Expected and Actual Experience | (381,328) | (16,671) | (207,852) | - |
| Change of Assumptions | - | 209,467 | - | - |
| Benefit Payments, including Refunds of Employee Contributions | (662,629) | (922,679) | (525,405) | (568,932) |
| Transfers Among Employers | (484,226) | (145,931) | - | - |
| Net Change in Total Pension Liability | (498,870) | 280,594 | 393,895 | 529,560 |
| Total Pension Liability - Beginning | 10,388,277 | 10,107,683 | 9,713,788 | 9,184,228 |
| Total Pension Liability - Ending (a) | <u>\$ 9,889,407</u> | <u>\$ 10,388,277</u> | <u>\$ 10,107,683</u> | <u>\$ 9,713,788</u> |
| <u>Plan Fiduciary Net Position</u> | | | | |
| Contributions - Employer | \$ 90,267 | \$ 165,957 | \$ 187,932 | \$ 177,052 |
| Contributions - Member | 135,336 | 183,117 | 218,752 | 207,113 |
| Net Investment Income | 1,171,225 | 921,298 | 111,243 | 1,022,943 |
| Benefit Payments, including Refunds of Employee Contributions | (662,629) | (922,679) | (525,405) | (568,932) |
| Transfers Among Employers | (484,226) | (145,931) | (44,837) | 4,844 |
| Net Change in Plan Fiduciary Net Position | 249,973 | 201,762 | (52,315) | 843,020 |
| Plan Net Position - Beginning | 9,607,949 | 9,406,187 | 9,458,502 | 8,615,482 |
| Plan Net Position - Ending (b) | <u>\$ 9,857,922</u> | <u>\$ 9,607,949</u> | <u>\$ 9,406,187</u> | <u>\$ 9,458,502</u> |
| Net Pension Liability - Ending (a) - (b) | \$ 31,485 | \$ 780,328 | \$ 701,496 | \$ 255,286 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 99.68% | 92.49% | 93.06% | 97.37% |
| Covered Payroll | \$ 2,189,889 | \$ 2,869,524 | \$ 4,400,941 | \$ 4,162,363 |
| Net Pension Liability as a Percentage of Covered Payroll | 1.43% | 27.19% | 15.94% | 6.13% |

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Last Four Fiscal Years Ending September 30

| | 2018 | 2017 | 2016 | 2015 |
|--|-----------|-----------|------------|------------|
| Actuarially Determined Contribution | \$ 78,167 | \$ 90,267 | \$ 165,957 | \$ 187,932 |
| Contributions in Relation to the Actuarially Determined Contribution | 78,167 | 90,267 | 165,957 | 187,932 |
| Contribution Deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | 2,029,636 | 2,189,889 | 2,869,524 | 4,400,941 |
| Contributions as a Percentage of Covered Payroll | 3.85% | 4.12% | 5.78% | 4.27% |

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent Closed |
| Remaining Amortization Period | 28.9 Years |
| Asset Valuation Method | Five Year Smoothed Market |
| Inflation | 3.00% |
| Salary Increases | 3.75 - 7.25%, including inflation |
| Investment Rate of Return | 8.00%, net of pension plan investment expense, including inflation |

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF REVENUES
 Year Ended September 30, 2018

| | Federal Government | State Government | Local Government | Patient Fees | Other |
|---|-----------------------|---------------------|---------------------|-------------------|-------------------|
| U.S. Department of Health and Human Services Grants and Contracts | \$ 665,993 | \$ - | \$ - | \$ - | \$ - |
| U.S. Department of Agriculture Grants and Contracts | 73,755 | - | - | - | - |
| U.S. Department of Transportation Grants and Contracts | 170,614 | - | - | - | - |
| AL Department of Mental Health Grants and Contracts | - | 4,345,258 | - | - | - |
| Medicaid Fees | 3,177,917 | - | - | - | - |
| Local Appropriations: | | | | | |
| Butler County | - | - | 17,150 | - | - |
| Coffee County | - | - | 9,167 | - | - |
| Covington County | - | - | 8,000 | - | - |
| City of Andalusia | - | - | 31,250 | - | - |
| City of Brantley | - | - | 600 | - | - |
| City of Elba | - | - | 1,100 | - | - |
| City of Enterprise | - | - | 10,000 | - | - |
| City of Greenville | - | - | 10,000 | - | - |
| Town of Gantt | - | - | 2,850 | - | - |
| City of Florala | - | - | 500 | - | - |
| Town of Dozier | - | - | 250 | - | - |
| Town of Red Level | - | - | 100 | - | - |
| Patient Fees | - | - | - | 655,132 | - |
| Rents | - | - | - | - | 120,150 |
| Various Other Support | - | - | - | - | 64,705 |
| Contributions and Fundraisers | - | - | - | - | 80,262 |
| Gain on Sale of Assets | - | - | - | - | 1,023 |
| Interest Income | - | - | - | - | 1,232 |
| Total Revenues | \$ 4,088,279 | \$ 4,345,258 | \$ 90,967 | \$ 655,132 | \$ 267,372 |

See Independent Auditors' Report.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
SCHEDULE OF REVENUES
Year Ended September 30, 2017

| | Federal Government | State Government | Local Government | Patient Fees | Other |
|---|-----------------------|---------------------|---------------------|-------------------|-------------------|
| U.S. Department of Health and Human Services Grants and Contracts | \$ 659,175 | \$ - | \$ - | \$ - | \$ - |
| U.S. Department of Agriculture Grants and Contracts | 76,880 | - | - | - | - |
| AL Department of Mental Health Grants and Contracts | - | 4,102,976 | - | - | - |
| Medicaid Fees | 2,889,286 | - | - | - | - |
| Local Appropriations: | | | | | |
| Butler County | - | - | 17,150 | - | - |
| Coffee County | - | - | 12,000 | - | - |
| Covington County | - | - | 8,000 | - | - |
| Crenshaw County | - | - | 1,000 | - | - |
| City of Andalusia | - | - | 18,750 | - | - |
| City of Brantley | - | - | 1,050 | - | - |
| City of Elba | - | - | 1,300 | - | - |
| City of Enterprise | - | - | 10,000 | - | - |
| City of Greenville | - | - | 10,000 | - | - |
| Town of Gantt | - | - | 350 | - | - |
| City of Florala | - | - | 50 | - | - |
| Town of Dozier | - | - | 250 | - | - |
| City of Opp | - | - | 3,000 | - | - |
| Town of Red Level | - | - | 250 | - | - |
| Patient Fees | - | - | - | 655,992 | - |
| Rents | - | - | - | - | 123,320 |
| Various Other Support | - | - | - | - | 71,505 |
| Contributions and Fundraisers | - | - | - | - | 65,604 |
| Gain on Sale of Assets | - | - | - | - | 1,105 |
| Interest Income | - | - | - | - | 926 |
| Total Revenues | \$ 3,625,341 | \$ 4,102,976 | \$ 83,150 | \$ 655,992 | \$ 262,460 |

See Independent Auditors' Report.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF EXPENSES
 Year Ended September 30, 2018

| | Administrative Expenses | Program Expenses | Total Expenses |
|--------------------------------------|----------------------------|---------------------|---------------------|
| Salaries | \$ 597,093 | \$ 3,945,769 | \$ 4,542,862 |
| Fringe Benefits | 146,202 | 918,032 | 1,064,234 |
| Client Expenses | 548 | 301,112 | 301,660 |
| Consultants and Contractual Services | 14,530 | 1,376,254 | 1,390,784 |
| Depreciation | 27,202 | 266,248 | 293,450 |
| Dues, Fees and Licenses | 4,712 | 4,317 | 9,029 |
| Food | 3,119 | 223,366 | 226,485 |
| Indigent Drugs | - | 139 | 139 |
| Insurance | 162,156 | 83,653 | 245,809 |
| Lease and Rent Expenses | 4,000 | 21,599 | 25,599 |
| Other | 22,084 | 13,818 | 35,902 |
| Professional Fees | 39,961 | - | 39,961 |
| Repairs and Maintenance | 8,758 | 217,631 | 226,389 |
| Small Tools and Equipment | - | 1,992 | 1,992 |
| Supplies - Janitorial | 2,047 | 43,431 | 45,478 |
| Supplies - Office | 5,691 | 14,176 | 19,867 |
| Supplies - Program | 7,921 | 98,198 | 106,119 |
| Telephone | 758 | 96,539 | 97,297 |
| Training | 4,651 | 21,273 | 25,924 |
| Travel | 38,732 | 134,920 | 173,652 |
| Utilities | 15,434 | 325,647 | 341,081 |
| | | | |
| Total Expenses | <u>\$ 1,105,599</u> | <u>\$ 8,108,114</u> | <u>\$ 9,213,713</u> |

See Independent Auditors' Report.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF EXPENSES
 Year Ended September 30, 2017

| | Administrative Expenses | Program Expenses | Total Expenses |
|--------------------------------------|----------------------------|---------------------|---------------------|
| Salaries | \$ 576,903 | \$ 3,770,533 | \$ 4,347,436 |
| Fringe Benefits | 158,824 | 1,107,351 | 1,266,175 |
| Client Expenses | - | 266,702 | 266,702 |
| Consultants and Contractual Services | 18,062 | 1,368,288 | 1,386,350 |
| Depreciation | 64,844 | 243,604 | 308,448 |
| Dues, Fees and Licenses | 5,082 | 4,119 | 9,201 |
| Food | 2,300 | 213,556 | 215,856 |
| Indigent Drugs | - | 3,832 | 3,832 |
| Insurance | 111,284 | 90,822 | 202,106 |
| Lease and Rent Expenses | - | 24,388 | 24,388 |
| Other | 23,541 | 994 | 24,535 |
| Professional Fees | 42,053 | - | 42,053 |
| Repairs and Maintenance | 7,360 | 209,494 | 216,854 |
| Small Tools and Equipment | - | 12,875 | 12,875 |
| Supplies - Janitorial | 3,015 | 46,339 | 49,354 |
| Supplies - Office | 6,662 | 12,641 | 19,303 |
| Supplies - Program | 9,555 | 84,978 | 94,533 |
| Telephone | 767 | 78,757 | 79,524 |
| Training | 7,870 | 24,084 | 31,954 |
| Travel | 28,359 | 103,196 | 131,555 |
| Utilities | 14,939 | 324,844 | 339,783 |
| | | | |
| Total Expenses | <u>\$ 1,081,420</u> | <u>\$ 7,991,397</u> | <u>\$ 9,072,817</u> |

See Independent Auditors' Report.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2018

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|---------------------------|--|---------------------------------------|----------------------------------|
| <u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| <u>Passed Through the Alabama Department of Mental Health</u> | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Various | \$ - | \$ 593,696 |
| Block Grants for Community Mental Health Services | 93.958 | Various | - | 58,333 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | Various | - | 13,964 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <u>Passed Through the Alabama Department of Education</u> | | | | |
| Child and Adult Care Food Program | 10.558 | ABU | - | 73,755 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| <u>Passed Through the Alabama Department of Transportation</u> | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | - | - | 170,614 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ - | \$ 910,362 |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of South Central Alabama Mental Health Board, Inc. under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of South Central Alabama Mental Health Board, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of South Central Alabama Mental Health Board, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

South Central Alabama Mental Health Board, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. South Central Alabama Mental Health Board, Inc. contracts with the Alabama Department of Mental Health for pass-through funds and the state agency has a pre-determined indirect cost rate that is required to be used for specific grants or contracts.

NOTE 4 – NON-CASH AWARDS

During the year ended September 30, 2018, South Central Alabama Mental Health Board, Inc. received non-cash federal awards totaling \$170,614 from the U.S. Department of Transportation as passed through the Alabama Department of Transportation.

NOTE 5 – LOANS AND LOAN GUARANTEES

South Central Alabama Mental Health Board, Inc. did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 6 – PASS-THROUGH SUBRECIPIENTS

South Central Alabama Mental Health Board, Inc. did not pass any federal awards to subrecipients during the year ended September 30, 2018.

NOTE 7 – SUBMISSION OF AUDIT REPORT

The audit package and the data collection form was not submitted to the Federal Audit Clearinghouse within nine months after the end of the fiscal year as required by the Uniform Guidance.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified? _____ 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 deficiencies identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit finding disclosed that are required to be reported
 in accordance with 2 CFR section 200.516(a) of the *Uniform Guidance* ? _____ yes X no

Identification of Major Programs:

| CFDA Number | Name of Federal Program |
|-------------|---|
| 93.959 | Block Grant for Prevention and Treatment of Substance Abuse |

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

II. Financial Statement Findings:

No reportable matters.

III. Federal Award Findings and Questioned Costs:

No reportable matters.

SOUTH CENTRAL ALABAMA MENTAL HEALTH BOARD, INC.
 SCHEDULE OF BOARD OF DIRECTORS AND OFFICIALS
 September 30, 2018

| Name | Title | Term Expires |
|-------------------|----------------|--------------|
| Steve Norman | President | 2019 |
| Waylon Catrett | Vice-President | 2019 |
| Rebecca Mauldin | Secretary | 2019 |
| Allen Stephenson | Treasurer | 2023 |
| Kristen Anton | Member | 2021 |
| Anthony Barganier | Member | 2021 |
| Dennis Bogan | Member | 2023 |
| Rhonda Brunson | Member | 2021 |
| Joan Calhoun | Member | 2023 |
| Marcella Cardona | Member | 2019 |
| Jana G. Ealum | Member | 2019 |
| Katrina Frye | Member | 2023 |
| Tom Gerlach | Member | 2019 |
| Sara Goolsby | Member | 2021 |
| Lucia Grantham | Member | 2019 |
| Rebecca Hendrix | Member | 2021 |
| Terry Holley | Member | 2023 |
| Michelle Horton | Member | 2023 |
| Cindy Howard | Member | 2021 |
| Carol Jackson | Member | 2023 |
| Amy Jones | Member | 2023 |
| Martty Jones | Member | 2023 |
| Jane Killough | Member | 2023 |
| Bee Gee McManigle | Member | 2021 |
| Frank Page | Member | 2023 |
| Margaret Pierce | Member | 2021 |
| Bill Rayborn | Member | 2021 |
| Mary Robbins | Member | 2019 |
| Kathy Senn | Member | 2019 |
| Alan Syler | Member | 2021 |
| Will Tate | Member | 2019 |
| Jama Walker | Member | 2021 |
| Howard West | Member | 2019 |
| Doris Wismer | Member | 2019 |