

**MENTAL HEALTH BOARD OF BIBB, PICKENS, AND
TUSCALOOSA COUNTIES, INC.**

Consolidated Financial Statements

September 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.
Tuscaloosa, Alabama

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. and subsidiaries, (the Board), which comprise the consolidated statement of net position as of September 30, 2019, and the related consolidated statements of revenues, expenses, and change in net position, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. and subsidiaries as of September 30, 2019, and the change in their financial position, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Adoption of Accounting Standard

As discussed in Note 1 to the financial statements, in 2019, the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. adopted the new accounting guidance in Accounting Standards Update (ASU) 2016-14. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the net pension liability and the schedule of employer contributions be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic consolidated financial statements. Such missing information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic consolidated financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. The accompanying supplementary information and additional information are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

The supplementary information and additional information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The supplementary information and additional information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.'s internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama
June 30, 2020

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Statement of Net Position

September 30, 2019

Assets

Current assets

Cash and cash equivalents	\$ 2,954,867
Deposits	592,628
Accounts receivable, net	974,334
Prepaid expenses	<u>66,497</u>
Total current assets	4,588,326

Noncurrent assets

Nondepreciable capital assets	369,600
Depreciable capital assets, net	<u>4,259,772</u>
Total noncurrent assets	<u>4,629,372</u>

Total assets 9,217,698

Deferred outflows of resources

Employer retirement contributions 464,584

Total assets and deferred outflows \$ 9,682,282

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Statement of Net Position

September 30, 2019

(Continued)

Liabilities

Current liabilities

Accounts payable	\$ 252,257
Accrued liabilities	324,018
Accrued wages	186,528
Unearned revenue	45,500
Compensated absences	333,716
Payable from restricted assets	
Security deposits	38,982
Current maturities of long-term liabilities	
Note payable	<u>202,503</u>
Total current liabilities	<u>1,383,504</u>

Noncurrent liabilities

Net pension liability	530,185
Note payable	<u>16,391</u>
Total noncurrent liabilities	<u>546,576</u>

Total liabilities 1,930,080

Deferred inflows of resources

Pension deferrals 798,070

Net position

Net investment in capital assets 4,410,478
Without donor restrictions 2,543,654

Total net position 6,954,132

Total liabilities, deferred inflow, and net position \$ 9,682,282

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Statement of Revenues, Expenses and Change in Net Position

Year ended September 30, 2019

Operating revenues

Patient fees and third-party payers, net	\$ 942,004
Federal government - Medicaid and Medicare	3,217,289
Federal grants and contracts	703,837
State and local grants and contracts	7,176,190
Other operating revenues	1,301,456
Less: bad debts	<u>(82,954)</u>
Net patient and operating revenues	13,257,822

Operating expenses

Program	9,679,642
Administrative	<u>3,298,101</u>
Total operating expenses	<u>12,977,743</u>

Operating income 280,079

Non-operating revenues (expenses)

Gain on disposal of assets	17,671
Interest income	15,218
Interest expense	<u>(10,156)</u>
Total non-operating revenues (expenses)	<u>22,733</u>

Change in net position 302,812

Net position - beginning of year 6,651,320

Net position - end of year \$ 6,954,132

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Functional Expenses

Year ended September 30, 2019

	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Total</u>
Consultant and contractual services	\$ 1,530,823	\$ 58	\$ 1,530,881
Depreciation	310,952	195,035	505,987
Food and food service	152,415	11,975	164,390
Fringe benefits	366,058	277,589	643,647
General office expense	393,430	78,387	471,817
Insurance and bonding	363	216,605	216,968
Maintenance and repairs	279,453	27,316	306,769
Miscellaneous	175,484	202,714	378,198
Professional fees	17,705	115,152	132,857
Recruitment	257	4,775	5,032
Salaries and wages	5,836,283	1,990,709	7,826,992
Supplies	131,789	82,079	213,868
Travel and training	41,730	10,729	52,459
Telephone	170,040	17,851	187,891
Utilities	272,860	67,127	339,987
	<u>\$ 9,679,642</u>	<u>\$ 3,298,101</u>	<u>\$ 12,977,743</u>

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Statement of Cash Flows

Year ended September 30, 2019

Cash Flows from Operating Activities

Cash receipts from federal, state, and local governments	\$ 11,161,307
Cash receipts from and on behalf of clients	949,366
Cash received from other sources	1,305,450
Cash paid for salaries and related expenses	(8,592,795)
Cash paid to suppliers for goods and services	<u>(3,863,744)</u>

Net cash provided by operating activities 959,584

Cash Flows from Capital and Related Financing Activities

Acquisition of capital assets	(147,768)
Proceeds from sale of capital assets	17,671
Principal payments on long-term debt	(191,209)
Interest payments on long-term debt	<u>(10,156)</u>

Net cash used in capital and related financing activities (331,462)

Cash Flows from Investing Activities

Interest received	15,218
Net purchase of CDs	<u>(156,272)</u>

Net cash used in investing activities (141,054)

Net increase in cash and cash equivalents 487,068

Cash and cash equivalents - beginning of year 2,467,799

Cash and cash equivalents - end of year \$ 2,954,867

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Statement of Cash Flows

Year ended September 30, 2019

(Continued)

Reconciliation of Operating Income to Net Cash

Provided By Operating Activities:

Operating income	\$ 280,079
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	505,987
Provision for bad debt	82,954
(Increase) decrease in operating assets and deferred outflows of resources:	
Accounts receivable	33,627
Prepaid expenses	(38,972)
Deferred outflows - contributions to pension plans	52,771
Increase (decrease) in operating liabilities and deferred inflows of resources:	
Accounts payable	81,291
Accrued liabilities	114,927
Accrued wages	59,431
Unearned revenue	40,426
Security deposits	1,294
Compensated absences	42,986
Net pension liability	(177,994)
Deferred inflows - pension deferrals	(119,223)
	<hr/>
Net cash provided by operating activities	<u>\$ 959,584</u>

See notes to consolidated financial statements.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The consolidated financial statements include the accounts of the Mental Health Board of Bibb, Pickens & Tuscaloosa Counties, Inc. and its wholly-owned subsidiaries, Riverfront Properties, LLC, Riverpoint Properties, LLC, and River Oaks, LLC. All material intercompany transactions and balances have been eliminated in consolidation. The consolidated entities are herein referred to as the Board.

The Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. (the Board) is a 501(c)(3) corporation and is organized under Act No. 310 of the Code of Alabama of 1975, as amended. The Board was incorporated on November 12, 1969. The Board is a special purpose governmental entity, engaged in business-type activities, that provides behavioral healthcare services to residents of primarily Bibb, Pickens, and Tuscaloosa Counties whose lives are impacted by mental illness, intellectual disabilities, substance abuse and/or emotional disturbance. The Board also provides prevention services to at-risk children and adults.

Reporting Entity

In evaluating how to define the Board for financial reporting purposes, management has considered all potential component units. The decision of whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no other entities included in defining the Board's reporting entity.

Basic Financial Statements

The basic financial statements are presented at both the government-wide (based on the Board as a whole) and fund financial statements. Both levels of statements categorize primary activities as either governmental or business type. The Board is engaged only in providing business-type activities, which are reported using an enterprise fund. These activities are financed in whole or in part by fees charged to external parties for goods or services. Since the Board does not engage in governmental activities, the Business-Type Activities model is used. This model presents only the financial statements required for enterprise funds.

Fund financial statements report detailed information about the Board. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. The Board's one enterprise fund is considered major. The Board has no nonmajor funds.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The Board's enterprise fund reports all activities of the Board. Revenues received by providing comprehensive programs for community-based mental illness, substance abuse and developmental disabilities services are recognized as program or grant revenues.

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Board's fund is categorized as a proprietary fund type for financial statement presentation purposes. Proprietary funds include the enterprise fund. The Board is accounted for as a proprietary fund type using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Board's operations are included in the statement of net position. Proprietary funds are accounted for using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. The accounting policies of the Board conform to accounting principles generally accepted in the United States of America as applied to a governmental unit. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The financial statements of the Board have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management evaluated subsequent events through June 30, 2020, the date the financial statements were available to be issued.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Board adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Board adopted the update for the year ended September 30, 2019. Under the newly adopted guidance, the Board now presents net assets without donor restrictions and net assets with donor restrictions. The Board also presents a statement of functional expenses.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Board considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Board has never experienced any losses related to these balances.

The Board also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the Board's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Allowance for Uncollectible Accounts

The Board reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. As of September 30, 2019, the allowance for uncollectible accounts totaled \$62,268.

Prepaid Expenses

Prepaid balances are for payments made by the Board in the current year to provide services occurring in the subsequent fiscal year.

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted, as they are needed.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are carried at cost less accumulated depreciation and include expenditures which substantially increase the useful lives of existing property and equipment. Donated or contributed capital assets are recorded at their estimated net acquisition value on the date received. Maintenance, repairs and minor renovations are charged to expenses as incurred. When capital assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. The Board provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as follows: building and improvements, 30 years and furniture and equipment, 3 to 15 years.

Revenues

Revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

The Board's revenues are generated predominately from the provision of mental illness, substance abuse and developmental disabilities services in Bibb, Pickens, and Tuscaloosa counties. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Board believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Revenues for consumers covered by Medicare totaled \$86,675 for the year ended September 30, 2019. Revenue for consumers covered by Medicaid totaled \$3,765,167 for the year ended September 30, 2019.

Unearned Revenues

Proprietary funds report unearned revenue in connection with resources that have been received but are not yet recognizable.

Compensated Absences

The Board's employees earn annual leave in accordance with their years of service. Full-time employees are allowed to accumulate unused annual leave up to a maximum of thirty days for nine or less years of service and up to a maximum of forty days for ten or more years of service. Part-time employees are allowed to accumulate unused annual leave up to a maximum of fifteen days for nine or less years of service and up to a maximum of thirty days for ten or more years of service. Employees will be paid for any earned, but unused, annual leave upon termination unless termination is for cause or without proper notice. Any employee who terminates within his or her first six months will forfeit all unused annual leave.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ending September 30, 2018 and, therefore, this actuarial information is reported in the fiscal year 2019 financial statements.

Deferred Outflows and Inflows of Resources

The Board's statement of net position reports a separate section for deferred outflows and deferred inflows of resources. Deferred outflows reflect a decrease in net position that applies to future periods, while deferred inflows reflects an increase in net position or fund balance that applies to a future period. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the Board's fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period. Deferred inflows of resources reported in the financial statements are for differences between projected and actual earnings on pension plan investments.

Functional Expenses

The costs of providing program and related supporting services have been summarized on the functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated to the appropriate function.

Net Position

The Board reports information regarding its financial position and activities according to two classes of net position in the financial statements: net investment in capital assets and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Without donor restrictions are those currently available at the direction of governance for use in the Board's operations.

With donor restrictions are those which are stipulated by donors for specific purposes.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 2 - TAX AND CORPORATE STATUS

The Board is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and the Code of Alabama 1975, 22-51-1 through 22-51-14. Therefore, no provision for income taxes has been made. The Internal Revenue Service has also determined that the Board is a governmental agency. Consequently, it is not required to file a Form 990.

NOTE 3 - DEPOSITS IN FINANCIAL INSTITUTIONS

At September 30, 2019, the balance of the Board's bank accounts totaled \$3,641,814 which excludes reconciling items. The bank balances, including deposits, are fully covered by either FDIC or the SAFE program.

NOTE 4 - DEPOSITS

State statutes authorize the Board to invest in obligations of the U.S. Treasury, certain U.S. agency obligations, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public investment accounts. As of September 30, 2019, the Board had long-term, non-negotiable certificates of deposit in the amount of \$592,628.

The Board does not have a formal investment policy that limits its allowable deposits or investments, other than those imposed by statutes discussed above, or that addresses the specific types of risks that the government is exposed to through its deposits or investments.

Interest Rate Risk - The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Board does not have a formal investment policy that limits its investment choices other than those imposed by statutes discussed above.

Concentration of Credit Risk - The Board places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Board will not be able to recover the value of its investments. All of the Board's investments at September 30, 2019 were insured.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 5 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2019:

Clients	\$	40,643
Medicare		47,949
Medicaid		313,519
Third-party insurance		158,841
Contracts		475,650
Gross receivables		<u>1,036,602</u>
Less: Allowance for uncollectible accounts		<u>(62,268)</u>
Net receivables	\$	<u><u>974,334</u></u>

Payables consisted of the following at September 30, 2019:

Trade payables	\$	205,957
Self insurance payable		46,300
Total payables	\$	<u><u>252,257</u></u>

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 6 - CAPITAL ASSETS

Capital assets activity consisted of the following for the year ended September 30, 2019:

	October 1, 2018	Additions	Disposals	September 30, 2019
Depreciable assets				
Buildings and improvements	\$ 6,644,986	\$ 14,910	\$ -	\$ 6,659,896
Furniture and equipment	3,256,435	67,615	(121,098)	3,202,952
Construction in progress	-	65,242	-	65,242
	<u>9,901,421</u>	<u>147,767</u>	<u>(121,098)</u>	<u>9,928,090</u>
Less accumulated depreciation	<u>5,283,430</u>	<u>505,986</u>	<u>(121,098)</u>	<u>5,668,318</u>
	4,617,991	(358,219)	-	4,259,772
Non-depreciable capital assets				
Land	<u>369,600</u>	-	-	<u>369,600</u>
Total capital assets, net	<u>\$ 4,987,591</u>	<u>\$ (358,219)</u>	<u>\$ -</u>	<u>\$ 4,629,372</u>

Depreciation expense totaled \$505,987 during the year ended September 30, 2019.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 7 - LONG-TERM DEBT

The Board's note payables consisted of the following at September 30, 2019:

4.75% note payable - bank, due in monthly payments of \$9,388 including interest, beginning December 2011, final unpaid balance due November 2020, secured by constructed building	\$ 125,511
2.25% note payable - callable upon demand, bank, if not called, due in monthly payments of \$4,710 including interest, beginning July 2010, final unpaid balance due June 2020, secured by vehicles	37,370
2.25% note payable - callable upon demand, bank, if not called, due in monthly payments of \$2,856 including interest, beginning July 2016, final unpaid balance due June 2021, secured by vehicles	56,013
	<u>\$ 218,894</u>

Future principal and interest requirements of the note payable consist of the following for the years ending September 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 202,503	\$ 3,534	\$ 206,037
2021	16,391	81	16,472
	<u>\$ 218,894</u>	<u>\$ 3,615</u>	<u>\$ 222,509</u>

Changes in long-term liabilities consisted of the following at September 30, 2019:

	<u>October 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2019</u>	<u>Due within one year</u>
Note payable	\$ 410,103	\$ -	\$ 191,209	\$ 218,894	\$ 202,503

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN

General Information about the Pension Plan

Plan description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions of 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. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of the ERS is vested in its Board of Control. The ERS 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 § 36-27-6.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for Tier 1 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 Tier 1 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.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

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

The ERS serves approximately 874 local participating employers. These participating employers include 297 cities, 65 counties, and 512 other public entities. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	141
	<u>90,999</u>

The Board's membership as of the measurement date of September 30, 2018 consisted of:

Retired members or their beneficiaries currently receiving benefits	53
Vested inactive members	6
Non-vested inactive members	100
Active members	215
	<u>374</u>

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Contributions. Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) are required by statute to contribute 7.50% of earnable compensation. Tier 1 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, Tier 1 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, Tier 1 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. Tier 1 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 (except State Police and certified law enforcement, correctional officers, and firefighters) 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 contribution rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Board's active employee contribution rate was 5.53% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 2.83% of covered employee payroll.

The Board's contractually required contribution rate for the year ended September 30, 2019 was 4.82% of pensionable pay for Tier 1 employees, and 1.79% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$213,227 for the year ended September 30, 2019.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2017	\$ 13,254,103	\$ 13,284,653	\$ 13,354,515
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	453,100	453,100	456,776
(d) Transfers Among Employers:	-	(55,301)	(55,301)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(913,188)	(913,188)	(913,188)
(f) Total Pension Liability as of September 30, 2018 =[(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 13,785,822</u>	<u>\$ 13,763,438</u>	<u>\$ 13,835,943</u>
(g) Difference between Expected and Actual:		\$ (22,384)	
(h) Less Liability Transferred for Immediate Recognition:		<u>(55,301)</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 32,917</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			<u>\$ 72,505</u>

Actuarial assumptions. The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

- | | |
|------------------------------|---------------|
| 1. Inflation | 2.75% |
| 2. Salary increases | 3.25% - 5.00% |
| 3. Investment rate of return | 7.75% |

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

Net Pension Liability - Continued

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

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 - September 30, 2015.

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

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

*Includes assumed rate of inflation of 2.50%.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

Net Pension Liability - 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. Projected future benefit payments for all current Plan members were projected for all years. 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 and a municipal bond rate was not used in determining the discount rate.

Changes in the Board's net pension liability consisted of the following at September 30, 2018:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2017	\$ 13,254,103	\$ 12,545,924	\$ 708,179
Changes for the year:			
Service cost	453,100	-	453,100
Interest	991,807	-	991,807
Changes of assumptions	72,505	-	72,505
Difference between expected and actual experience	32,917	-	32,917
Contributions - employer	-	245,899	(245,899)
Contributions - employee	-	339,080	(339,080)
Net investment income	-	1,143,344	(1,143,344)
Benefits of payments, including refunds of employee contributions	(913,188)	(913,188)	-
Transfers among employers	(55,301)	(55,301)	-
Net changes:	581,840	759,834	(177,994)
Balances at September 30, 2018	\$ 13,835,943	\$ 13,305,758	\$ 530,185

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

Net Pension Liability - 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 (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability	\$ 2,145,568	\$ 530,185	\$ (822,676)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditors' report dated September 17, 2019 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, 2019, the Board recognized pension expense of (\$48,916). At September 30, 2019, 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	\$ 93,512	\$ 358,714
Changes in assumptions	157,845	-
Net difference between projected and actual earnings on pension plan investments	-	439,356
Employer contributions subsequent to the measurement date	213,227	-
	<u>\$ 464,584</u>	<u>\$ 798,070</u>

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Notes to Consolidated Financial Statements

September 30, 2019

(Continued)

NOTE 8 - PENSION PLAN - Continued

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

The \$213,227 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows for the years ending September 30:

2020	\$ (115,650)
2021	(178,874)
2022	(215,679)
2023	(42,477)
2024	5,967
	<u>\$ (546,713)</u>

NOTE 9 - CONTINGENCIES

The Board received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. Board management believes such disallowances, if any, would be immaterial.

NOTE 10 - SUBSEQUENT EVENTS

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Board is eligible for these funds and received a loan accordingly.

The Board continues to examine the impact the CARES Act may have on its business. Currently, the Board is unable to determine the impact the CARES Act will have on its financial condition, results of operations, or liquidity.

REQUIRED SUPPLEMENTARY INFORMATION

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Changes in the Net Pension Liability

Years ended September 30

(UNAUDITED)

	2018	2017	2016
Total pension liability			
Service cost	\$ 453,100	\$ 460,933	\$ 390,078
Interest	991,807	991,778	946,339
Differences between expected and actual experience	32,917	(445,028)	167,012
Changes of assumptions	72,505	-	247,547
Benefit payments, including refunds of employee contributions	(913,188)	(942,123)	(802,011)
Transfers among employers	(55,301)	(79,653)	88,992
Net change in total pension liability	581,840	(14,093)	1,037,957
Total pension liability - beginning	13,254,103	13,268,196	12,230,239
Total pension liability - ending (a)	\$ 13,835,943	\$ 13,254,103	\$ 13,268,196
Plan fiduciary net position			
Contributions - employer	\$ 245,899	\$ 243,822	\$ 260,304
Contributions - member	339,080	331,472	277,168
Net investment income	1,143,344	1,449,390	1,075,014
Benefit payments, including refunds of employee contributions	(913,188)	(942,123)	(802,011)
Transfers among employers	(55,301)	(79,653)	88,992
Net change in Plan fiduciary net position	759,834	1,002,908	899,467
Plan net position - beginning	12,545,924	11,543,016	10,643,549
Plan net position - ending (b)	\$ 13,305,758	\$ 12,545,924	\$ 11,543,016
Net pension liability (a) - (b)	\$ 530,185	\$ 708,179	\$ 1,725,180

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Changes in the Net Pension Liability

Years ended September 30

(UNAUDITED)

(Continued)

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 355,579	\$ 381,519
Interest	940,240	900,816
Differences between expected and actual experience	-	-
Changes of assumptions	(444,390)	-
Benefit payments, including refunds of employee contributions	(748,380)	(830,695)
Transfers among employers	-	-
Net change in total pension liability	<u>103,049</u>	<u>451,640</u>
Total pension liability - beginning	<u>12,127,190</u>	<u>11,675,550</u>
Total pension liability - ending (a)	<u>\$ 12,230,239</u>	<u>\$ 12,127,190</u>
 Plan fiduciary net position		
Contributions - employer	\$ 276,033	\$ 233,596
Contributions - member	238,824	207,213
Net investment income	126,103	1,164,228
Benefit payments, including refunds of employee contributions	(748,380)	(830,695)
Transfers among employers	9,944	137,374
Net change in Plan fiduciary net position	<u>(97,476)</u>	<u>911,716</u>
Plan net position - beginning	<u>10,741,025</u>	<u>9,829,309</u>
Plan net position - ending (b)	<u>\$ 10,643,549</u>	<u>\$ 10,741,025</u>
 Net pension liability (a) - (b)	<u>\$ 1,586,690</u>	<u>\$ 1,386,165</u>

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Changes in the Net Pension Liability

Years ended September 30

(UNAUDITED)

(Continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Plan fiduciary net position as a percentage of the total pension liability	96.17%	94.66%	87.00%
Covered-employee payroll	<u>\$ 6,140,270</u>	<u>\$ 5,703,973</u>	<u>\$ 5,141,168</u>
Net pension liability as a percentage of covered-employee payroll	8.63%	12.42%	33.56%

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Changes in the Net Pension Liability

Years ended September 30

(UNAUDITED)

(Continued)

	<u>2015</u>	<u>2014</u>
Plan fiduciary net position as a percentage of the total pension liability	87.03%	88.57%
Covered-employee payroll	<u>\$ 6,278,722</u>	<u>\$ 5,743,456</u>
Net pension liability as a percentage of covered-employee payroll	<u>25.27%</u>	<u>24.13%</u>

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Employer Contributions

Years Ended September 30

(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 189,790	\$ 245,899	\$ 243,822
Contributions in relation to the actuarially determined contributions	189,790	245,899	243,822
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 6,695,393</u>	<u>\$ 6,140,270</u>	<u>\$ 5,703,973</u>
Contributions as a percentage of covered-employee payroll	<u>2.83%</u>	<u>4.00%</u>	<u>4.27%</u>

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Employer Contributions

Years Ended September 30

(UNAUDITED)

(Continued)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 579,389	\$ 291,715
Contributions in relation to the actuarially determined contributions	<u>579,389</u>	<u>291,715</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 5,141,168</u>	<u>\$ 6,278,722</u>
Contributions as a percentage of covered-employee payroll	<u>11.27%</u>	<u>4.65%</u>

See notes to consolidated required supplementary information.

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Note to Consolidated Required Supplementary Information

Pension Plan Practices

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Amortization method	Level percent closed
Remaining amortization period	29.3 years
Asset valuation method	Five-year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

See notes to consolidated required supplementary information.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Consolidated Schedule of Revenues

Year ended September 30, 2019

	<u>Federal</u> <u>Government</u>	<u>State</u> <u>Government</u>	<u>Local</u> <u>Government</u>	<u>Patient Fees</u>	<u>Other</u>	<u>Total</u>
Department of Health and Human Services						
Grants and contracts	\$ 703,837	\$ -	\$ -	\$ -	\$ -	\$ 703,837
Medicaid	3,130,614	634,553	-	-	-	3,765,167
Medicare	86,675	-	-	-	-	86,675
Alabama Department of Mental Health						
Grants and contracts	-	6,411,644	-	-	-	6,411,644
Counties						
Bibb	-	-	16,226	-	-	16,226
Pickens	-	-	13,767	-	-	13,767
Tuscaloosa	-	-	50,000	-	-	50,000
Cities						
Tuscaloosa	-	-	50,000	-	-	50,000
Patient fees	-	-	-	942,004	-	942,004
EAP program	-	-	-	-	288,658	288,658
Rentals	-	-	-	-	850,018	850,018
Miscellaneous income	-	-	-	-	162,780	162,780
	<u>\$ 3,921,126</u>	<u>\$ 7,046,197</u>	<u>\$ 129,993</u>	<u>\$ 942,004</u>	<u>\$ 1,301,456</u>	<u>\$ 13,340,776</u>

See independent auditors' report

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

To the Board of Directors
Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.
Tuscaloosa, Alabama

We have audited, 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, the consolidated financial statements of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. (the Board) ,which comprise the consolidated statement of net position as of September 30, 2019, and the related consolidated statements of revenues, expenses, and change in net position, schedule of functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying paragraph below, that we consider to be a material weakness.

Reimbursement of Unallowed Expenses

During the audit, BMSS noted that the Board processed reimbursement requests that contain alcohol purchases. In addition to being in violation of the Board's own policy, the purchase of alcohol is specially prohibited by federal and state grant requirements. Due to the comingling of funds in the operating account, BMSS is unable to determine what funds were used to reimburse these expenses. We recommend the Board review its policies and consider additional controls in order to ensure compliance.

We consider the following deficiency in the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.'s internal control to be a significant deficiency:

Account Activity

During the audit, the Board was unable to fully reconcile funds remitted from the State of Alabama to related revenue accounts. The Board should be able to readily identify and trace all payments to specific revenue accounts. We recommend the Board review its policies and consider additional controls in order to ensure compliance.

Compliance and Other Matters

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

Management's Response to the Audit Findings

Management agrees with the audit findings and the recommended procedures will be implemented. Management's response was not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on it.

Purpose of this Report

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

BMSS, LLC

Birmingham, Alabama
June 30, 2020

**REPORT ON COMPLIANCE WITH DEPARTMENT
OF MENTAL HEALTH CONTRACTS**

To the Board of Directors
Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc.
Tuscaloosa, Alabama

We have audited contract/grant/agreement numbers G9-032249 and G9-133424 between the Department of Mental Health (DMH) and the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. as of and for the year ended September 30, 2019.

Compliance with the DMH contracts/grants/agreements, and all laws, rules and regulations applicable to the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc. is the responsibility of the Mental Health Board of Bibb, Pickens, and Tuscaloosa Counties, Inc's management. As part of obtaining reasonable assurance about whether the contract/grant/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 the DMH Audit Guidelines*. Revenue and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract/grant/agreement. Funds claimed as a match for federal programs were audited to determine if they were allowable and adequate to match federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract/grant/agreement, and all applicable laws, and regulations.

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

BMSS, LLC

Birmingham, Alabama
June 30, 2020

ADDITIONAL INFORMATION

MENTAL HEALTH BOARD OF BIBB, PICKENS, AND TUSCALOOSA COUNTIES, INC.

Officers and Board of Directors

Year ended September 30, 2019

Barbara Friedman-Brown, President
Elizabeth Rice, 1st Vice President
Dennis Stripling, 2nd Vice President
Kathy Fletcher, Member
Ricky Chambless, Member
Judge John England, Member
Gerald Eure, Member
Clarence Gary, Member
Dr. Guillermo Godoy, Member
David Hardin, Member
Judge Stephanie Kemmer, Member
Isola Lark, Member
Charles Quarles, Member
Ron Turner, Member
Randy Phillips, Chief Executive Officer
Beverly Vanoy, Chief Financial Officer

See independent auditors' report.