MARSHALL JACKSON 310 AGENCY, INC
AUDITED FINANCIAL STATEMENTS
September 30, 2019

DOLLAR & WATSON, LLC
Certified Public Accountants
Guntersville, Alabama

Contents

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DOLLAR AND WATSON, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Jackson 310 Agency, Inc. (a public corporation)
Guntersville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Marshall Jackson 310 Agency, Inc., as of and for the years ended September 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Marshall Jackson 310 Agency, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Marshall Jackson 310 Agency, Inc. as of September 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-6, Schedules of Changes in Board's Net Pension Liability on page 33, and Schedules of Employer Contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall Jackson 310 Agency, Inc.'s basic financial statements. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Functional Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Board of Directors and Officials has 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 a report dated August 19, 2020, on our consideration of the Marshall Jackson 310 Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall Jackson 310 Agency, Inc.'s internal control over financial reporting and compliance.

Dollar & Watson, LLC

Guntersville, Alabama
August 19, 2020

MARSHALL JACKSON 310 AGENCY, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

Our discussion and analysis of the Marshall Jackson 310 Agency, Inc.'s (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the Authority's financial statements and notes to the financial statements, which immediately follow this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued September 1999.

Authority Activities and Highlights

The Authority is an entity formed under Alabama Acts 1967, Act Number 310, commonly referred to as a "310 Board." The Authority was formed for the purpose of contracting with the Alabama Department of Mental Health and Mental Retardation in operating programs and facilities for mental retardation services.

The role and function of the Authority is to:

- Plan and take steps which lead to comprehensive, state, and community action to combat mental retardation.
- Develop a plan to meet the area needs.
- Develop public awareness of mental retardation and coordinate state and local activities relating to the various aspects of mental retardation.
- Develop services within resource availability, activate relevant available services, refer to other appropriate services without bias to any particular provider and submit proposals to the Department of Mental Health/Mental Retardation, and seek other funding sources. The Authority will also coordinate the planning and development of resources for community services and support, including residential placements for individuals eligible for Department of Mental Health/Mental Retardation Services.

The Authority is the local single point of intake for the purposes of coordinating and planning of Department of Mental Health/Mental Retardation services for Marshall and Jackson Counties.

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section now consists of five parts, - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplemental information* (not required for enterprise funds), and *other supplemental information.*

Because the Authority is considered an enterprise fund and no other funds are component units of the Authority, many aspects of GASB 34 are not applicable to the financial statements and require little or no changes from previous years. The enterprise fund presentation required by GASB 34 does not change the appearance of the financial statements for the Authority or footnotes to those statements. There is no required supplemental information for an enterprise fund.

MARSHALL JACKSON 310 AGENCY, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

Analysis of the Authority's Overall Financial Position

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Authority's assets exceeded liabilities by $1,149,696 at September 30, 2019.

Table 1: Summary of Net Position

	2019	2018
Current Assets	$ 1,477,718	$ 1,871,737
Property and Equipment	0	0
Deferred Outflows of Resources	196,820	224,577
Total Assets Deferred outflows of Resources	1,674,538	2,116,314
Current Liabilities	178,841	887,841
Net Pension Liability	52,883	333,748
Total Liabilities	231,724	1,221,589
Deferred Inflows of Resources	293,118	49,944
Net Position – Unrestricted	$ 1,149,696	$ 844,781

Net position on the Statement of Net Position includes the following:

Unrestricted – The difference between the assets and liabilities that is not reported as restricted.

Analysis of the Authority's Operations

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Revenues and Expenses*. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Authority for the year. It also shows the impact the operations had on changes in net position as of September 30, 2019.

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As shown in *Table 2*, the revenue from the Authority's activities for the year ended September 30, 2019 decreased to $8.6 million, including interest income.

- Much of the revenue, $8.6 million, was collected from the state government for program services provided during the year. Decreases in program revenue were followed by decreases in program expenses. Operating income (loss) increased to $304,915 from the previous year amount of $100,541.

- Local source revenues are from Alabama multi-needs and DHR for $0.

Table 2: Statement of Revenue and Expenses

	2019	2018
Operating Revenues		
Program Funds	$ 8,643,292	$ 9,578,986
Other Income and Donations	-	30
Interest	1,939	422
Total Operating Revenues	8,645,231	9,579,438
Operating Expenses		
General	154,553	172,535
Program	8,185,763	9,306,362
Total Operating Expenses	8,340,316	9,478,897
Operating Income (Loss)	304,915	100,541
Net Position – Beginning	844,781	744,240
Net Position – Ending	$ 1,149,696	$ 844,781

Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

MARSHALL JACKSON 310 AGENCY, INC.

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
CURRENT ASSETS		
Cash	$ 1,403,040	$ 1,047,017
Contracts Receivable	74,678	824,720
TOTAL ASSETS	1,477,718	1,871,737
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources subsequent to measurement date	196,820	244,577
TOTAL ASSETS AND DEFFERED OUTFLOWS OF RESOURCES	$ 1,674,538	$ 2,116,314

LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	2019	2018
CURRENT LIABILITIES		
Accounts Payable	$ 144,230	$ 860,803
Payroll Taxes and Other Withholdings	18,588	9,589
Accrued Annual Leave	16,023	17,449
TOTAL CURRENT LIABILITIES	178,841	887,841
TOTAL NONCURRENT LIABILITIES		
Net Pension Liability	52,883	333,748
NET POSITION		
Net Investment in Capital Asset	-	-
Restricted Net Position	-	-
Unrestricted	1,149,696	844,781
DEFERRED INFLOWS OF RESOURCES	293,118	49,944
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 1,674,538	$ 2,116,314

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MARSHALL JACKSON 310 AGENCY, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Department of Mental Health Contract	$ 8,643,292	$ 9,578,986
Other	-	30
Interest	1,939	422
Total Operating Revenues	8,645,231	9,579,438
OPERATING EXPENSES		
Program	8,185,763	9,306,362
Administration	154,553	172,535
Total Operating Expenses	8,340,316	9,478,897
Operating Income (Loss)	304,915	100,541
Increase (Decrease) in Net Position	304,915	100,541
NET POSITION AT BEGINNING OF YEAR	844,781	744,240
NET POSITION AT END OF YEAR	$ 1,149,696	$ 844,781

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MARSHALL JACKSON 310 AGENCY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Patient Services	$ 9,393,334	$ 10,256,529
Payments to Employees	(285,350)	(409,382)
Payments to Suppliers and Others	(8,753,900)	(9,290,178)
Other Receipts	1,939	452
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	356,023	557,421
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,023	557,421
CASH AND CASH EQUIVALENTS - Beginning of Year	1,047,017	489,596
CASH AND CASH EQUIVALENTS - End of Year	$ 1,403,040	$ 1,047,017
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 304,915	$ 100,541
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Prepaid Taxes	-	-
(Increase) Decrease in Contracts Receivable	750,042	677,543
(Increase) Decrease in Deferred Outflows of Resources	47,757	25,949
Increase (Decrease) in Accounts Payable	(716,573)	(289,513)
Increase (Decrease) in Payroll Taxes and Other Withholdings	8,999	(1,615)
Increase (Decrease) in Accrued Annual Leave	(1,426)	78
Increase (Decrease) in Deferred Inflows of Resources	243,173	39,874
Increase (Decrease) in Net Pension Liability	(280,864)	4,564
	51,108	456,880
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 356,023	$ 557,421

The accompanying Notes to Financial Statements are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Marshall Jackson 310 Agency, Inc. (the Board) is an entity formed under Alabama Acts 1967, Act Number 310, commonly referred to as a "310 Board." The Board was formed for the purpose of contracting with the Alabama Department of Mental Health and Mental Retardation in operating programs and facilities for mental retardation services.

The Organization receives the majority of its operating funds from the state contract and donations.

Name Change

Marshall-Jackson Mental Retardation Authority, Inc. changed the legal name of the Organization in September 2016 to Marshall Jackson 310 Agency, Inc.

Reporting Entity

In evaluating how to define the Marshall Jackson 310 Agency, Inc., for financial reporting purposes, management considered all the criteria for determining component units. The basic - but not the only - criteria for including a potential component unit within the reporting entity are the government'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. A second criterion used in evaluation potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to it citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Marshall Jackson 310 Authority, Inc. does not exercise oversight duties over any other program.

Basis of Accounting

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 for financial statement presentation purposes. Proprietary funds include the enterprise fund.

In accordance with GASB Statement No. 62, the Organization applies all applicable FASB and AICPA pronouncements that do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Organization has elected not to follow subsequent private-sector guidance.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Proprietary fund financial statements are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Grant revenue, charges for client services, and other income associated with the current fiscal period are all considered to be susceptible to accrual and have recognized as revenue of the current fiscal period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing activities. The principal operating revenues of the Board's enterprise fund are charges to clients for services. Operating expenses for the enterprise fund include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basic Financial Statements - GASB No. 34

Basic financial statements include both government-wide, based on the Board as a whole, and fund financial statements. While the previous model emphasized fund types, the total of all funds of a particular type, in the new reporting model the focus is on either the Board as a whole or major individual funds within the fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. 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 Activity (BTA) 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

In accordance with GASB Statement No. 34, the Board classified net assets into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

> Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
>
> Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" of "net investment in capital assets.."

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments purchased with a maturity of three months or less.

Capital Assets

Capital assets are carried at cost for amounts greater than $1,500. Replacements, maintenance and repairs which do not improve or extend the life of the respective assets are charged to operations as incurred. Depreciation charges to operations are determined using the straight-line method over the estimated useful lives of the related assets. Currently, no assets are owned which meet the criteria for capitalization as fixed assets.

Contributions and Contributed Services

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

When material, the value of contributed services meeting the requirements of recognition in the financial statements, is recorded in the financial statements as an revenue and an expense. Additionally, many individuals volunteer their time and perform a variety of tasks, which are not recorded in the financial statements. No amounts for contributed services have been recorded in the financial statements.

Advertising Costs

Advertising costs for the years ended September 30, 2019 and 2018 were $132 and $125, respectively.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Annual and Sick Leave

An appropriate liability is recorded for annual leave. Substantially all employees of the Board earn 12 days of sick leave each year with an accumulation limited to 30 days. No payment is made for unused sick leave at retirement; therefore, no liability is recorded at September 30, 2019 and 2018. Substantially all employees earn two weeks of annual leave each year after their six month anniversary. Employees may earn an additional one-day of annual leave for each year worked, up to 20 annual leave days. Leave must be used each year by the employee's anniversary date. Payment is made to employees for unused annual leave at termination or retirement. Therefore, accrued leave at September 30 reflects all unused leave by employees at September 30.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended September 30, 2014, the Board adopted GASB Statement 65, *Items previously reported as Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards and reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that was previously reported as assets and liabilities. Included as part of these reclassifications is the expensing of bond issue costs in the year the costs are incurred instead of amortizing these costs over the term of the related bonds prior to implementation of GASB 65.

The Governmental Accounting Standards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended September 30, 2014, the Boards adopted GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements and GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows, and Resources, and Net Position. GASB 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. GASB 63 establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statements requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the Board's financial statements was the renaming of "Net Assets" to "Net Position."

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment to GASB Statement No. 27),* in the fiscal year ending September 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year ending September 30, 2014). As a result, net position as of October 1, 2013 decreased by $50,522.

Pensions

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Board's deposits at September 30, 2019 and 2018 were held by a financial institution in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975,*** Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

As of September 30, 2019 and 2018, all contract receivables were from items related to the state contract. The Board enters into annual contracts administered by the Alabama Department of Mental Health and Mental Retardation/Developmental Disabilities (DMH/MR), beginning October 1 of the contract year, to provide services as specified by the contract. The Board records revenue as services are provided under this contract. Receivables related to this contract are considered fully collectible; therefore, no allowance for doubtful accounts is maintained. If an amount is determined to be uncollectible, due to ineligibility, etc., DMH/MR reduces a future payment when that determination is made. From time to time, other funding may be obtained for provision of specified services by receipt of grant awards from state and federal agencies.

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable consist of the following at September 30:

	2019	2018
Subcontractors	$ 135,880	$ 848,032
Suppliers	8,350	12,771
	$ 144,230	$ 860,803

NOTE 5 - 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 Act No. 310, H.591, Acts of Alabama, 1977, Regular Session of Legislature of Alabama. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending September 30, 2017, 2018, and 2019 are subject to examination by the IRS, generally three years after they were filed.

NOTE 6 –LEASE AGREEMENTS

The Board leases four office spaces for $3,500 and $4,500 per month in annual operating leases. The leases are month-to-month or annual leases beginning in October of each year. Rental expense for the years ended September 30, 2019 and 2018 was $96,000.

NOTE 7 – LETTER OF CREDIT

The Board established a letter of credit with Regions Bank for $250,000. The letter of credit has an interest rate based on the bank's prime rate, and is renewed annually in November. There was no outstanding balance at September 30, 2019 and 2018. The letter of credit was renewed in October 2017 and expires in October 2019.

NOTE 8 – RELATED PARTY TRANSACTION

The River Foundation, Inc. was formed in 2007 for the purpose of owning the property and equipment of the Organization. The River Foundation, Inc. is a 501(c)(3) organization. The River Foundation, Inc. and the Organization will share one board member.

During the years ended September 30, 2019 and 2018, $0 was transferred to The River Foundation, Inc. to assist with the building expenditures. Beginning March 2009, the Board rented office space for $8,000 per month under an annual lease agreement (See Note 6). Rental expense for the years ended September 30, 2019 and 2018 was $96,000 and $96,000.

NOTE 9 – RETIREMENT PLAN

The employees of the Organization are eligible to participate in the State of Alabama Retirement System.

For the year ended September 30, 2015, the Board adopted GASB No. 68 which changed the reporting and required disclosures of the defined benefit pension plan. The Board selected the earliest measurement date option (look-back) for fiscal year 2015. The actuarial valuation of the plan was performed as of September 30, 2014 and the measurement date of the Net Pension Liability is as of September 30, 2015.

General Information About the Pension Plan

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama 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 § 36-27-6.

NOTE 9 – RETIREMENT 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 are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Participant Data

The following is a summary of plan participants of the Board at September 30, 2019:

Retired Members Receiving Payment	3
Active Participants	10
Inactives with Deferred Benefits	0
Non-vested Inactive Members	1
Total Participants	14

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

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 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% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 4.53% of covered employee payroll.

The Board's contractually required contribution rate for the year ended September 30, 2019 was 5.78% of pensionable pay for Tier 1 employees, and 3.28% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 $21,102 and $21,138 for the years ended September 30, 2019 and 2018, respectively.

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

The components of the Board's contributions for the years ended September 30, 2019 and 2018 were as follows:

	2019	2018
Employee Contributions	$ 18,485	$ 20,820
Employer Contributions	21,102	23,541
Total	$ 39,587	$ 44,361

Employer contribution amounts include active employees and cost of living adjustments approved by the Board for retired employees

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:

Total Pension Liability as of September 30, 2017 (a)	$ 1,693,957
Entry Age Normal Cost for October 1, 2017 – September 30, 2018 (b)	36,310
Actual Benefit Payments and Refunds for October 1, 2017 – September 30, 2018 (c)	(50,712)
Total Pension Liability as of September 30, 2018 [(a) x (1.08)] + (b) – [(c) x (1.04)]	$ 1,808,872

Actuarial Assumptions
The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2018 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)
The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on 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:

	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	45%	30-60%
International Equity	15%	10-25%
Fixed Income	17%	10-40%
Alternative Investments	10%	0-20%
Real Estate	10%	0-15%
Short-term Investments	3%	0-7%
Total	100%	

* Includes assumed rate of inflation of 2.50%.

Discount Rate
The discount rate used to measure the total pension liability was the long term rate of return, 7.7%. 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.

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2017	$ 1,693,957	$ 1,360,209	$ 333,748
Changes for the Year			
Service Cost	36,310	-	36,310
Interest	129,317	-	129,317
Changes of assumptions	9,048	-	9,048
Differences between expected and actual experience	(290,826)	-	(290,826)
Contributions – Employer	-	22,330	(22,330)
Contributions – Employee	-	20,926	(20,926)
Net Investment Income	-	121,458	(121,458)
Benefit Payments, Including Refunds of Employee Contributions	(50,712)	(50,712)	-
Administrative	-	-	-
Transfers Among Employees	(88,182)	(88,182)	-
Net Changes	(255,045)	25,820	(280,865)
Balances at 9/30/2018	$ 1,438,912	$ 1,386,029	$ 52,883

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's Net Pension Liability	$ 251,944	$ 52,883	$ (114,488)

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated January 15, 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 (benefit) of $10,066. 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	$ 37,043	$ 245,605
Changes of assumptions	124,614	-
Net difference between projected and actual earnings on pension plan investments	-	47,513
Employer contributions subsequent to the measurement date	35,163	-
Total	$ 196,820	$ 293,118

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

Year ended September 30:	
2020	$(8,948)
2021	(23,184)
2022	(18,465)
2023	(50,671)
2024	(30,193)
Thereafter	-

(Continued)

NOTE 9 – RETIREMENT PLAN (Continued)

Funding Policy:
Plan members are required to contribute 5% of their annual salary and the Organization is required to contribute at an actuarially determined rate. The current rate is 5.78% and 3.28% of annual covered payroll. The contribution requirements of plan members and the Organization are established and may be amended by the System's Board of Control. The Organization contributed $21,102 and $23,541 to the Employee's Retirement System for the years ended September 30, 2019 and 2018, respectively.

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows and inflows of resources, represents the implementation of GASB 68 (see Note 9). Deferred outflows of resources consist of $196,820 as of September 30, 2019 in the statements of financial position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the implementation of GASB 68 (see Note 9). Deferred inflows of resources consist of $293,118 as of September 30, 2019 in the statements of financial position.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Board is governed by various state and local regulations as a result of grants and contracts with these agencies and therefore is subject to audit by those agencies. In general, a governmental agency may audit a particular program up to three years after the close of the program for the entire program period, even though the program was for more than one fiscal period. Experience has shown that interpretations of these regulations are in a state of evolution making management unable to predict the ultimate effect, if any, for audits by governmental agencies. Liability resulting from such audits, if any, is undeterminable.

NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes that the coverage is adequate to prevent significant uninsured risk exposure to the Authority.

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through August 19, 2020, the date the financial statements were available to be issued.

A novel strain of coronavirus, COVID-19, emerged in the United States in early 2020. The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Board's financial condition or results of operations is uncertain.

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 operation 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 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 operation, or liquidity.

OTHER FINANCIAL INFORMATION

MARSHALL JACKSON 310 AGENCY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Administrative Expenses	Program Expenses	Total
Residential and Day Habilitation	$ -	7,670,378	7,670,378
Salaries	70,104	298,864	368,968
Rent	18,240	77,760	96,000
Group Insurance	8,781	37,434	46,215
Payroll Taxes	6,425	27,390	33,815
Travel	6,242	26,605	32,847
Retirement	25,246	5,922	31,168
Utilities	1,911	8,145	10,056
Property Insurance	1,468	6,260	7,728
Professional Fees	6,733	870	7,603
Workman's Comp Insurance	1,195	5,096	6,291
Maintenance	1,089	4,641	5,730
Equipment Rental	1,382	4,310	5,692
Office	1,228	3,890	5,118
Telephone	922	3,932	4,854
Cell Phones/Pagers	631	2,692	3,323
Dues and Subscriptions	962	263	1,225
Computer	163	995	1,158
Bank Charges	967	-	967
Postage	45	316	361
Meetings and Meals	319	-	319
Miscellaneous	273	-	273
Advertising	132	-	132
Training and Staff Development	95	-	95
			-
	$ 154,553	$ 8,185,763	$ 8,340,316

See Accountants' Report

MARSHALL JACKSON 310 AGENCY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Administrative Expenses	Program Expenses	Total
Residential and Day Habilitation	$ -	$ 8,686,286	$ 8,686,286
Salaries	101,961	305,884	407,845
Rent	17,280	78,720	96,000
Retirement	17,214	73,388	90,602
Group Insurance	11,153	47,548	58,701
Travel	3,012	30,452	33,464
Payroll Taxes	5,244	20,977	26,221
Telephone	1,795	9,422	11,217
Utilities	2,214	8,854	11,068
Maintenance	2,061	7,755	9,816
Property Insurance	1,568	8,235	9,803
Workman's Comp Insurance	1,200	6,298	7,498
Professional Fees	-	7,465	7,465
Equipment Rental	1,247	4,988	6,235
Office	1,027	4,678	5,705
Cell Phones/Pagers	1,212	2,460	3,672
Computer	295	1,815	2,110
Dues and Subscriptions	1,808	-	1,808
Bank Charges	854	26	880
Training and Staff Development	824	-	824
Postage	126	473	599
Meetings and Meals	164	332	496
Miscellaneous	151	306	457
Advertising	125	-	125
			-
	$ 172,535	$ 9,306,362	$ 9,478,897

See Accountants' Report

MARSHALL JACKSON 310 AGENCY, INC.

BOARD OF DIRECTORS AND OFFICIALS

SEPTEMBER 30, 2019

Board Members

Mr. Jim Butler
1010 Byron Road
Woodville, AL 35776

Ms. Lacey White
1323 Ponderosa Avenue
Albertville, AL 35950

Ms. Tricia Hooper
921 Leland Drive
Albertville, AL 35950

Ms. Angela Gaddis
Vice-President
393 Bellefonte Drive
Scottsboro, AL 35769

Patricia Austin
President
3504 Cedar Lane
Guntersville, AL 35976

Mr. Jim Hines
203 Willowchase Drive
Scottsboro, AL 35769

Mr. Dan Deason
Vice-President
3006 Scenic Drive
Scottsboro, AL 35769

Tammy Burden
116 Arielle Circle
Guntersville, AL 35976

Ms. Patricia Moore
400 Wright Rd
Albertville, AL 35951

Officials
Ms. Lisa Ricker
Executive Director
305 Beverly Street
Scottsboro, AL 35768

Leigh Barnett Dollar, CPA Roger E. Watson, Jr., CPA

431 Gunter Avenue • P.O. Box 143 • Guntersville, Alabama 35976
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DOLLAR AND WATSON, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Board of Directors
Marshall Jackson 310 Agency, Inc.
Guntersville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Jackson 310 Agency, Inc. as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Marshall Jackson 310 Agency, Inc.'s basic financial statements and have issued our report thereon dated August 19, 2020.

Internal Control over Financial Reporting

In planning and performing out audit of the financial statements, we considered Marshall Jackson 310 Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall-Jackson 310 Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall Jackson 310 Agency, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall Jackson 310 Agency, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Dollar & Watson, LLC

Guntersville, Alabama
August 19, 2020

Leigh Barnett Dollar, CPA Roger E. Watson, Jr., CPA

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DOLLAR AND WATSON, LLC
Certified Public Accountants

REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT

Board of Directors
Marshall Jackson 310 Agency, Inc.
Guntersville, Alabama

We have audited contract numbers G9-2266-72, G9-3375-74, and G9-3342-54H between the Department of Mental Health/Mental Retardation (DMH/MR) and the Marshall Jackson 310 Agency, Inc. as of and for the years ended September 30, 2019 and 2018.

Compliance with the DMH/MR contract/agreement/agreement and all applicable laws, rules, and regulations applicable to Marshall Jackson 310 Agency, Inc. is the responsibility of Marshall Jackson 310 Agency, Inc.'s management. As part of obtaining reasonable assurance about whether the contract/agreement/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/MR Audit Guidelines. Revenue and expenditures of cost reimbursement contracts were analyzed on a monthly basis and a year-to-date basis to determine if they were in compliance with applicable terms and conditions of the contract; e.g., costs billed/vouchered to DMH/MR or Medicaid were equal to or less than actual, necessary, reasonable, and eligible costs for each respective month during the fiscal year based on the accrual basis of accounting and Section 3.c of the DMH/MR Audit Guidelines.

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

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

Dollar & Watson, LLC

August 19, 2020

REQUIRED SUPPLEMENTAL INFORMATION

MARSHALL JACKSON 310 AGENCY, INC.

SCHEDULES OF CHANGES IN THE BOARD'S NET PENSION LIABILITY AND RELATED RATIOS - EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

SEPTEMBER 30, 2019

SCHEDULES OF CHANGES IN THE BOARD'S NET PENSION LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010
Total Pension Liability										
Service Cost	$ 36,261	$ 36,310	$ 51,098	$ 41,827	$ 45,484	$ 43,687	$ -	$ -	$ -	$ -
Interest	107,660	129,317	117,220	91,694	84,525	76,378	-	-	-	-
Changes of Benfits		-	-	-	-	-	-	-	-	-
Differences Between										
Expected and Actual Experience	157,932	(290,826)	31,614	31,936	(13,428)	-	-	-	-	-
Changes of Assumptions		9,048	-	234,362			-	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(81,448)	(50,712)	(36,973)	(29,998)	(23,931)	(12,526)				
Transfers among employers	107,386	(88,182)	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	327,791	(255,045)	162,959	369,821	92,650	107,539	-	-	-	-
Total Pension Liability - Beginning	1,438,912	1,693,957	1,530,998	1,161,177	1,161,177	960,988	-	-	-	-
Total Pension Liability - Ending	$ 1,766,703	$ 1,438,912	$ 1,693,957	$ 1,530,998	$ 1,068,527	$ 1,068,527	$ -	$ -	$ -	$ -
Plan Fiduciary Net Position										
Contributions - Employer	$ 19,754	$ 22,330	$ 20,077	$ 26,237	$ 26,254	$ 38,349	$ -	$ -	$ -	$ -
Contributions - Employee	18,485	20,926	21,139	24,986	24,463	25,637	-	-	-	-
Net Investment Income	36,415	121,458	154,152	110,101	12,394	107,730	-	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(81,448)	(50,712)	(36,973)	(29,998)	(23,931)	(12,526)	-	-	-	-
Transfers Among Employers	107,386	(88,182)	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	100,592	25,820	158,395	131,326	39,180	159,190	-	-	-	-
Plan Fiduciary Net Position - Beginning	1,386,029	1,360,209	1,201,814	1,070,488	1,031,308	872,118	-	-	-	-
Plan Fiduciary Net Position - Ending	$ 1,486,621	$ 1,386,029	$ 1,360,209	$ 1,201,814	$ 1,070,488	$ 1,031,308	$ -	$ -	$ -	$ -
BOARD'S Net Pension Liability - Ending	$ 280,082	$ 52,883	$ 333,748	$ 329,184	$ 90,689	$ 37,219	$ -	$ -	$ -	$ -
Plan Fiduciary Net Position as a										
Percentage of the Total Pension Liability	84.15%	96.32%	80.30%	78.50%	92.19%	96.52%				
Covered-Employee Payroll *	355,087	$ 359,117	$ 407,845	$ 407,984	$ 491,570	$ 510,146				
BOARD'S Net Pension Liability as a										
Percentage of Covered-Employee Payroll	78.88%	81.83%	81.83%	80.69%	18.45%	7.30%				

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2019, the measurement period is October 1, 2017 - September 30, 2018.
GASB ussyed a statement "Pension Issues" in March, 2016 to redefine covered payroll for FY2017.

MARSHALL JACKSON 310 AGENCY, INC.

SCHEDULES OF EMPLOYER CONTRIBUTIONS - EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

SEPTEMBER 30, 2019

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010
Actuarially Determined Contribution *	21,103	$ 28,186	$ 20,820	$ 21,138	$ 26,237	$ 27,934	$ -	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Contribution *	21,103	28,186	20,820	21,138	26,237	27,934	-	-	-	-
Contribution Deficiency (Excess)	$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll **	355,087	$ 407,845	$ 407,845	$ 407,984	$ 491,570	$ 510,146				
Contributions as a Percentage of Covered Employee Payroll	5.94%	6.91%	5.10%	5.18%	5.34%	5.47%				

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement
**Employer's covered payroll for FY2018 is the total covered payroll for the 12 month period of the underlying financial statements.

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 2019 are based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	15.1 Years
Asset Valuation Method	Five Year Smoothed Market
Inflation	2.875%
Salary Increases	3.375 - 7.875%, Including Inflation
Investment Rate of Return	8.00%, Net of Pension Plan Investment Expense, Including Inflation

*If the employer's financial reporting period end is other than September 30, 2019, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.