BIRMINGHAM-JEFFERSON COUNTY
TRANSIT AUTHORITY

FINANCIAL REPORT

SEPTEMBER 30, 2015

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

FINANCIAL REPORT
SEPTEMBER 30, 2015

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Birmingham-Jefferson County Transit Authority
Birmingham, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Birmingham-Jefferson County Transit Authority as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Birmingham-Jefferson County Transit Authority'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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birmingham-Jefferson County Transit Authority as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 3 and 7, the Birmingham-Jefferson County Transit Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2013. These standards significantly changed the accounting for the Birmingham-Jefferson County Transit Authority's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 8), the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios (on page 25) and the Schedule of Contributions (on page 26) 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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 an opinion on the financial statements that collectively comprise Birmingham-Jefferson County Transit Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by 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 basic 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 basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of Birmingham-Jefferson County Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Birmingham-Jefferson County Transit Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Birmingham, Alabama
June 29, 2016

This Management's Discussion and Analysis ("MD&A") of the Birmingham-Jefferson County Transit Authority (the "Authority" or "BJCTA") provides an overview of the major financial activities affecting the operations of the Authority. This overview encompasses the financial performance and financial statements of the Authority for the years ended September 30, 2015 and 2014. The information contained in this MD&A is prepared by management and should be considered in conjunction with the information contained in the Independent Auditor's Report and notes to the financial statements. Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements.

The Authority was incorporated on March 28, 1972, as a non-profit corporation under the provision of the Code of Alabama Act No. 993, enacted at the 1971 Regular Session of the Legislature of Alabama. The Authority was created to provide public transportation services to various metropolitan areas of Jefferson County, Alabama, principally the City of Birmingham. The Authority's Board of Directors is comprised of nine appointed members representing the agencies within Jefferson County that provide the largest amount of funding for the Authority. The Authority operates under the brand name of "MAX".

The Authority provides Fixed-Route and paratransit services within Jefferson County. Much of this service is provided within the City of Birmingham with operations reaching into other selected communities within Jefferson County. The Authority's system is primarily a Hub and Spoke network, with its routes being coordinated from a main passenger transfer terminal located in downtown Birmingham. The Authority accomplished various key objectives during the 2015 fiscal year and continues to be committed to its vision and to its motto of "**One Team-One Goal**", which includes all 300 plus employees who are dedicated and willing to provide excellent public transit services within the region.

Authority Activities and Highlights

Key activities and highlights for fiscal year 2015 are as follows:

- During fiscal year 2015 the BJCTA Board of Directors approved an Employee Assistance Program;
- BJCTA entered into a Labor Agreement with the Amalgamated Transit Union, Local #725 for a period October 1, 2015- September 30, 2018;
- Free DART service for the Birmingham Baron's "Game Days" at Regions field was inaugurated;
- BJCTA received by transfer from Georgia Regional Transportation Authority nine (9) 2005 Orion VII CNG buses;
- A Technology Integration plan was implemented to install Automatic Vehicle Locators, and Automatic Passenger Counters on Fixed-Route and Paratransit vehicles;
- 400 cameras were installed on 60 vehicles (30 Paratransit and 30 Fixed-Route);
- New reporting technology introduced in the Operations Department. All Road Supervisors equipped with digital tablets for accident and incident reporting;
- In an effort towards our paperless goal, new software was integrated for vacation reporting in the Operations Department;
- The "Stand up for Transportation" campaign took public transit supporters, BJCTA Board members and staff to Montgomery to advocate for transit funding;
- BJCTA hosted two career fairs to attract applicants to fill much needed Operations and Maintenance positions;
- Completed and published Fleet Maintenance rule book;
- Reduced number of Workers Compensation cases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- The Authority's net position (amount that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources) was $20,119,409 and $23,946,144 at September 30, 2015 and 2014, respectively. Of these amounts, $22,816,265 and $26,795,046, respectively, represented the Authority's investment in capital assets.

- The Authority's total net position decreased $3,826,735 during the year ended September 30, 2015 and increased $3,596,431 during the year ended September 30, 2014. These net changes are further reflected in the Authority's statements of revenues, expenses, and change in net position and do not include the effects of prior period adjustments discussed elsewhere in this discussion.

- The Authority received operating grants through federal and state agencies, and operating assistance through local municipalities and agencies in the amount of $32,475,436 and $29,230,381 during the years ended September 30, 2015 and 2014, respectively. The Authority received federal capital contribution grants totaling $28,799 and $5,373,410 during the years ended September 30, 2015 and 2014, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-and-long term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, as well as deferred outflows of resources and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 9 of this report.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the years ended September 30, 2015 and 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused compensated absences, certain grants, etc.). The Statement of Revenues, Expenses and Changes in Net Position can be found on page 10 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 12 through 24 of this report.

Financial Statements

Net Position: The following table summarizes the net position at September 30, 2015, 2014 and 2013.

	2015	2014	2013
Current assets	**$ 24,066,625**	$ 22,882,463	$ 22,782,091
Capital assets	**22,816,265**	26,795,046	22,820,999
Other long-term assets	**8,611**	8,611	7,000
Total assets	**46,891,501**	49,686,120	45,610,090
Deferred outflows of resources	**5,125,229**	1,343,226	-
Current liabilities	**2,583,288**	2,381,648	2,590,960
Long-term liabilities	**28,424,734**	24,194,620	10,359,122
Total liabilities	**31,008,022**	26,576,268	12,950,082
Deferred inflows of resources	**889,299**	506,934	-
Net position:			
Investment in capital assets	**22,816,265**	26,795,046	22,820,999
Unrestricted	**(2,696,856)**	(2,848,902)	9,839,009
Total net position	**$ 20,119,409**	$ 23,946,144	$ 32,660,008

The Authority's total current assets increased by $1,184,162 and $100,372 during the years ended September 30, 2015 and 2014, respectively. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents increased $978,030, from $11,356,276 to $12,334,306 during the year ended September 30, 2015.

The Authority's capital and other long-term assets decreased by $3,978,781 during the year ended September 30, 2015. Elements to consider related to these changes include:

- In fiscal year 2015, the Authority purchased or were donated through grants, capital assets in the amount of $867,292, while incurring depreciation on capital assets in the amount of $2,900,045 and net disposals of $3,575,770, which contributed to the $3,978,781 net decrease in capital and other long-term assets. The decrease was primarily due to the disposal of old buses and the demolition and write-off of the old Central Station facility in connection with the construction of the new Intermodal Transportation Center. See Note 6 to the financial statements for more details related to these transactions.

The Authority's current liabilities increased by $201,640 during the year ended September 30, 2015. Elements to consider related to these changes include:

- Accounts payable increased from $591,901 to $881,514 during the year ended September 30, 2015.

The Authority's long-term liabilities increased by $4,230,114 and $13,835,498 during the years ended September 30, 2015 and 2014, respectively. These increases was primarily the result of increases in the net pension liability from the adoption of GASB 68 which is more fully described and disclosed in Notes 3 and 7 to the financial statements. The adoption of GASB 68 was effective as of October 1, 2013, the earliest period presented in the financial statements that follow this discussion.

The Authority's net position decreased by $3,826,735 and $8,713,864 (including prior period adjustments) during the years ended September 30, 2015 and 2014, respectively. The changes for 2015 and 2014 are primarily attributed to recording the increase in the net pension liability and the changes in capital assets as noted above.

Financial Statements (Continued)

Changes in Net Position: The following table summarizes the changes in net position from revenues and expenses for the years ended September 30, 2015, 2014 and 2013.

	2015	2014	2013
Operating revenues:			
Passenger fares	**$ 2,322,395**	$ 2,503,384	$ 2,504,837
Other	**88,184**	67,153	124,320
Operating revenues	**2,410,579**	2,570,537	2,629,157
Operating expenses:			
Salaries and benefits	**21,492,656**	18,555,138	17,875,837
Vehicle fuel, repairs, and maintenance	**1,908,719**	2,465,947	2,693,045
Other operating expenses	**11,106,255**	9,494,903	10,411,616
Depreciation	**2,900,045**	3,138,671	2,168,544
Operating expenses	**37,407,675**	33,654,659	33,149,042
Nonoperating revenues			
Operating grants – federal assistance	**10,423,097**	9,237,296	8,819,565
Operating grants – local assistance	**14,352,589**	14,389,246	14,187,409
Ad valorem tax revenue	**7,699,750**	5,603,839	8,264,212
Insurance proceeds	**168,458**	71,188	47,299
Gain (loss) on disposal of capital assets	**(3,527,085)**	(607)	108,768
Interest income	**12,163**	6,181	4,863
Nonoperating revenues, net	**29,128,972**	29,307,143	31,432,116
Capital contributions – federal grants	**28,799**	5,373,410	6,779,774
Capital contributions – land and buses	**2,012,590**	-	-
Capital contributions	**2,041,389**	5,373,410	6,779,774
Change in net position	**$ (3,826,735)**	$ 3,596,431	$ 7,692,005

For the year ended September 30, 2015, operating revenues of the Authority were $159,958 or 6.2% less than fiscal year 2014 operating revenues. Fiscal year 2014 operating revenues were 2.3% less than fiscal year 2013 revenues. The fluctuation in operating revenues is primarily a function of passenger fares and ridership.

For the year ended September 30, 2015, operating expenses increased $3,753,016 or 11.2% to $37,407,675. Fiscal year 2014 operating expenses increased $505,617 or 1.5% from fiscal year 2013. The 2015 increase in operating expenses is due primarily to various factors including a $2,937,518 increase in salary and benefits that includes an increase in pension expense of $838,974 from the effects of the new pension accounting standard, GASB 68 and a $1,338,105 increase in health insurance costs and medical services.

For the year ended September 30, 2015, nonoperating revenues of the Authority were $29,128,972. Total fiscal year 2014 and 2013 nonoperating revenues were $29,307,143 and $31,432,116, respectively. These fluctuations are primarily due to the annual fluctuations in federal and local operating grants and assistance. However, 2015 did include a loss on disposal of capital assets primarily due to the write-off of old facilities in connection with the construction of the new Intermodal Transportation Center.

The changes in capital contributions – federal grants from year to year are directly related to the Authority's purchases of new capital assets from year to year. During 2015, the Authority also received grants for buses and land related to the new Intermodal Transportation Center. These transactions are more fully detailed in Note 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget Analysis

Over the course of the year, the Authority operated under an approved budget for the year ended September 30, 2015 by the Board of Directors. The budget was approved by the Board of Directors in September 2014. Budgeted versus actual results do not include federal capital grant contributions and local capital revenues received for the acquisition of capital assets which is typically not included in BJCTA's annual budget. Also excluded from the annual budget process is pass-thru funding received by BJCTA for the benefit of other local transit service entities as well as depreciation expense and other gains and losses on capital assets.

Below are highlights from each year's budget process.

- The BJCTA fiscal year 2015 budget continued to focus on cost control measures and maintaining a stable revenue base. The 2015 budget estimated revenue at $29.8 million compared to actual revenues of $30.4 million for the 2015 fiscal year (excluding capital revenue and pass-thru revenues). The 2015 budget estimated operating expenses at $29.8 million compared to actual expenses of $30.1 million (excluding depreciation and losses on capital assets and pass-thru funding expense) for the 2015 fiscal year. Annually, the budget is typically revised in mid-year for updates to operations that have occurred during the year so that variances, if any, can be appropriately tracked and monitored by management.

- The BJCTA fiscal year 2016 budget reflects increases in staffing and capital expenses to ensure operational efficiencies, and to accomplish our transit mission. The 2016 budget estimates revenue at $30.3 million and operating expenses at $30.3 million, excluding items as noted above. We are way behind in technological areas such as cameras on our vehicles, global positioning systems (GPS) and other innovations. We want to keep pace with the growth and development of the current and potential transit services. We will continue to develop an organization where people are valued, respected and committed to the success of public transportation within our region. We are working aggressively to meet these challenges and accomplish our goals and objectives during this fiscal year and future years.

- Implementing the goals and changes from each year's budget is a continuous process. Some of our goals are already completed; however, we are preparing to complete additional goals in fiscal year 2015 through 2016 as follows:
  - *Improve vehicle reliability, system safety, on-time performance and vehicle cleanliness.*
  - *Begin to implement phases of the Short Range Transportation Plan, to include Super Stops.*
  - *Continue to work closely with the City and other entities to advance the Intermodal Center Project.*
  - *Review and improve the Route 20 Bus Route, which now goes to the Birmingham Airport.*
  - *Implementation of the Commuter Routes 150, 201, and the Airport Shuttle.*
  - *Reduced Route headways on several over-crowded routes and review additional reductions on other routes as vehicles become available.*
  - *Work closely with the Municipalities we serve to review routes for efficiencies.*
  - *Ensure that all grants are executed and closed out in a timely manner. In addition, seek additional revenue sources to implement a viable vehicle replacement plan and to insure that the older vehicle fleet is retired as required by the FTA.*
  - *Improve the agency's information technology systems internally from software modifications to maximizing Fleetnet and Stragen computer programs. Install Cameras and AVL on Paratransit vehicles to improve system safety.*
  - *Install external fencing on BJCTA property for personnel and vehicle security and safety.*
  - *Continue making internal and external improvements overall, to assist in enhancing our core transportation and customer services.*
  - *Ensure that employee training is provided to obtain operational excellence and provide optimal Customer Services. Provide clarity and improve processes for increased bus shelter placement.*
  - *Continue to improve our government/community relations program to increase public transit awareness among all communities; build new community and corporate partnerships; collaborate and work toward obtaining financial sustainability.*

Capital Assets

Capital Assets: The Authority's investment in capital assets was $22,816,265 as of September 30, 2015. This represents a 15% decrease from the Authority's capital asset balance of $26,795,046 as of September 30, 2014. The decrease in capital assets is primarily attributed to the disposal of old buses and the demolition of the old Central Station facility.

Additional information on the Authority's capital assets can be found in Note 6 to the financial statements.

Single Audit

The Authority had projects which were audited for compliance as required by the U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These audits report on the Authority's compliance with laws, regulations, contracts and grants applicable to major federal programs through which the Authority received grant revenues. The auditor's report on compliance did not identify any material weaknesses.

Potential Future Impacts

Stakeholders broadly recognize that transit is important for Jefferson County and surrounding areas in terms of connection to jobs, health care, leisure activities and education. Stakeholders recognize the need for stable and reliable funding to support Authority operations as they improve existing services, reform and grow services based on a vision for regional transit services in the future. The vision for the Birmingham-Jefferson County Transit Authority proposes a new direction and approach to public transportation that will create a more innovative, connected and accessible system to facilitate a better quality of life for all Jefferson County and City of Birmingham citizens. The Authority will be a partner for improving mobility in the region to many public and private agencies, in addition to many local jurisdictions.

In order to achieve our transportation vision and goals for our region, the BJCTA will have to acquire additional funding during these tight economic times. In addition to the funding received annually via our regular allocations and revenue sources; the BJCTA mission is to seek ways to increase our ridership, research additional grant opportunities, increase advertising as well as other possible funding sources. Decreasing funding or maintaining the same level of funding will only keep the Authority at a stage where little or no significant growth or improvements can be accomplished.

BJCTA wants to be an economic engine in this region that will encourage economic growth and development and provide viable transit services. BJCTA cannot improve existing services or expand services without increases in funding levels; and without consistent funding streams or a dedicated flexible funding streams going forward.

Vehicle Replacements. The vehicle replacements will be implemented as needed in order for the Authority to ensure the continued safety and reliability of the public transit services, system wide. The Authority has developed a replacement schedule that provides for the acquisition of fixed route buses over the next several years. Federal funds will likely be available to fund up to 80%, with local matching funds to cover the remaining 20%.

Marketing and Customer Information. The Authority will be focusing on greater visibility and marketing of Authority transit services, which is essential to attracting and retaining customers as well as generating support within the community. Some strategies include keeping media outlets updated and engaged, and a new website with trip planning information along with schedules and maps.

Request for Information

This financial overview is designed to provide readers with a general overview of the Authority's finances, and to show accountability. If you have questions or would like further information about this financial report, you may contact the Director of Finance at 2121 Rev. Abraham Woods, Jr. Blvd., Suite 500, Birmingham, AL 35202.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014

Assets	2015	2014
Current assets:		
Cash and cash equivalents - unrestricted	**$ 12,334,306**	$ 11,356,276
Cash and cash equivalents - restricted	**200,000**	150,000
Total cash and cash equivalents	**12,534,306**	11,506,276
Accounts receivable, net	**2,826,653**	3,091,745
Grants receivable	**6,683,139**	6,574,542
Inventory	**1,507,681**	1,296,987
Prepaid expenses	**514,846**	412,913
Total current assets	**24,066,625**	22,882,463
Noncurrent assets:		
Utility deposits	**8,611**	8,611
Capital assets:		
Land	**2,856,622**	1,358,922
Buildings and improvements	**5,304,903**	11,316,043
Buses and vehicles	**35,388,512**	40,617,096
Machinery and equipment	**6,107,426**	6,019,200
Furniture and fixtures	**925,511**	972,066
Construction in progress	**363,518**	231,476
Less: accumulated depreciation	**(28,130,227)**	(33,719,757)
Total capital assets	**22,816,265**	26,795,046
Total noncurrent assets	**22,824,876**	26,803,657
Total assets	**$ 46,891,501**	$ 49,686,120
Deferred Outflows of Resources		
Pension related	**$ 5,125,229**	$ 1,343,226
Total deferred outflows of resources	**$ 5,125,229**	$ 1,343,226
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 881,514**	$ 591,901
Accrued payroll and withholdings	**701,669**	651,737
Accrued retirement plan contribution	**-**	160,000
Compensated employee absences	**800,105**	828,010
Self-insurance health plan liability	**200,000**	150,000
Total current liabilities	**2,583,288**	2,381,648
Noncurrent liabilities:		
Net pension liability	**28,374,734**	24,144,620
Uninsured liabilities and damage claims	**50,000**	50,000
Total noncurrent liabilities	**28,424,734**	24,194,620
Total liabilities	**$ 31,008,022**	$ 26,576,268
Deferred Inflows of Resources		
Pension related	**$ 889,299**	$ 506,934
Total deferred inflows of resources	**$ 889,299**	$ 506,934
Net Position		
Net position:		
Investment in capital assets	**$ 22,816,265**	$ 26,795,046
Unrestricted	**(2,696,856)**	(2,848,902)
Total net position	**$ 20,119,409**	$ 23,946,144

See Notes to Financial Statements.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Operating revenues:		
Passenger fares	$ 2,322,395	$ 2,503,384
Other revenues	88,184	67,153
Total operating revenues	2,410,579	2,570,537
Operating expenses:		
Salaries	12,884,268	12,468,639
Depreciation	2,900,045	3,138,671
Fuel and lubricants	1,333,055	1,847,453
Health insurance and medical services	4,277,540	2,939,435
Equipment repairs	1,888,218	1,506,868
Retirement and pension expense	2,747,541	1,848,305
Insurance	1,425,300	1,469,842
Pass-thru funding	4,404,165	3,237,682
Employment taxes	911,497	890,820
Vehicle maintenance	168,257	241,837
Provision for uncollectible accounts receivable	341,956	-
Worker's compensation insurance	671,809	407,939
Utilities	546,470	617,609
Vehicle cleaning and towing	66,471	50,118
Tires	340,936	326,539
Computers and software	12,234	2,699
Security services	400,909	618,310
Legal	313,536	274,363
Temporary labor	17,820	34,419
Other contracted services	491,828	656,494
Life insurance	85,170	82,032
Janitorial and building supplies	59,311	43,585
Uniforms	205,879	170,499
Printing and copying	102,116	88,987
Facility maintenance	88,192	79,197
Audit	20,500	15,739
Travel	122,727	68,570
General office supplies	92,805	120,317
Miscellaneous	97,466	91,603
Meetings	36,645	100,550
Minor equipment	36,714	25,281
Dues and subscriptions	55,424	45,951
Lease and rentals	73,308	58,683
Postage	6,050	6,374
Waste oil removal	34,070	31,701
Education	63,619	3,500
Advertising	83,824	44,048
Total operating expenses	37,407,675	33,654,659
Operating loss	(34,997,096)	(31,084,122)
Nonoperating revenues, net		
Federal grant assistance	10,423,097	9,237,296
Local operating assistance:		
Local funding	14,352,589	14,389,246
Ad valorem tax	7,699,750	5,603,839
Insurance proceeds	168,458	71,188
Interest income	12,163	6,181
Net loss on disposal of capital assets	(3,527,085)	(607)
Total nonoperating revenues, net	29,128,972	29,307,143
Capital contributions		
Capital contributions - federal grants	28,799	5,373,410
Capital contributions - land and buses	2,012,590	-
Total capital contributions	2,041,389	5,373,410
Change in net position	(3,826,735)	3,596,431
Net position, beginning of year	23,946,144	32,660,008
Prior period adjustments	-	(12,310,295)
Net position, beginning of year, as restated	23,946,144	20,349,713
Net position, end of year	$ 20,119,409	$ 23,946,144

See Notes to Financial Statements.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 2,410,209	$ 2,877,380
Payments to suppliers	(12,646,032)	(12,469,794)
Payments to employees	(20,800,153)	(18,447,450)
Net cash used in operating activities	(31,035,976)	(28,039,864)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants	32,290,345	36,505,688
Net cash provided by noncapital financing activities	32,290,345	36,505,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(478,259)	(7,176,306)
Proceeds from sale of capital assets	42,500	62,982
Insurance proceeds received from capital assets	168,458	71,188
Capital grants	28,799	5,373,410
Net cash used in capital and related financing activities	(238,502)	(1,668,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,163	6,181
Net cash provided by investing activities	12,163	6,181
Increase in cash and cash equivalents	1,028,030	6,803,279
Cash and cash equivalents:		
Beginning of year	11,506,276	4,702,997
End of year	$ 12,534,306	$ 11,506,276
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (34,997,096)	$ (31,084,122)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,900,045	3,138,671
Provision for uncollectible accounts receivable	341,956	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(370)	306,843
(Increase) decrease in inventory	(210,694)	(348,346)
Increase in deferred outflows of resources - pension	(3,782,003)	(1,343,226)
(Increase) decrease in prepaid expenses	(101,933)	328,730
Increase in utility deposits	-	(1,611)
Increase (decrease) in accounts payable and accrued liabilities	289,613	(487,716)
Increase in accrued payroll and withholdings	49,932	67,857
Increase (decrease) in accrued retirement plan contribution	(160,000)	16,000
Increase in deferred inflows of resources - pension	382,365	506,934
Increase in net pension plan liability	4,230,114	665,575
Increase in self insurance liability	50,000	-
Increase (decrease) in compensated employee absences	(27,905)	194,547
Net cash used in operating activities	$ (31,035,976)	$ (28,039,864)

See Notes to Financial Statements.

NOTE 1. ORGANIZATION AND REPORTING ENTITY

Organization

The Birmingham-Jefferson County Transit Authority (the "Authority") was incorporated on March 28, 1972, as a nonprofit corporation under the provisions of the Code of Alabama, Act No. 993 enacted at the 1971 Regular Session of the Legislature of Alabama. The Authority provides public transportation services to the municipal residents of Jefferson County, Alabama.

Reporting Entity

The Authority is governed by a nine (9) member board of directors and has separate legal standing from all other units of local government and is fiscally independent of all other units of local government. Therefore, the accompanying financial statements present the financial position of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements.

The Authority uses one fund to report on 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 and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - Enterprise Fund. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board of Director's has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows.

Revenues from passenger fares are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues or capital contributions. All expenses related to operating the transit system are reported as operating expenses. The following is a summary of the more significant policies.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 estimated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Operating revenue, which are recorded as earned, are derived substantially from passenger fares and special transit fares.

Federal Capital Contributions

Certain expenditures for transit system capital improvements are funded through the Federal Transportation Administration. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred and all other eligibility requirements are met.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues.

Pass-Thru Funding

Various local entities receive federal grant assistance from the Federal Transportation Administration through the Authority. The Authority, in turn, administrates and distributes these funds to the local entities. The federal pass-thru grant assistance is reported in nonoperating revenues and the pass-thru funding expenses are reported in operating expenses in the accompanying statements of revenues, expenses and changes in net position. For the years ended September 30, 2015 and 2014, federal pass-thru grant assistance totaled $4,313,914 and $3,237,296, respectively, and pass-thru funding expenses totaled $4,404,165 and $3,237,682, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand, demand deposits and certificates of deposit.

Investments

State statutes authorize the Authority to invest in U.S. government obligations, or in bonds in the State of Alabama or in any country or municipality therein, or in certificates of deposit collaterally secured by a pledge of the U.S. government obligations.

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

Accounts receivable are recognized by the Authority for ticket sales and local operating assistance that has not been received. The uncollected receivables represent a credit risk from possible nonpayment by customers and local governments. During the years ended September 30, 2015 and 2014, $341,956 and $0 was expensed for an allowance for uncollectible accounts receivable.

A grant receivable is recognized by the Authority for the portion of the grant award not yet received. Consequently, the uncollected receivable represents a credit risk from possible nonpayment by the grantor. Management believes that all grants receivable are fully collectible.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is stated at average cost. It consists of parts, fuel and lubricants used for operating the Authority's buses and other vehicles and are accounted for on the consumption method.

Restricted Assets

Restricted assets consist of cash which is restricted for the Authority's self-insurance healthcare plan.

Capital Assets

Capital assets, which include property, plant, rolling stock (buses and other vehicles) and equipment, are reported in the statement of net position at historical cost or at fair value at date of donation, less accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives by asset category are as follows:

	Estimated Useful Life
Buildings and improvements	20-31.5 years
Buses and other vehicles	10-12 years
Machinery and equipment	5 years
Furniture and fixtures	5 years

Cost of constructed capital assets includes interest during the construction period. No depreciation is provided on construction in progress until construction is substantially complete and the asset is placed in service.

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations. The Authority capitalizes all capital assets in excess of $500. Maintenance and repairs are expensed as incurred.

Compensated Absences

Compensated employee absences consist of vacation leave and sick leave. The Authority's employees earn vacation leave at graduated rates based on their length of service (two weeks per year after one year of service). In addition, employees receive five personal days and one floating holiday. Contract employees are eligible for sick leave after one year. Contract employees receive seven sick days per year with a maximum of 184 days. Effective December 1, 2005, employees that retire with 15 years or more of service will be paid a percentage of their available sick leave balance. This amount will be calculated and paid after the employee has retired, but within 60 days from their last date of service. Contract employees receive vacation based on length of service (two weeks per year after one year of service). An accrual is recorded for accumulated unpaid compensated absences. As of September 30, 2015 and 2014, accrued compensated employee absences totaled $800,105 and $828,010, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority had two items that qualified for reporting in this category. The pension contribution subsequent to the measurement date and assumption changes from inputs into the net pension liability estimates are consumptions of net position in future periods, resulting in recognition as deferred outflows of resources.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority had two items that qualified for reporting in this category. The net difference between projected and actual investment earnings on pension plan investments and the difference between expected and actual experience estimates are acquisitions of net position which apply to future periods, resulting in recognition as a deferred inflow of resources.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassification

Certain amounts have been reclassified in the 2014 financial statements in order to conform to the 2015 presentation.

NOTE 3. PRIOR PERIOD ADJUSTMENTS

The Authority determined that a restatement to the October 1, 2013 beginning net position, the earliest year presented, was required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the Authority as noted below:

In addition, during the prior year ended September 30, 2014, the Authority began to capitalize its inventory of parts, oil and lubricants on hand. Prior to fiscal year 2014, the Authority was expensing these items when purchased. Therefore, the Authority determined that a restatement to the October 1, 2013 beginning net position was required to recognize the change in accounting method for inventory. Management has determined that the capitalization of parts, oil and lubricants into inventory is preferable to expensing the items when purchased because the inventory system will better track, monitor and control the acquisition and use of the items in the Authority's transportation operations. This adjustment resulted in a change to the beginning net position of the Authority as follows:

Beginning net position, October 1, 2013, as previously presented	$ 32,660,008
Change in accounting principle due to the implementation of GASB 68	(13,169,923)
Change in accounting method for inventory	859,628
Beginning net position, October 1, 2013, as restated	$ 20,349,713

NOTE 4. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits (in excess of FDIC insurance) may not be returned to it. At September 30, 2015, the carrying amount of the Authority's bank deposits and cash on hand was $12,534,306 and the bank balance was $12,598,245.

The Authority's deposit policy, for custodial credit risk, limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Authority's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance.

Concentration of Credit Risk

Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The Authority's cash deposits are held in several financial institutions and are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the SAFE program.

NOTE 4. CASH RESERVES AND RESTRICTIONS

Authority policies require the maintenance of a three month cash reserve. The cash reserve requirement for the years ended September 30, 2015 and 2014 was $8,176,675 and $8,143,061, respectively. The unrestricted cash balance, less short-term payables, as of September 30, 2015 and 2014 was $10,995,980 and $9,773,040, respectively. Accordingly, the Authority is in compliance with the cash reserve requirement as of September 30, 2015 and 2014.

The Authority maintains a self-insurance health plan which is more fully discussed in Note 11 for which it maintains certain cash reserves for the funding of this plan. This reserve, which is included in cash and cash equivalents – restricted in the statements of net position, totaled $200,000 and $150,000 as of September 30, 2015 and 2014, respectively. The self-insurance health plan reserves are accrued as a liability in the accompanying statements of net position.

NOTE 5. INVENTORY

As of September 30, 2015 and 2014, inventory consisted of the following:

	September 30,	
	2015	2014
Diesel fuel supply	**$ 49,329**	$ 46,640
Unleaded fuel supply	**5,187**	17,466
Parts, oil and lubricant	**1,453,165**	1,232,881
Total inventory	**$ 1,507,681**	$ 1,296,987

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance at October 1, 2014	Additions	Deductions	Balance at September 30, 2015
Capital assets not being depreciated:				
Land	$ 1,358,922	$ 1,497,700	$ -	$ 2,856,622
Construction in progress	231,476	144,833	(12,791)	363,518
Total capital assets not being depreciated	1,590,398	1,642,533	(12,791)	3,220,140
Capital assets being depreciated:				
Buildings and improvements	11,316,043	12,356	(6,023,496)	5,304,903
Buses and vehicles	40,617,096	514,890	(5,743,474)	35,388,512
Machinery and equipment	6,019,200	252,133	(163,907)	6,107,426
Furniture and fixtures	972,066	87,913	(134,468)	925,511
Total capital assets being depreciated	58,924,405	867,292	(12,065,345)	47,726,352
Less accumulated depreciation	33,719,757	(2,900,045)	8,489,575	(28,130,227)
Total capital assets being depreciated, net	25,204,648	(2,032,753)	(3,575,770)	19,596,125
Total capital assets, net	$ 26,795,046	$ (390,220)	$ (3,588,561)	$ 22,816,265

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance at October 1, 2013	Additions	Deductions	Balance at September 30, 2014
Capital assets not being depreciated:				
Land	$ 1,358,922	$ -	$ -	$ 1,358,922
Construction in progress	267,077	124,712	(160,313)	231,476
Total capital assets not being depreciated	1,625,999	124,712	(160,313)	1,590,398
Capital assets being depreciated:				
Buildings and improvements	11,301,718	59,973	(45,648)	11,316,043
Buses and vehicles	36,266,829	6,827,634	(2,477,367)	40,617,096
Machinery and equipment	5,856,452	162,748	-	6,019,200
Furniture and fixtures	831,685	161,552	(21,171)	972,066
Total capital assets being depreciated	54,256,684	7,211,907	(2,544,186)	58,924,405
Less accumulated depreciation	33,061,684	(3,138,671)	2,480,598	33,719,757
Total capital assets being depreciated, net	21,195,000	4,073,236	(63,588)	25,204,648
Total capital assets, net	$ 22,820,999	$ 4,197,948	$ (223,901)	$ 26,795,046

Intermodal Transportation Center

During the year ended September 30, 2015, construction for the Authority's new Intermodal Transportation Center ("Center") began. The Center will serve as a multi-use transportation hub bringing together local, regional and national rail, bus and automotive transportation resources and access. The Authority, who will manage and operate the Center once completed, agreed to participate in a turnkey project with the City of Birmingham, in which the City will manage and fund the construction of the Center. The City was the recipient of a Federal Transit Administration grant that, along with local matching funds, will fund the construction of the Center. Upon completion, which is anticipated in the first quarter of 2017, the Authority will assume ownership and operation of the Center from the City and will record the Center and all the related assets into its capital assets. It is anticipated that the Center will cost approximately $35 million to construct and bring into operation.

NOTE 6. CAPITAL ASSETS (Continued)

Intermodal Transportation Center (Continued)

The Center is being constructed on the grounds of the Authority's previous transportation hub facility more commonly known as the old Central Station which was razed in preparation for construction of the new Center. Consequently, during the year ended September 30, 2015, the Authority expensed $3,549,748 to write-off the remaining net book value of the old Central Station and related assets.

Donated Land and Buses

During the year ended September 30, 2015, the Authority was the recipient of $2,012,590 in donations of land and buses. The Authority received by transfer from the Georgia Regional Transportation Authority nine (9) 2005 Orion VII CNG buses with a total value of $514,890. In addition, land was donated through a grant from the City of Birmingham to the Authority in connection with the construction of the new Intermodal Center valued at $1,497,700.

Construction in Progress

The Authority's construction in progress relates to smaller ongoing projects such as bus shelters, etc. that are typically completed within one year. There are no additional significant costs expected to be recorded to complete these projects. However, subsequent to September 30, 2015, the Authority entered into a contract for $3.7 million to install automatic vehicle locators and automatic passenger counters on fixed-route and paratransit vehicles. This project is expected to be completed during fiscal year 2017.

Net Loss on Disposal of Capital Assets

Net losses on the disposal of capital assets for the years ended September 30, 2015 and 2014, consisted of the following:

	For the Years Ended September 30,	
	2015	2014
Write-off from demolition of old Central Station facility	**$ 3,549,748**	$ -
Gain from auctioned capital assets - buses	**(42,500)**	-
Losses from other miscellaneous disposals and scrapped assets	**19,837**	607
Total net losses from the disposal of capital assets	**$ 3,527,085**	$ 607

NOTE 7. PENSION PLAN

Plan Description

The Authority (the "Employer") maintains a trusteed, single-employer, defined benefit pension plan covering substantially all full-time permanent union employees. The Employees' Contributory Retirement Plan (the "Plan") is governed by the terms of the employees' collective bargaining agreement and is administered by a Retirement Allowance Committee (the "Committee") composed of three members appointed by the Employer and three members appointed by the Union.

Substantially all non-temporary, full-time employees who have completed sixty (60) days of continuous service are covered by the Plan. Employee participants are entitled to an annual retirement payable monthly for life, in an amount based upon compensation and credited service. The Plan also provides death and disability benefits.

NOTE 7. PENSION PLAN (Continued)

Membership

At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	173
Inactive plan members entitled to but not receiving benefits	51
Active plan members	198
Total	422

Contributions

The Employer and the Employees shall contribute to the Plan based upon a percentage of compensation as required by the collective bargaining agreement. The Committee establishes rates based on 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 plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2015, the active member contribution rate was 8.0 percent of annual pay, and the Authority's contribution rate was 24.25% and 24.82% percent of annual covered-employee payroll for the years ended September 30, 2015 and 2014, respectively. The Authority’s contributions to the Plan were $1,680,806 and $1,836,899 for the years ended September 30, 2015 and 2014, respectively.

Benefits

Retirement benefits for plan members are calculated as 1.3333 percent of the member's final average earnings (defined as the average of the highest five consecutive or non-consecutive salaries of the last ten years) times the member's years of service. Benefits earned prior to 2014 are not reduced if the participant retires at age 62 or older with at least 5 years of continuous service or at age 55 with at least 30 years of continuous service. Benefits earned after 2013 are unreduced at age 65. Participants must be at least age 55 to receive reduced early retirement benefits. All plan members are eligible for disability benefits after 5 years of service. Disability retirement benefits are determined in the same manner as retirement benefits. Death benefits equals a refund of employee contributions with accumulated interest at 4%. A plan member who leaves the Authority service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for a cost-of-living adjustment (COLA) review every two years for each member's retirement allowance subsequent to the member's retirement date. Any adjustment for COLA is at the sole and absolute discretion of the Committee.

Net Pension Liability

Effective October 1, 2013, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the County’s accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The Authority’s net pension liability was measured as of December 31, 2014 (for the Authority’s September 30, 2015 fiscal year end) and December 31, 2013 (for the Authority’s September 30, 2014 fiscal year end), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

NOTE 7. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2014 and 2013 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% for 2014 and 2013

Salary increases: 2.5% (at the assumed inflation rate) for 2014 and 2013

Investment rate of return: 6.50%, net of pension plan investment expense, including inflation for 2014; 7.25%, net of pension plan investment expense, including inflation for 2013

Mortality rates for the 2014 valuation were based on the RP-2014 Blue Collar projected to 2020 based on Scale MP-2014. This is a change from the prior valuation used in 2013 which used mortality rates based on the RP-2000 Blue Collar projected to 2014 with Scale AA.

The actuarial assumptions used in the December 31, 2014 and 2013 valuation were based, for retirement and withdrawal rates, on the results of an actuarial experience study performed in 2013. The remaining assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are as follows:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Cash	2.00 %	2.00 %
Fixed Income	33.00	4.00
Equities	65.00	8.00

Discount rate. The discount rate used to measure the total pension liability for 2014 was 4.20 percent, a decrease from 4.90 percent in the 2013 valuation. 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 Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2025. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments until 2025 to determine the total pension liability. For projected benefit payments of current plan members after 2025, the index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 3.75 percent (2014) and 4.00 percent (2013) and was determined based on quoted market prices at year end – were used. The discount rate of 4.20 percent (2014) and 4.90 percent (2013) was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

NOTE 7. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability. The changes in the components of the net pension liability of the Authority for the years ended September 30, 2015 and 2014, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as October 1, 2014	$ 33,439,367	$ 9,294,747	$ 24,144,620
Changes for the year:			
Service cost	1,057,978	-	1,057,978
Interest cost	1,576,190	-	1,576,190
Assumption changes	5,190,424	-	5,190,424
Contributions – employer	-	1,791,621	(1,791,621)
Contributions – employee	-	552,243	(552,243)
Net investment income	-	573,434	(573,434)
Difference between expected and actual experience	(774,416)	-	(774,416)
Benefit payments	(2,544,428)	(2,544,428)	-
Administrative expense	-	(97,236)	97,236
Net changes	4,505,748	275,634	4,230,114
Balances at September 30, 2015	$ 37,945,115	$ 9,570,381	$ 28,374,734

The Plan's fiduciary net position as a percentage of the total pension liability 25.2%

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as October 1, 2013	$ 33,145,760	$ 8,465,493	$ 24,680,267
Changes for the year:			
Service cost	1,027,911	-	1,027,911
Interest cost	1,683,375	-	1,683,375
Contributions – employer	-	1,694,895	(1,694,895)
Contributions – employee	-	427,971	(427,971)
Net investment income	-	1,232,788	(1,232,788)
Benefit payments	(2,417,679)	(2,417,679)	-
Administrative expense	-	(108,721)	108,721
Net changes	293,607	829,254	(535,647)
Balances at September 30, 2014	$ 33,439,367	$ 9,294,747	$ 24,144,620

The Plan's fiduciary net position as a percentage of the total pension liability 27.8%

The required schedule of changes in the Authority's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTE 7. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 4.20 percent (for 2015) and 4.90 percent (for 2014), as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	September 30, 2015		
	1% Decrease (3.20%)	**Current Discount Rate (4.20%)**	**1% Increase (5.20%)**
Authority's net pension liability	$ 32,618,147	$ 28,374,734	$ 24,803,818

	September 30, 2014		
	1% Decrease (3.90%)	**Current Discount Rate (4.90%)**	**1% Increase (5.90%)**
Authority's net pension liability	$ 27,522,891	$ 24,144,620	$ 21,266,366

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2014 and the current sharing pattern of costs between employer and employee.

In determining the Plan Fiduciary Net Position utilized by the Authority in the calculation of the net pension liability, the Plan utilizes the following accounting policies:

Basis of Accounting. The Plan utilizes the accrual basis of accounting in determining the Fiduciary Net Position.

Method Used to Value Investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) to net investment income.

Contributions. Contributions are recognized when paid or legally due to the Plan. Receivables would be recorded in the Plan Fiduciary Net Position only for contributions due pursuant to legal requirements.

Benefit Payments. Benefits to retired participants are recorded when paid in accordance with the terms of the Plan.

NOTE 7. PENSION PLAN (Continued)

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

For the years ended September 30, 2015 and 2014, the Authority recognized pension expense of $2,505,156 and $1,666,182, respectively, related to this plan. At September 30, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2015		September 30, 2014	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes in assumptions	$ 3,892,818	$ -	$ -	$ -
Employer contributions subsequent to measurement date	1,232,411	-	1,343,226	-
Investment gains	-	308,488	-	506,934
Difference between expected and actual experience	-	580,811	-	-
Total	$ 5,125,229	$ 889,299	$ 1,343,226	$ 506,934

Authority contributions subsequent to the December 31, 2014 measurement date of $1,232,411 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Authority contributions subsequent to the December 31, 2013 measurement date of $1,343,226 are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability in the year ended September 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan are recognized as a component of future pension expense. These other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan as of September 30, 2015 will be recognized as a component of pension expense as follows:

	Year Ended September 30
2016	$ 995,195
2017	995,195
2018	995,201
2019	17,928
Total	$ 3,003,519

NOTE 8. DEFINED CONTRIBUTION PLAN

The Authority is the sponsor of a defined contribution money purchase pension plan for administrative employees (the "Administrative Plan"). Under the Administrative Plan, for employees who have completed one-half year of continuous full-time service, the Authority contributes 5% of annual compensation of eligible non-contract employees. The participants are fully vested in their accounts if they were participating in the Administrative Plan on the effective date (November 29, 1995). Otherwise, employees will become fully vested after completing one year of credit service. Retirement plan expense for the Administrative Plan for the years ended September 30, 2015 and 2014 was $242,385 and $182,123, respectively. Investments in the Administrative Plan are managed by the Plan Administrator.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

In the normal course of its operations, the Authority is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Authority's financial statements.

NOTE 10. 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; injuries to employees or others; and natural disasters.

An estimated liability of $50,000 has been reported as of September 30, 2015 and 2014, for outstanding claims or for any potential claims incurred but not reported as of that date. In addition, the Authority maintains commercial liability insurance coverage for such events. Settled claims have not exceeded these commercial coverages by any material amounts during the years ended September 30, 2015, 2014 and 2013.

NOTE 11. SELF-INSURANCE PLAN

The Authority began a self-insured health insurance program in March of 2004. Claims are processed under an arrangement with a third-party claims administrator. The Authority funds the plan based upon the level of claims. The estimated liability for the fund balance at September 30, 2015 and 2014 was $200,000 and $150,000, respectively. Activity within the program for the years ended September 30, 2015 and 2014 are as follows:

	Beginning Balance	Employer Contributions and Changes in Estimates	Claims Paid	Ending Balance
2015	$ 150,000	$ 3,394,480	$ (3,344,480)	$ 200,000
2014	$ 150,000	$ 2,636,956	$ (2,636,956)	$ 150,000

NOTE 12. SUBSEQUENT EVENTS

Management is required to disclose certain significant events that occur after fiscal year-end but before financial statement issuance. Management has evaluated events occurring through June 29, 2016, the date the financial statements were available to be issued.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Authority's Net Pension Liability and Related Ratios

	2015	2014
Total pension liability		
Service cost	$ 1,057,978	$ 1,027,911
Interest on total pension liability	1,576,190	1,683,375
Difference between expected and actual experience	(774,416)	-
Changes of assumptions	5,190,424	-
Benefit payments	(2,544,428)	(2,417,679)
Net change in total pension liability	4,505,748	293,607
Total pension liability – beginning	33,439,367	33,145,760
Total pension liability – ending (a)	$ 37,945,115	$ 33,439,367
Plan fiduciary net position		
Contributions – employer	$ 1,791,621	$ 1,694,895
Contributions – employee	552,243	427,971
Net investment income	573,434	1,232,788
Benefit payments	(2,544,428)	(2,417,679)
Administrative expenses	(97,236)	(108,721)
Net change in plan fiduciary net position	275,634	829,254
Plan fiduciary net position – beginning	9,294,747	8,465,493
Plan fiduciary net position – ending (b)	$ 9,570,381	$ 9,294,747
Net position liability – ending (a)-(b)	$ 28,374,734	$ 24,144,620
Plan fiduciary net position as a percentage of the total pension liability	25.2%	27.8%
Covered-employee payroll	$ 6,661,969	$ 7,547,328
Net pension liability as a percentage of covered-employee payroll	425.9%	319.9%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions

	2015	2014
Actuarially determined contribution	$ 1,680,806	$ 1,836,899
Contributions in relation to the actuarially determined contribution	1,680,806	1,836,899
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 6,929,833	$ 7,400,275
Contributions as a percentage of covered-employee payroll	24.25%	24.82%

Notes to the Schedule

Valuation Date	January 1 of each year
Cost Method	Traditional Unit Credit
Actuarial Asset Valuation Method	Trustee value as of measurement date
Assumed Rate of Return on Investments	6.5%
Projected Salary Increases	2.5% (assumed rate of inflation)
Cost-of-Living Adjustment	None
Amortization Method	Level dollar amount on a closed basis

The schedule will present 10 years of information once it is accumulated.

SUPPLEMENTARY INFORMATION

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*

To the Board of Directors
Birmingham-Jefferson County Transit Authority
Birmingham, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Birmingham-Jefferson County Transit Authority which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Birmingham-Jefferson County Transit Authority's basic financial statements and have issued our report thereon dated June 29, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68*, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the basic financial statements, we considered the Birmingham-Jefferson County Transit Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Birmingham-Jefferson County Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Birmingham-Jefferson County Transit Authority'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 audits 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 Birmingham-Jefferson County Transit Authority's basic financial statements are free from 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.

Mauldin & Jenkins, LLC

Birmingham, Alabama
June 29, 2016

MAULDIN & JENKINS

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

To the Board of Directors
Birmingham-Jefferson County Transit Authority
Birmingham, Alabama

Report on Compliance for Each Major Federal Program

We have audited Birmingham-Jefferson County Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Birmingham-Jefferson County Transit Authority's major federal programs for the year ended September 30, 2015. Birmingham-Jefferson County Transit Authority'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

Our responsibility is to express an opinion on compliance for each of Birmingham-Jefferson County Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 Birmingham-Jefferson County Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Birmingham-Jefferson County Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Birmingham-Jefferson County Transit Authority 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, 2015.

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Report on Internal Control Over Compliance

Management of Birmingham-Jefferson County Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Birmingham-Jefferson County Transit Authority'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, we do not express an opinion on the effectiveness of Birmingham-Jefferson County Transit Authority'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 a 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Birmingham, Alabama
June 29, 2016

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

Direct Program: U.S. Department of Transportation – Direct Programs	Federal CFDA Number	Funds Expended
Federal Transit Capital Investment Grants	20.500	$ 395,644
Federal Transit Formula Grants	20.507	6,995,626
Total Federal Transit Cluster		7,391,270
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	3,338,461
Job Access Reverse Commute	20.516	128,168
New Freedom Program	20.521	153,390
Total Transit Services Programs Cluster		3,620,019
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 11,011,289

See Note to Schedule of Expenditures of Federal Awards

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Birmingham-Jefferson County Transit Authority (the “Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____Yes __X__No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____Yes __X__None reported

Noncompliance material to financial statements noted? _____Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____Yes __X__No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____Yes __X__None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____Yes __X__No

Identification of major programs

CFDA Numbers	*Name of Federal Program or Cluster*
20.513, 20.516 and 20.521	Transit Services Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $330,339

Auditee qualified as low-risk auditee? __X__Yes _____No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.