

MOBILE COUNTY BOARD OF HEALTH

(EIN 1636001641A1)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

MOBILE COUNTY BOARD OF HEALTH

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September 30, 2014

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S. W. CHIEPALICH
CERTIFIED PUBLIC ACCOUNTANT, P.C.

3800 Airport Boulevard
Suite 101
P.O. Box 850335
Mobile, Alabama 36685
(251) 610-3792

December 23, 2014

INDEPENDENT AUDITOR'S REPORT

Bernard H. Eichold, M.D., Health Officer
Mobile County Board of Health
Mobile, Alabama

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the fiduciary fund of Mobile County Board of Health (the Board) as of September 30, 2014 and for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles which are 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

My responsibility is to express an opinion on these financial statements based upon my audits. I conducted my audits in accordance with auditing standards which are 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of September 30, 2014 and the respective changes in financial position for the year then ended in conformity with accounting principles which are generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards which are generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2014 on my consideration of the Board's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



S. W. Chiepalich
Certified Public Accountant

MOBILE COUNTY BOARD OF HEALTH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(With Comparative Totals for 2013)

ASSETS	<u>2014</u>	<u>2013</u>
Cash	\$18,098,044	\$16,315,991
Investments (certificates of deposit)	6,140,000	6,140,000
Accounts receivable	3,066,113	1,965,083
Inventory	277,770	628,449
Prepaid expense	131,553	120,986
Capital assets		
Land	927,572	927,572
Buildings & improvements	18,810,045	17,638,561
Improvements other than buildings	279,909	279,909
Equipment & furniture	6,957,762	6,387,800
Accumulated depreciation	<u>(13,815,140)</u>	<u>(13,047,985)</u>
Net capital assets	<u>13,160,148</u>	<u>12,185,857</u>
TOTAL ASSETS	40,873,628	37,356,366
LIABILITIES		
Accounts payable	1,528,909	882,589
Accrued payroll	561,775	511,682
Payroll taxes payable	70,787	49,953
Fringe benefits payable	230,900	286,800
Deferred revenue	153,907	102,562
Compensated absences	<u>1,359,749</u>	<u>1,295,128</u>
Total liabilities	<u>3,906,027</u>	<u>3,128,714</u>
NET POSITION		
Invested in capital assets	13,160,148	12,185,857
Unrestricted	<u>23,807,453</u>	<u>22,041,795</u>
TOTAL NET POSITION	<u>\$36,967,601</u>	<u>\$34,227,652</u>

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014
(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
PUBLIC HEALTH EXPENSES		
Personnel costs	\$24,249,687	\$22,818,444
Depreciation	1,243,065	998,091
Pharmacy drugs	470,562	446,132
Other public health costs	<u>8,099,831</u>	<u>7,548,351</u>
Total expenses	34,063,145	31,811,018
 PROGRAM REVENUES		
Charges for services	13,089,857	12,252,110
Operating grants & contributions	<u>17,134,058</u>	<u>15,319,051</u>
 NET PROGRAM REVENUE	 (3,839,230)	 (4,239,857)
 GENERAL REVENUES		
Taxes		
Property taxes	4,302,277	4,301,706
Oil & gas severance tax	261,824	274,825
Business privilege tax	68,369	67,860
Grants & contributions not restricted to specific programs	1,505,538	1,505,538
Unrestricted investment earnings	9,067	19,800
Miscellaneous	<u>432,104</u>	<u>423,877</u>
Total general revenues	<u>6,579,179</u>	<u>6,593,606</u>
 CHANGE IN NET POSITION	 2,739,949	 2,353,749
 NET POSITION - BEGINNING OF YEAR	 <u>34,227,652</u>	 <u>31,873,903</u>
 NET POSITION - END OF YEAR	 <u>\$36,967,601</u>	 <u>\$34,227,652</u>

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014
(With Comparative Totals for 2013)

ASSETS	General Fund	Primary Care Fund	Capital Projects
Cash	\$ 6,569,335	\$4,787,557	\$1,230,515
Investments (certificates of deposit)	1,800,000	900,000	1,590,000
Accounts receivable	408,233	1,134,329	-
Inter-fund balances	4,347,399	-	-
Inventory	277,770	-	-
Prepaid expenses	131,553	-	-
TOTAL ASSETS	<u>\$13,534,290</u>	<u>\$6,821,886</u>	<u>\$2,820,515</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,520,905	\$ -	\$ -
Accrued payroll	193,433	224,337	-
Payroll taxes payable	52,285	-	-
Fringe benefits payable	230,900	-	-
Deferred revenue	120,540	33,367	-
Inter-fund balances	998,892	1,692,540	-
TOTAL LIABILITIES	<u>3,116,955</u>	<u>1,950,244</u>	<u>-</u>
FUND BALANCES			
Non-spendable	409,323	-	-
Spendable			
Restricted	-	-	-
Assigned	-	4,871,642	2,820,515
Unassigned	10,008,012	-	-
TOTAL FUND BALANCES	<u>10,417,335</u>	<u>4,871,642</u>	<u>2,820,515</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$13,534,290</u>	<u>\$6,821,886</u>	<u>\$2,820,515</u>

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2014

	2014	2013
Total fund balances per the Balance Sheet	\$25,167,202	\$23,336,923
<p>Capital assets are not financial resources & therefore are not included in fund balances. Capital assets totaled \$26,975,288 and \$25,233,842 at September 30, 2014 and 2013, respectively. Accumulated depreciation at September 30, 2014 and 2013 totaled \$13,815,140 and \$13,047,985, respectively.</p>		
	13,160,148	12,185,857
<p>The compensated absences liability is not due and payable in the current year and therefore is not shown as a liability in the governmental funds balance sheet.</p>		
	(1,359,749)	(1,295,128)
Total net position per Statement of Net Position	\$36,967,601	\$34,227,652

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014
(With Comparative Totals for 2013)

	<u>General Fund</u>	<u>Primary Care Fund</u>	<u>Capital Projects</u>
REVENUES			
Taxes	\$ 2,481,332	\$ -	\$ -
Federal grants	303,930	7,193,940	-
Other intergovernmental revenue	2,227,050	7,040	-
Charges for services	6,046,073	7,115,038	-
Private grants	800,216	75,300	-
Interest income	2,231	1,504	3,507
Miscellaneous revenues	<u>220,834</u>	<u>190,223</u>	<u>-</u>
Total revenues	<u>12,081,666</u>	<u>14,583,045</u>	<u>3,507</u>
PUBLIC HEALTH EXPENDITURES			
Personnel costs	7,747,315	8,749,524	-
Drugs and vaccines	150,768	288,180	-
Other public health expenditures	3,520,870	3,628,089	-
Capital outlay	<u>1,558,611</u>	<u>482,283</u>	<u>-</u>
Total public health expenditures	<u>12,977,564</u>	<u>13,148,076</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(895,898)	1,434,969	3,507
TRANSFERS	635,356	(483,656)	-
FUND BALANCE - BEGINNING OF YEAR	<u>10,677,877</u>	<u>3,920,329</u>	<u>2,817,008</u>
FUND BALANCE - END OF YEAR	<u>\$10,417,335</u>	<u>\$ 4,871,642</u>	<u>\$ 2,820,515</u>

See independent auditor's report and the notes to the financial statements.

Other Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 2,151,139	\$ 4,632,471	\$ 4,644,392
7,902,450	15,400,320	14,380,270
78,459	2,312,549	2,330,814
3,715,900	16,877,011	15,820,123
51,210	926,726	113,504
1,825	9,067	19,800
21,047	432,104	423,877
<u>13,922,030</u>	<u>40,590,248</u>	<u>37,732,780</u>
7,688,227	24,185,066	22,799,348
31,614	470,562	446,132
4,738,026	11,886,985	11,116,364
176,462	2,217,356	1,467,149
<u>12,634,329</u>	<u>38,759,969</u>	<u>35,828,993</u>
1,287,701	1,830,279	1,903,787
(151,700)	-	-
<u>5,921,709</u>	<u>23,336,923</u>	<u>21,433,136</u>
<u>\$ 7,057,710</u>	<u>\$25,167,202</u>	<u>\$23,336,923</u>

MOBILE COUNTY BOARD OF HEALTH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2014

	<u>2014</u>	<u>2013</u>
Net change in fund balances per the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 1,830,279	\$ 1,903,787
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,217,356 in 2014 and \$1,467,149 in 2013) exceeded depreciation (\$1,243,065 in 2014 and \$998,091 in 2013).	 974,291	 469,058
 The compensated absences expense reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds (i.e. in the Statement of Revenues, Expenditures, and Changes in Fund Balances)	 <u>(64,621)</u>	 <u>(19,096)</u>
 Change in net assets per the Statement of Activities	 <u>\$2,739,949</u>	 <u>\$ 2,353,749</u>

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2014

	<u>Health Insurance Trust Fund</u>
ASSETS	
Cash	\$ 272,547
Investments:	
Equities	1,424,094
Corporate & governmental bonds	<u>1,859,008</u>
Total assets	3,555,649
LIABILITIES	<u>-</u>
NET ASSETS	<u>\$3,555,649</u>

MOBILE COUNTY BOARD OF HEALTH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Health Insurance Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 765,308
Investment income	<u>260,557</u>
Total additions	1,025,865
DEDUCTIONS	
Claims payments	325,219
Trustee fees	<u>15,980</u>
Total deductions	<u>341,199</u>
CHANGE IN NET ASSETS	684,666
NET ASSETS - BEGINNING OF YEAR	<u>2,870,983</u>
NET ASSETS - END OF YEAR	<u>\$3,555,649</u>

See independent auditor's report and the notes to the financial statements.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mobile County Board of Health (the Board) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Financial Reporting Entity

The Board was established prior to the creation of the Alabama State Department of Public Health. It serves as an agency of the Alabama State Department of Public Health, operating under the provisions of Code of Alabama 1975, Sections 22-3-1 through 22-3-12. The Board is composed of six medical officers and one member of the Mobile County Commission. The Board elects its own officers. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Board and its component unit. The component unit discussed below is included in the Board's reporting entity because of the significance of its operational or financial relationship with the Board.

In evaluating how to define the Board of Health for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not exclusive, criteria 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 criteria 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.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit

The Family Oriented Primary Health Care Governing Council, Inc. an entity legally separate from the Board, is governed by an eleven-member council. The Board does not appoint the Council; however, the Council is financially dependent on the Board. Since the Council provides services exclusively to the Board, the primary health care and HIV/AIDS services of the Council are accounted for in the Board's primary health care fund and the HIV/AIDS Services Fund, respectively, which are special revenue funds. The primary health care fund is reported separately in the Board's fund financial statements and the HIV/AIDS Services fund is reported in the column "Other Governmental Funds".

BASIS OF PRESENTATION

GOVERNMENT-WIDE STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the Board. The Statement of Net Assets presents information about the assets, liabilities and net assets of the Board.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Public Health function. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and other charges paid by the patients and other recipients, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are reported as Other Governmental Funds.

Fund Accounting

The Board uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board uses governmental funds in its accounting and these are divided into fund types called general fund, special revenue funds, and capital projects fund. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) and the acquisition or construction of general fixed assets (Capital Projects Fund). The General Fund is used to account for all general activities not accounted for in some other fund.

Only major funds as defined by GASB are reported in these financial statements. Non-major funds are reported in the column called "Other Governmental Funds".

General Fund - The Board's General Fund received revenues primarily from county and municipal appropriations and up to fifty percent of revenues received under a one mill ad valorem tax on property in Mobile County. This is always reported as a major fund.

Special Revenue Funds - Such funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provision or administrative action. Special Revenue Funds reported as major funds are:

Primary Care Fund - Accounts for the receipt and expenditure of federal grant funds (and earned revenues such as Medicaid and Medicare) which are restricted to providing family health services primarily to the uninsured and under-insured.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. This fund is a major fund.

In accordance with GASB Statement No. 54, which was adopted by the Board in fiscal 2010, a fund balance hierarchy was created which reflects the extent to which the Board is bound to observe constraints imposed on the use of governmental fund resources. GASB 54 requires the segregation of fund balances into the following applicable categories:

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
Fund balances which are not in spendable form, such as inventories and prepaid items.

Fund balances which are restricted by laws such as one-half of the ad valorem tax receipts are restricted for vector control.

Fund balances which are internally assigned for a particular use, such as capital project funds.

All other unassigned funds.

Under the terms of grant agreements, the Board funds certain programs by a combination of restricted cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Board's policy to first apply the restricted grant resources to such programs, followed by general revenues.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and 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. Non-exchange transactions are those in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, such as property taxes and grants. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

The fund financial statements report governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Grants and charges for services are susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized when they are paid. Capital outlay is reported as an expenditure in governmental funds.

All governmental activities at the government-wide level are presented following the FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

MOBILE COUNTY BOARD OF HEALTH
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances totals as of September 30, 2014 were as follows:

General Fund	\$ 31,394
Primary Care Fund	3,001
Other Special Revenues Funds	<u>10,108</u>
Total	<u>\$ 44,503</u>

Inventories

Inventories are valued at cost, which approximates market, using a method that closely approximates the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

Capital Assets

Capital assets that are purchased or constructed are reported at cost or estimated historical costs. Donated fixed assets are valued at their estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method generally over the following estimated useful lives and capitalization thresholds:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Building	40 years	\$1,000
Building improvements	20-40 years	\$1,000
Vehicles	5 years	\$1,000
Office equip. & furnishings	7-10 years	\$1,000
Computer equipment	5 years	\$1,000
Medical equipment	7-10 years	\$1,000
Computer software	5 years	\$1,000

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-fund Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as inter-fund balances on the balance sheet.

Accumulated Unpaid Annual and Sick Leave

The Board has a standard sick and annual leave policy for its full time employees. Employees earn .038461 hours sick leave per paid hour. Annual leave is earned on a scale ranging from .038461 hours per paid hour (for the first five years of service) to .096153 per paid hour (over 25 years of service).

The Governmental Accounting Standards Board requires the accrual of a liability for future vacations, sick, or other leave benefits that meet all of the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

A maximum of 75% of unused sick leave is paid at retirement to employees who have either ten years of service and are over 60 or twenty-five years of service, regardless of age. (Sick leave is also paid at death if the employee dies during employment.) Therefore, 75% of the unused sick pay of employees who meet this criteria, \$285,779, is included as a liability in the accompanying September 30, 2014 statement of net assets.

Similarly, the amount of accrued annual leave, which is limited to 480 hours (280 hours for employees hired after March 31, 1996) and totals \$1,073,970 at September 30, 2014 is also included on the accompanying statement of net assets since unused annual leave is paid upon termination.

Inter-fund Transfers

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions are reported as transfers. There were no material non-reimbursement transfers in 2014.

Subsequent Events Evaluation

Subsequent events have been evaluated through December 23, 2014, the approximate date the financial statements were available to be issued.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Comparative total data for the prior year fund financial statement have been presented in order to provide an understanding of changes in the government's financial position and operations. However, presentation of prior year totals by major fund have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. For comparability, certain 2013 amounts may have been reclassified to conform with the financial statement presentation used in 2014.

NOTE 2 CASH AND INVESTMENTS

The Board's deposits at September 30, 2014 were held by financial institutions 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 and 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 the 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.

State statutes authorize the Board to invest in U.S. Treasury securities, securities of federal agencies, commercial paper, corporate bonds and repurchase agreements.

As of September 30, 2014 and 2013, all of the Board's investments were non-participating investments. Therefore, these investments were recorded at cost as allowed by GASB Statement No. 31.

NOTE 3 BUDGETS

The Board is not required by State law to adopt an annual budget. Accordingly, a comparison of actual expenses to budget is not required to be presented with the financial statements. However, an internal operating budget is prepared by management and approved by the Board.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4 **EMPLOYEE RETIREMENT PLAN**

Plan Description

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

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy

Substantially all employees are members of the Employees' Retirement System of Alabama and are required to contribute 7.50 percent of their annual covered salary to it. Membership is mandatory for eligible employees. The Board is required to contribute at an actuarially determined rate; the rate in effect for the year ended September 30, 2014 was 7.15% of annual covered payroll. The contribution requirements of plan members and the Board are established by and may be amended by the Employees Retirement System of Alabama.

MOBILE COUNTY BOARD OF HEALTH
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 4 EMPLOYEE RETIREMENT PLAN (CONTINUED)

Retirement Benefits

Employees vest in employer contributions after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. (For employees hired after December 31, 2012, retirement benefits cannot begin until age 62.) The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% (1.65% for employees hired after December 31, 2012) of their average final salary (best three of the last ten years for employees hired before January 1, 2013 and best five of the last ten years for employees hired thereafter) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

Annual Pension Cost

For the year ended September 30, 2014, the Board's annual pension cost was \$1,157,141 and this amount was equal to the required and actual contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases ranging from 3.75 to 7.25% per year. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on the level percent open method. The remaining amortization period is 30 years.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/14	\$1,157,142	100%	-0-
9/30/13	\$ 952,720	100%	-0-
9/30/12	\$ 916,835	100%	-0-

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 DEFERRED COMPENSATION PLAN

The Board offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits them to defer Federal income taxation on a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. No employer contributions are made to the Plan.

Effective October 1, 1997, the deferred compensation plan is deemed to be a trust fund under the Internal Revenue Code, as amended, and accordingly, is no longer reported as an agency fund in the accompanying financial statements.

NOTE 6 SUPPLEMENTAL RETIREMENT PLAN

Full-time employees of the Board are also eligible for participation in a supplemental retirement plan maintained by the Board with contract administrators. Participating employees may elect to contribute from 3% to 13% of their salaries to this Plan. The Board matches each employee's contribution, up to a maximum of 3%, and participants become fully vested in Board contributions after five years of service.

NOTE 7 DUE FROM OTHER GOVERNMENTS

The following are amounts due from other governmental units as included in accounts receivable on the government-wide statement of net assets as of September 30, 2014.

	<u>Total</u>
State of Alabama	\$1,202,222
Medicaid	429,150
Federal government	941,161
Local governments	15,640
Medicare	22,602
Total	<u>\$2,610,775</u>

NOTE 8 INTER-FUND BALANCES

Inter-fund balances at September 30, 2014 represent amounts due to the General Fund from the Primary Care Fund and Other Governmental Funds for various advances made to fund operations.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 CHANGES IN CAPITAL ASSETS

A summary of changes in the Board's capital assets is as follows:

	Balance <u>10/1/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/14</u>
Land	\$ 927,572	\$ -	\$ -	\$ 927,572
Buildings and improvements	17,638,561	1,171,484	-	18,810,045
Improvements other than buildings	279,909	-	-	279,909
Equip. & furniture	6,387,800	1,045,872	(475,910)	6,957,762
Less: Accum. depr.				
Bldgs/improvements	(8,618,998)	(496,466)	-	(9,115,464)
Equip./furniture	(4,428,987)	(683,409)	412,720	(4,699,676)
Net capital assets	<u>\$12,185,857</u>	<u>\$1,037,481</u>	<u>\$ (63,190)</u>	<u>\$13,160,148</u>

NOTE 10 CONCENTRATIONS OF CREDIT RISK

The Board grants credit without collateral to its patients, all of whom are local residents and some of whom are insured under third-party payor agreements. The mix of receivables from patients, third-party payors, and governmental units at September 30, 2014 was as follows:

State govt. (non-Medicaid)	39%
Medicaid	14%
Federal government	30%
Patients	3%
Private insurance	2%
Medicare	1%
Local government	1%
Other third-party payors	<u>10%</u>
Total	<u>100%</u>

NOTE 11 RISK MANAGEMENT

The Board is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The Board purchases commercial insurance for all significant risks of loss except injuries to and illnesses of employees, as discussed below. Settled insurance claims for the year ended September 30, 2014 did not exceed the commercial coverages.

MOBILE COUNTY BOARD OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11 RISK MANAGEMENT - continued

The Board is self-insured for health insurance claims. Such claims are administered by Blue Cross/Blue Shield of Alabama. Monthly claims liabilities are adequately provided for in the General and Special Revenue Funds through the maintenance of an accrued health insurance benefits liability account. The claims liability of \$230,900 at September 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Weekly payments are made from the liability account to reimburse Blue Cross/Blue Shield for claims paid on the Board's behalf and for the Blue Cross/Blue Shield administrative fee. Payments are also made from the liability account for re-insurance premiums which cover cumulative, annual claims over \$100,000 per covered individual (after an aggregate deductible of \$25,000).

NOTE 12 RETIREE HEALTH INSURANCE PLAN

Plan Description

In addition to employer provided health benefits for employees and their families, the Board has adopted a single-employer defined benefit plan that provides certain health care and life insurance benefits to its retirees and their spouses up to age 65.

Eligible Benefits

Until they become eligible for Medicare, retirees can continue their health coverage by contributing the same amount as active employees. Health benefits are provided through the same group health insurance plan that covers current employees.

Retiree life insurance benefits up to \$100,000 maximum based on ending salary (\$10,000 for those hired after December 31, 2000) are maintained if the retiree contributes one half of the premium cost.

Funding Policy

The Board makes monthly contributions to the Plan equal to one twelfth of the actuarially determined annual required contribution (ARC). The Board has created an irrevocable trust at Regions Bank to receive such employer contributions. Insureds make direct contributions to Blue Cross/Blue Shield in monthly amounts ranging from \$84 to \$202 depending on family size and tobacco use.

MOBILE COUNTY BOARD OF HEALTH
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 12 RETIREE HEALTH INSURANCE PLAN - continued

Trust Investments

The investment objective of the trust is one of income and growth. The investment strategy is relatively conservative and provides for the following portfolio mix:

Fixed income securities	50% - 70%
Equity securities	30% - 50%

Funding Status

During fiscal 2010, the Plan was fully funded with an actuarially determined lump sum. Additional actuarially determined contributions have been made in subsequent years and as of September 30, 2014, the Plan trust held assets totaling \$3,555,649.

The required schedule of funding progress on page 23 presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

For the year ended September 30, 2014, the Board's annual retiree health insurance cost was \$765,281 and this amount was 103% of the annual required contribution (ARC). The ARC was determined by the September 30, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4% investment rate of return, (b) 27.1 ARC adjustment factor, (c) a 5% - 8.5% medical cost trend rate, (d) a 2018 ultimate trend rate year, and (e) an inflation component of 3.25%. The actuarial value of the plan assets was determined using a level percentage of pay amortization method and a 30 year remaining amortization period. Plan assets are valued on a market value basis.

The Valuation Process

The actuarial valuation process includes the necessity of estimation and the use of actuarial assumptions about future events (such as the level of future employment, mortality, health care cost trends, etc). Also, actuarially determined amounts are subject to continual revision as actual results are compared to previous assumptions and new estimates are made.

Three-Year Trend Information

Fiscal Year Ending	Annual Required Contribution (ARC)	% of ARC Contributed	Net Obligation
9/30/14	\$744,720	103%	TBD
9/30/13	\$744,720	105%	TBD
9/30/12	\$874,471	91%	\$82,376

REQUIRED SUPPLEMENTARY INFORMATION

MOBILE COUNTY BOARD OF HEALTH

SCHEDULE OF RETIREE HEALTH INSURANCE PLAN FUNDING PROGRESS

Actuarial Valuation Date	* Actuarial Value of Assets (a)	Actuarial Accrued Liab. (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
9/30/12	\$2,092,393	\$10,200,406	\$8,108,013	20.5%	\$14,609,272	55.5%
9/30/10**	\$-0-	\$11,096,237	\$11,096,237	0.0%	\$14,625,544	75.9%
9/30/08	\$-0-	\$9,146,033	\$9,146,033	0.0%	\$13,782,054	66.4%

* In September 2011, \$1,495,662 was contributed to the Plan's Trust. This amount represented the total of the actuarially-determined annual required contributions (net of benefit payments) since the adoption of GASB 45.

** Actuarial studies are performed for the Plan every two years. Also, the September 30, 2010 and 2012 retirement rates have been adjusted to reflect the discontinuance of the DROP.

MOBILE COUNTY BOARD OF HEALTH
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
AS OF SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	(1) Actuarial Accrued Liab. (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/13 (5)	\$38,157,800	\$50,781,943	\$12,624,143	75.1%	\$17,443,492	72.4%
9/30/12 (4)	\$35,553,421	\$47,714,377	\$12,160,956	74.5%	\$15,187,528	80.1%
9/30/11	\$36,566,068	\$49,135,616	\$12,569,548	74.4%	\$17,380,177	72.3%
9/30/10	\$37,516,437	\$47,790,675	\$10,274,238	78.5%	\$15,450,351	66.5%
9/30/09	\$37,939,903	\$45,498,917	\$7,559,014	83.4%	\$14,638,574	51.6%
9/30/08	\$38,508,593	\$42,857,840	\$4,349,247	89.9%	\$14,281,722	30.5%
9/30/07	\$37,835,466	\$40,140,473	\$2,305,007	94.3%	\$13,536,872	17.0%
9/30/06 (3)	\$36,481,111	\$39,421,831	\$2,940,720	92.5%	\$13,744,550	21.4%
9/30/05	\$35,074,240	\$37,434,939	\$2,360,699	93.7%	\$13,267,061	17.8%
9/30/04 (2)	\$33,478,177	\$33,765,090	\$286,912	99.2%	\$12,648,453	2.3%
9/30/03 (2)	\$32,190,820	\$32,968,928	\$778,108	97.6%	\$13,076,488	6.0%
9/30/02 (2)	\$31,228,566	\$30,567,675	(\$660,891)	102.2%	\$12,383,416	-5.3%
9/30/01 (3)	\$30,529,479	\$28,629,549	(\$1,899,930)	106.6%	\$11,267,983	-16.9%
9/30/00	\$29,252,932	\$26,854,074	(\$2,398,858)	108.9%	\$10,515,591	-22.8%

(1) Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

(2) Reflects effect of DROP.

(3) Reflects change in actuarial assumptions.

(4) The actuarial value of assets was established at the market value of assets for September 30, 2012.

(5) Market value of assets at September 30, 2013 equaled \$39,989,020.

MOBILE COUNTY BOARD OF HEALTH
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SEPTEMBER 30, 2014

Grantor Agency	Program Title	CFDA #	<u>Expenditures</u>
<u>U.S. Dept. of Health & Human Services</u>			
<u>Direct</u>	Consolidated Health Centers	93.224	\$ 6,997,846
	HIV Early Intervention Services	93.918	872,667
	Healthy Start	93.926	<u>1,510,057</u>
Sub-total			<u>9,380,570</u>
 <u>Passed through the State of Alabama:</u>			
Dept. of	Immunizations	93.268	137,263
Public	Breast & Cervical Cancer Early Detect.	93.919	133,261
Health	Maternal & Child Health Services	93.994	285,078
	Family Planning Services	93.217	614,177
	Sexually Transmitted Diseases Control	93.977	140,000
	Bioterrorism Preparedness	93.889	61,396
	Teen Pregnancy Prevention Initiative	93.946	1,267,556
	Emergency Preparedness	93.069	158,548
	TB Control	93.116	163,930
	Wise Woman	93.094	<u>58,126</u>
Sub-total			<u>3,019,335</u>
Children's	Temporary Assistance for		
Trust Fund	Needy Families	93.558	35,000
 <u>Passed through National Assn. of County & City Health Officials</u>			
	Medical Reserve Corp	93.008	3,500
 <u>Passed through Catholic Social Services</u>			
	Refugee & Entrant Assistance	93.576	29,948
 <u>Passed through United Way of Central AL</u>			
	HIV Early Intervention Services	93.918	<u>422,944</u>
Total U. S. Dept. of Health & Human Services			<u>12,391,297</u>
 <u>U. S. Dept. of Agriculture</u>			
<u>Passed through the State of Alabama:</u>			
Dept. of	Special Supplement Food Program for		
Pub. Health	Women, Infants & Children	10.557	<u>2,509,023</u>
 Total Federal Awards			 <u>\$15,400,320</u>

MOBILE COUNTY BOARD OF HEALTH

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2014

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards for the Mobile County Board of Health for the year ended September 30, 2014 was prepared on the modified accrual basis of accounting.

S. W. CHIEPALICH
CERTIFIED PUBLIC ACCOUNTANT, P.C.

3800 Airport Boulevard
Suite 101
P.O. Box 850335
Mobile, Alabama 36685
(251) 610-3792

**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**

Independent Auditor's Report

Bernard H. Eichold, M.D., Health Officer
Mobile County Board of Health
Mobile, Alabama

I have audited, in accordance with auditing standards which are 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 financial statements of the Mobile County Board of Health (the Board), as of September 30, 2014 and for the year then ended, and the related notes to the financial statements and have issued my report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, I 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 Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit, I did not identify any deficiencies in internal control that I 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 Board's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.

December 23, 2014


Certified Public Accountant

S. W. CHIEPALICH
CERTIFIED PUBLIC ACCOUNTANT, P.C.

3800 Airport Boulevard
Suite 101
P.O. Box 850335
Mobile, Alabama 36685
(251) 610-3792

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Bernard H. Eichold, M.D., Health Officer
Mobile County Board of Health
Mobile, Alabama

Report on Compliance for Each Major Federal Program

I have audited the Mobile County Board of Health's (the Board) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2014. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Board's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards which are generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In my opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountant

December 23, 2014

MOBILE COUNTY BOARD OF HEALTH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? yes no

Significant deficiencies identified that
 are not considered material weaknesses? yes none reported

Noncompliance material to financial
 statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? yes no

Significant deficiencies identified that
 are not considered material weaknesses? yes none reported

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

Any audit findings disclosed that are
 required to be reported by Sec. 510(a)
 of OMB Circular A-133? yes no

Identification of major programs:

- Department of Health & Human Services
- 1.) CFDA #10.557 Special Supplemental Nutrition Program
 for Women, Infants, and Children
 - 2.) CFDA #93.217 Family Planning Services
 - 3.) CFDA #93.946 Teen Pregnancy Prevention Initiative

Dollar threshold used to distinguish
 between type A and type B programs: \$462,009

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS & QUESTIONED COSTS

None.

MOBILE COUNTY BOARD OF HEALTH

BOARD MEMBERS AND OFFICIALS

AS OF SEPTEMBER 30, 2014

<u>Board Members</u>	<u>Title</u>	<u>Address</u>	<u>Term Expires</u>
Henry J. Koch, MD	Chairman	Mobile OB-GYN, P. C. 6701 Airport Blvd., B-321 Mobile, AL 36608	12/14
Nina Ford Johnson	Secretary	Pediatric & Adolescent Medicine, P. C. 3290 Dauphin St., Suite 301 Mobile, AL 36606	12/16
George T. Koulianos, MD	Member	Ctr. for Reproductive Med. 3 Mobile Infirmary, Ste.213 Mobile, AL 36607	12/16
D. Lawrence Bedsole, MD	Member	Pulmonary Asscs. of Mobile 6701 Airport Boulevard Mobile, AL 36608	12/15
Edward R. Flotte, MD	Member	Coastal Neurological Inst. 3280 Dauphin St., Bldg. A Mobile, AL 36606	12/14
Aimee H. Walsh, MD	Member	Metro Anesthesia & Pain Srv 1340 Sledge Drive Mobile, AL 36606	12/16
Connie Hudson	President	Mobile County Commission 205 Government St. Mobile, AL 36644-1801	7/15

Official

Bernard H. Eichold II, M.D., Dr.P.H. (Date of Employment: 5/1/90)	Health Officer	Mobile Co. Health Dept. P. O. Box 2867 Mobile, Ala. 36652-2867	Indefinite
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S. W. CHIEPALICH
CERTIFIED PUBLIC ACCOUNTANT, P.C.

3800 Airport Boulevard
Suite 101
P.O. Box 850335
Mobile, Alabama 36685
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December 23, 2014

Bernard H. Eichold, M.D., Health Officer
Mobile County Board of Health
Mobile, Alabama

Several high-profile cases of improper financial reporting in the last decade have occurred with both public companies (Enron, Worldcom, HealthSouth, etc.) as well as non-profit organizations (United Way, American Red Cross, the Nature Conservancy). These and other cases led to the passage of the Sarbanes-Oxley Act of 2002 and the most comprehensive overhaul of auditing standards in over 30 years. These revised auditing standards, which are now generally accepted in the U.S., were applicable to the Mobile County Board of Health's (the Board's) 2014 audit and resulted in (among other things) a heightened responsibility to communicate certain matters to the Board. This letter is designed to meet this communication responsibility.

Required Communications

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards - The auditor's responsibility is to render an opinion about whether the internally-prepared financial statements are fairly presented, in all material respects, with U.S. generally accepted accounting principles. This responsibility does not relieve management of its responsibility regarding the financial statements.

Scope and Timing of the Audit - The audit was performed in accordance with the planned scope and timing, which was consistent with prior audits.

Qualitative Aspects of Accounting Practices - Although the auditor can advise management about the appropriateness of accounting policies and their application, management retains ultimate responsibility for their selection and use. The significant accounting policies used by the Board are described in Note 1 to the audited financial statements and no new accounting policies were adopted during fiscal 2014. There were no transactions entered into by the Board during 2014 for which there is a lack of authoritative guidance and there are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The use of estimates in the preparation of financial statements (useful life for capital assets, the estimated collection percentage for accounts receivable, etc.) is discussed in the notes to the audited financial statements. I evaluated the factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit - None.

Corrected and Uncorrected Financial Statement Misstatements - All significant misstatements noted during the audit have been reported to management in the form of "Adjusting Journal Entries", which were reviewed and approved by management and properly recorded in the Board's accounting records.

Disagreements with Management - None.

Management Consultations with Other Independent Accountants (i.e. second opinions) - To my knowledge, there were no consultations with other accountants.

Other Audit Findings or Issues:

The following items represent minor findings, isolated exceptions, and/or recommendations for improvement which are presented for management's information, consideration, and correction, where appropriate. These items do not represent significant deficiencies in internal controls, noncompliance with laws, regulations, contracts, or grant agreements that could have a direct and material effect on the financial statements, or material noncompliance with major programs.

- 1.) There are some old items within the Accrued Accounts Payable detail which should be researched and resolved.

2.) Review of the Teen Pregnancy Prevention Program indicates that greater care is warranted in the development of new programs to ensure community partners have integrity. Also, contracts, MOU's and other agreements should be properly dated and clearly communicate the financial terms of the agreement and the rights and responsibilities of the respective parties. MCHD personnel should not be involved in the preparation of vendor invoices and the review and approval of such invoices should be strengthened to ensure that amounts invoiced are properly supported and in accordance with contract terms.

3.) A couple of excess/duplicate payments were noted to Alabama Coastal Radiology by virtue of paying grand totals on invoices which included prior balances which had already been paid.

4.) A Healthy Start independent contractor agreement was written on a cost reimbursement basis whereby the contractor "shall submit documented invoices... and actual payments will be made on a cost reimbursement basis" up to the contract maximum of \$43,000. However, the invoices submitted are a brief one page invoice each month for 1/12 of \$43,000.

Based on the nature of the services performed (program evaluation), the use of a cost reimbursement contract does not appear to be the proper type of contract.

Also, the contract extension for the service period of August 31 - December 31, 2014 was not executed until December 4, 2014. Execution of service contracts prior to the service period is recommended.

5.) The April 15, 2014 Board Minutes note that the next meeting is April 15 instead of May 20.

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The above information is intended solely for the use of the Board and management and should not be used by anyone else.

S.W. Chiepahich
Certified Public Accountant