

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**

**FINANCIAL STATEMENTS**

**September 30, 2016 and 2015**

**With Independent Auditor's Report**

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**Birmingham, Alabama**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the  
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, 2016 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.



To the Board of Directors of the  
Birmingham-Jefferson County Transit Authority  
Birmingham, Alabama  
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### ***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, 2016 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.

### ***Prior Period Financial Statements***

The financial statements of the Birmingham-Jefferson County Transit Authority as of September 30, 2015, were audited by other auditors whose report dated June 29, 2016, expressed an unmodified opinion on those statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information (on pages 3 through 10), the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios (on page 29) and the Schedule of Contributions (on page 30) 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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.





To the Board of Directors of the  
Birmingham-Jefferson County Transit Authority  
Birmingham, Alabama  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, 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.

Birmingham, Alabama  
June 29, 2017

*Banks, Finley White & Co.*

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 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, 2016 and 2015. 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 2016 fiscal year and continues to be committed to its vision and to its motto of "**Refine-Refocus-Rebuild**", 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 2016 are as follows:

- During fiscal year 2016 the BJCTA Board of Directors, hired a former resident of the City of Birmingham into the seat of Executive Director, Ms. Barbara Murdock
- Auctioned off bus fleet, that had met its useful life.
- BJCTA implemented an Airport Shuttle Service to downtown area hotels, from the Birmingham Shuttlesworth Airport
- BJCTA Board of Directors approved "Free DART" service for the Birmingham Baron's "Home Game Days" at Regions field;
- BJCTA replaced aging fleet of non-revenue vehicles;
- Begin installation of Automatic Vehicle Locators (AVL), and Automatic Passenger Counters (APC) on FixedRoute and Paratransit vehicles;
- BJCTA made Wi-Fi service available on all fixed route buses.
- BJCTA Board of Directors approved "free rides" to the public on National Dump the Pump Day and Veterans Day
- BJCTA completed a successful Triennial Review
- Signed lease with Mega Bus and Greyhound to enter new Intermodal Facility
- BJCTA received seven new 40ft buses, for the In-town Partnership Program
- Completed and published Fleet Maintenance rule book;
- Reduced number of Workers Compensation cases.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2016**

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The Authority's net position (amount that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources) was \$15,363,089 and \$20,119,409 at September 30, 2016 and 2015, respectively. Of these amounts, \$21,633,626 and \$22,816,265, respectively, represented the Authority's investment in capital assets.
- The Authority's total net position decreased \$4,756,320 during the year ended September 30, 2016 and decreased \$3,829,735 during the year ended September 30, 2015. 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 \$34,006,234 and \$32,475,436 during the years ended September 30, 2016 and 2015, respectively. The Authority received federal capital contribution grants totaling \$297,030 and \$28,799 during the years ended September 30, 2016 and 2015, 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, 2016 and 2015. 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 12 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 14 through 26 of this report.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2016**

**Financial Statements**

**Net Position:** The following table summarizes the net position at September 30, 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 21,990,307	\$ 24,066,625	\$ 22,882,463
Capital assets	21,633,626	22,816,265	26,795,046
Other long-term assets	<u>8,686</u>	<u>8,611</u>	<u>8,611</u>
Total assets	<u>43,632,619</u>	<u>46,891,501</u>	<u>49,686,120</u>
Deferred outflows of resources	<u>5,975,270</u>	<u>5,125,229</u>	<u>1,343,226</u>
Current liabilities	2,614,123	2,583,288	2,381,648
Long-term liabilities	<u>31,243,473</u>	<u>28,424,734</u>	<u>24,194,620</u>
Total liabilities	<u>33,857,596</u>	<u>31,008,022</u>	<u>26,576,268</u>
Deferred inflows of resources	<u>387,206</u>	<u>889,299</u>	<u>506,934</u>
Net position:			
Investment in capital assets	21,633,626	22,816,265	26,795,046
Unrestricted	<u>(6,270,537)</u>	<u>(2,696,856)</u>	<u>(2,848,902)</u>
Total net position	<u>\$ 15,363,089</u>	<u>\$ 20,119,409</u>	<u>\$ 23,946,144</u>

The Authority's total current assets decreased by \$2,076,318 and increased \$1,184,162 during the years ended September 30, 2016 and 2015, respectively. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents decreased \$2,460,051, from \$12,334,306 to \$9,874,255 during the year ended September 30, 2016.

The Authority's capital and other long-term assets decreased by \$1,182,564 during the year ended September 30, 2016. Elements to consider related to these changes include:

- In fiscal year 2016, the decrease was primarily due to the disposal of capital assets that met their useful life.

The Authority's current liabilities increased by \$30,835 during the year ended September 30, 2016. Elements to consider related to these changes include:

- Accounts payable increased from \$881,514 to \$1,818,340 during the year ended September 30, 2016.



**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2016**

The Authority's long-term liabilities increased by \$2,818,739 and \$4,230,114 during the years ended September 30, 2016 and 2015, 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 \$4,756,320 and \$3,826,735 during the years ended September 30, 2016 and 2015, respectively. The changes for 2016 and 2015 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, 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Passenger fares	\$ 2,262,039	\$ 2,322,395	\$ 2,503,384
Other	76,579	88,184	67,153
Operating revenues	<u>2,338,618</u>	<u>2,410,579</u>	<u>2,570,537</u>
Operating expenses:			
Salaries and benefits	22,763,664	21,492,656	18,555,138
Vehicle fuel, repairs, and maintenance	1,799,761	1,908,719	2,465,947
Other operating expenses	14,296,358	11,106,255	9,494,903
Depreciation	2,646,666	2,900,045	3,138,671
Operating expenses	<u>41,506,449</u>	<u>37,407,675</u>	<u>33,654,659</u>
Nonoperating revenues:			
Operating grants - federal assistance	13,048,241	10,423,097	9,237,296
Operating grants - local assistance	14,064,312	14,352,589	14,389,246
Ad valorem tax revenue	6,893,681	7,699,750	5,603,839
Insurance proceeds	68,715	168,458	71,188
Gain (loss) on disposal of capital assets	-	(3,527,085)	(607)
Interest income	39,532	12,163	6,181
Nonoperating revenues, net	<u>34,114,481</u>	<u>29,128,972</u>	<u>29,307,143</u>
Capital contributions - federal grants	297,030	28,799	5,373,410
Capital contributions - land and buses	-	2,012,590	-
Capital contributions	<u>297,030</u>	<u>2,041,389</u>	<u>5,373,410</u>
Change in net position	<u>\$ (4,756,320)</u>	<u>\$ (3,826,735)</u>	<u>\$ 3,596,431</u>

For the year ended September 30, 2016, operating revenues of the Authority were \$71,961 or 3% less than fiscal year 2015 operating revenues. Fiscal year 2015 operating revenues were 6.2% less than fiscal year 2014 revenues. The fluctuation in operating revenues is primarily a function of passenger fares and ridership.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2016**

For the year, ended September 30, 2016, operating expenses increased \$4,098,774 or 11% to \$41,506,449. Fiscal year 2015 operating expenses increased \$3,753,016 or 11.2% from fiscal year 2014. The 2016 increase in operating expenses is due primarily to various factors including a \$1,675,384 increase in salary and benefits that includes an increase in pension expense of \$750,777 from the effects of the new pension accounting standard, GASB 68; a \$905,580 increase in professional services for new technology and \$1,137,038 for equipment parts for the fleet.

For the year, ended September 30, 2016, nonoperating revenues of the Authority were \$34,114,481. Total fiscal year 2015 and 2014 nonoperating revenues were \$29,128,973 and \$29,307,143, respectively. These fluctuations are primarily due to the annual fluctuations in federal and local operating grants and assistance.

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 2016, the Authority also received grants for buses and equipment.

**Budget Analysis**

Over the course of the year, the Authority operated under an approved budget for the year ended September 30, 2016 by the Board of Directors. The budget was approved by the Board of Directors in September 2015. 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 2016 budget continued to focus on cost control measures and maintaining a stable revenue base. The 2016 budget estimated revenue at \$31.9 million compared to actual revenues of \$32.4 million for the 2016 fiscal year (excluding capital revenue and pass-thru revenues). The 2016 budget estimated operating expenses at \$31.9 million compared to actual expenses of \$35.1 million (excluding depreciation and losses on capital assets and pass-thru funding expense) for the 2016 fiscal year. Annually, the budget is typically revised in midyear 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 \$31.9 million and operating expenses at \$31.9 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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016**

- 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 2016 through 2017 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 \$21,633,626 as of September 30, 2016. This represents a 5% decrease from the Authority's capital asset balance of \$22,816,265 as of September 30, 2015. 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, Uniform Guidance, 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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2016**

**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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents - unrestricted	\$ 9,874,255	\$ 12,334,306
Cash and cash equivalents - restricted	<u>200,000</u>	<u>200,000</u>
Total cash and cash equivalents	<u>10,074,255</u>	<u>12,534,306</u>
Accounts receivable, net	2,790,832	2,826,653
Grants receivable	6,671,185	6,683,139
Inventory	1,950,005	1,507,681
Prepaid insurance	<u>504,030</u>	<u>514,846</u>
Total current assets	<u>21,990,307</u>	<u>24,066,625</u>
<b>Noncurrent assets:</b>		
Utility deposits	8,686	8,611
<b>Capital assets:</b>		
Land	2,856,622	2,856,622
Buildings and improvements	5,321,508	5,304,903
Buses and vehicles	36,416,441	35,388,512
Machinery and equipment	6,268,545	6,107,426
Furniture and fixtures	925,690	925,511
Construction in progress	231,169	363,518
Less: accumulated depreciation	<u>(30,386,349)</u>	<u>(28,130,227)</u>
Total capital assets	<u>21,633,626</u>	<u>22,816,265</u>
Total non-current assets	<u>21,642,312</u>	<u>22,824,876</u>
Total assets	<u>\$ 43,632,619</u>	<u>\$ 46,891,501</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related	\$ 5,975,270	\$ 5,125,229
Total deferred outflows of resources	<u>5,975,270</u>	<u>5,125,229</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 49,607,889</u>	<u>\$ 52,016,730</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,818,340	\$ 881,514
Accrued payroll and withholdings	301,491	701,669
Accrued retirement plan contribution	-	-
Compensated employee absences	294,292	800,105
Self insurance health plan liability	<u>200,000</u>	<u>200,000</u>
Total current liabilities	<u>2,614,123</u>	<u>2,583,288</u>
<b>Noncurrent liabilities:</b>		
Net pension liability	31,193,473	28,374,734
Uninsured liabilities and damage claims	<u>50,000</u>	<u>50,000</u>
Total non-current liabilities	<u>31,243,473</u>	<u>28,424,734</u>
Total liabilities	<u>33,857,596</u>	<u>31,008,022</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related	<u>387,206</u>	<u>889,299</u>
Total deferred inflows of resources	<u>387,206</u>	<u>889,299</u>
<b>NET POSITION:</b>		
Investment in capital assets	<u>21,633,626</u>	<u>22,816,265</u>
Unrestricted	<u>(6,270,537)</u>	<u>(2,696,856)</u>
Total net position	<u>\$ 15,363,089</u>	<u>\$ 20,119,409</u>
Total Liabilities and Net Position and Deferred Inflows of Resources	<u>\$ 49,607,889</u>	<u>\$ 52,016,730</u>



**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 2,262,039	\$ 2,322,395
Other revenues	<u>76,579</u>	<u>88,184</u>
Total operating revenues	<u>2,338,618</u>	<u>2,410,579</u>
<b>OPERATING EXPENSES</b>		
Labor	13,715,009	12,929,994
Fringe benefits	9,048,655	8,667,307
Services	3,888,074	1,115,876
Materials and supplies	1,766,149	2,170,816
Utilities	605,573	546,110
Repairs and maintenance	3,112,039	2,245,210
Advertising	28,168	39,378
Pass-thru funding	4,397,301	4,404,165
Casualty and liability costs	1,567,299	1,425,300
Depreciation	2,646,666	2,900,045
Leases and rental	70,753	73,308
Provision for uncollectible accounts receivable	-	341,956
Miscellaneous	<u>660,763</u>	<u>548,210</u>
Total operating expenses	<u>41,506,449</u>	<u>37,407,675</u>
<b>Operating loss</b>	<u>(39,167,831)</u>	<u>(34,997,096)</u>
<b>NONOPERATING REVENUES, NET</b>		
Federal grant assistance	13,048,241	10,423,097
Local operating assistance:		
Local finding	14,064,312	14,352,589
Ad valorem tax	6,893,681	7,699,750
Insurance proceeds	68,715	168,458
Interest income	39,532	12,163
Net loss on disposal of capital assets	-	<u>(3,527,085)</u>
Total nonoperating revenues, net	<u>34,114,481</u>	<u>29,128,972</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital contributions - federal grants	297,030	28,799
Capital contributions - land and buses	-	2,012,590
Total capital contributions	<u>297,030</u>	<u>2,041,389</u>
Change in net position	<u>(4,756,320)</u>	<u>(3,826,735)</u>
Net position, beginning of the year	<u>20,119,409</u>	<u>23,946,144</u>
Net position, end of the year	<u>\$ 15,363,089</u>	<u>\$ 20,119,409</u>

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,338,618	\$ 2,410,209
Payments to suppliers	(17,184,859)	(12,646,032)
Payments to employees	<u>(20,561,293)</u>	<u>(20,800,153)</u>
Net cash provided by operating activities	<u>(35,407,534)</u>	<u>(31,035,976)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem taxes	6,893,681	7,699,750
Operating grants	<u>27,112,552</u>	<u>24,590,595</u>
Net cash provided by non-capital financing activities	<u>34,006,233</u>	<u>32,290,345</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition or construction of capital assets	(1,464,027)	(478,259)
Proceeds from sale of capital assets	-	42,500
Insurance proceeds received from capital assets	68,715	168,458
Capital grants	<u>297,030</u>	<u>28,799</u>
Net cash provided (used by) capital and related financing activities	<u>(1,098,282)</u>	<u>(238,502)</u>
<b>CASH USED BY INVESTING ACTIVITIES</b>		
Interest received	<u>39,532</u>	<u>12,163</u>
Net cash provided by investing activities	<u>39,532</u>	<u>12,163</u>
Net change in cash	(2,460,051)	1,028,030
Cash at beginning of the year	<u>12,534,306</u>	<u>11,506,276</u>
Cash at end of the year	<u>\$ 10,074,255</u>	<u>\$ 12,534,306</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus (deficit) from operations	\$ (39,167,832)	\$ (34,997,096)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Provision for uncollectible accounts receivable	-	341,956
Depreciation	2,646,666	2,900,045
Change in assets and liabilities:		
Accounts receivable and grant receivable (net)	47,775	(370)
Inventory	(442,325)	(210,694)
Prepaid insurance	10,816	(101,933)
Utility deposits	(75)	-
Deferred outflows of resources - pension	(850,041)	(3,782,003)
Accounts payable and accrued expenses	936,827	289,613
Accrued payroll related expenses	(400,178)	49,932
Accrued retirement plan contribution	-	(160,000)
Accrued pension liability	2,818,739	4,230,114
Compensated employee absences	(505,813)	(27,905)
Self-insurance liability	-	50,000
Deferred inflows of resources - pension	<u>(502,093)</u>	<u>382,365</u>
Total adjustments	<u>3,760,298</u>	<u>3,961,120</u>
Net cash provided by operating activities	<u>\$ (35,407,534)</u>	<u>\$ (31,035,976)</u>

See Accompanying Notes to the Financial Statements.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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, 2016 and 2015, federal pass-thru grant assistance totaled \$4,301,896 and \$4,313,914, respectively, and pass-thru funding expenses totaled \$4,397,301 and \$4,404,165, 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 money market accounts.

**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, 2016 and 2015, the expense for allowance for uncollectible accounts receivable was \$-0- and \$341,956 respectively.

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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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:

	<b><u>Estimated Useful Life</u></b>
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, 2016 and 2015, accrued compensated employee absences totaled \$294,292 and \$800,105, 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.



**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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 2015 financial statements in order to conform to the 2016 presentation.

**NOTE 3 - 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, 2016, the carrying amount of the Authority's bank deposits and cash on hand was \$10,074,254 and the bank balance was \$10,165,676.

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 - FAIR VALUE MEASUREMENTS**

SFAS No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy consists of three broad levels, described as follows:

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)**

Level 1 - Inputs that consist of unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access.

Level 2 - Inputs consist of 1) quoted prices for similar assets in active markets, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

Level 3 - Inputs consist of unobservable inputs where there is little or no market activity, and the reporting entity makes estimates and assumptions related to the pricing of the asset including assumptions regarding risk.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of deposit, money market accounts and United States Government securities - The carrying amount approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the Authority's money market accounts are Level 1 investments (See Note 2).

**NOTE 5 - 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, 2016 and 2015 was \$8,789,334 and \$8,176,675, respectively. The unrestricted cash balance, less short-term payables, as of September 30, 2016 and 2015 was \$9,874,255 and \$10,995,980, respectively. Accordingly, the Authority is in compliance with the cash reserve requirement as of September 30, 2016 and 2015.

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 \$200,000 as of September 30, 2016 and 2015, respectively. The self-insurance health plan reserves are accrued as a liability in the accompanying statements of net position.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 - INVENTORY**

As of September 30, 2016 and 2015, inventory consisted of the following:

	September 30,	
	2016	2015
Diesel fuel supply	\$ 75,920	\$ 49,329
Unleaded fuel supply	12,276	5,187
Parts, oil and lubricant	1,861,809	1,453,165
Total inventory	\$ 1,950,005	\$ 1,507,681

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance at 10/01/15	Additions	Deductions	Balance at 09/30/16
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,856,622	\$ -	\$ -	\$ 2,856,622
Construction in progress	363,518	47,510	(179,859)	231,169
Total capital assets not being depreciated	3,220,140	47,510	(179,859)	3,087,791
<b>Capital assets being depreciated:</b>				
Buildings and improvements	5,304,903	26,666	(10,061)	5,321,508
Buses and vehicles	35,388,512	1,328,957	(301,028)	36,416,441
Machinery and equipment	6,107,426	163,890	(2,771)	6,268,545
Furniture and fixtures	925,511	76,863	(76,684)	925,690
Total capital assets being depreciated	47,726,352	1,596,376	(390,544)	48,932,184
Less accumulated depreciation	28,130,227	(2,646,666)	390,544	(30,386,349)
Total capital assets being depreciated, net	19,596,125	(1,050,290)	-	18,545,835
Total capital assets, net	\$ 22,816,265	\$ (1,002,780)	\$ (179,859)	\$ 21,633,626

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

	Balance at 10/01/14	Additions	Deductions	Balance at 9/30/15
<b>Capital assets not being depreciated:</b>				
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
<b>Capital assets being depreciated:</b>				
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

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 7 - CAPITAL ASSETS (Cont'd)**

**Intermodal Transportation Center**

During the year ended September 30, 2016, construction for the Authority's new Intermodal Transportation Center ("Center") continued. 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 by the end of fiscal year 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.

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.

**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. During fiscal year 2016, 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, 2016 was \$0. Net losses on the disposal of capital assets for the year ended September 30, 2015, consisted of the following:

	<b>September 30, 2015</b>
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
Total net losses from the disposal of capital assets	<b>\$ 3,527,085</b>

**NOTE 8 - PENSION PLAN**

**Plan Description**

The Authority (the "Employer") maintains a trustee, 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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 8 - PENSION PLAN (Cont'd)**

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.

**Membership**

At December 31, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	181
Inactive plan members entitled to but not receiving benefits	50
Active plan members	<u>208</u>
Total	<u>439</u>

**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, 2016, the active member contribution rate was 8.0 percent of annual pay, and the Authority's contribution rate was 27.47% and 24.25% percent of annual covered-employee payroll for the years ended September 30, 2016 and 2015, respectively. The Authority's contributions to the Plan were \$2,070,714 and \$1,680,806 for the years ended September 30, 2016 and 2015, 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.



**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - PENSION PLAN (Cont'd)**

The Authority's net pension liability was measured as of December 31, 2015 (for the Authority's September 30, 2016 fiscal year end) and December 31, 2014 (for the Authority's September 30, 2015 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.

*Actuarial assumptions.* The total pension liability in the December 31, 2015 and 2014 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5 % for 2015 and 2014

Salary increases: 2.5% (at the assumed inflation rate) for 2015 and 2014

Investment rate of return: 6.50%, net of pension plan investment expense, including inflation for 2015 and 2014;

7.25%, net of pension plan investment expense, including inflation for 2013

Mortality rates for the 2015 valuation were based on the RP-2014 Blue Collar projected to 2021 based on Scale MP-2015. This is a change from the prior valuation used in 2014 which used mortality rates based on the RP-2014 Blue Collar projected to 2020 with Scale MP-2014.

The actuarial assumptions used in the December 31, 2015 and 2014 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, 2015 are as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
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 2015 was 3.90 percent, a decrease from 4.20 percent in the 2014 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

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - PENSION PLAN (Cont'd)**

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 percent (2014) and 3.75 percent (2014) and was determined based on quoted market prices at year end – were used. The discount rate of 3.90 percent (2015) and 4.20 percent (2014) 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.

*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, 2016 and 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances as of October 1, 2015</b>	\$ 37,945,115	\$ 9,570,381	\$ 28,374,734
<b>Changes for the year:</b>			
Service cost	1,166,206	-	1,166,206
Interest cost	1,540,341	-	1,540,341
Assumption changes	1,697,853	-	1,697,853
Contributions - employer	-	1,695,362	(1,695,362)
Contributions - employee	-	548,375	(548,375)
Net investment income	-	609,252	(609,252)
Difference between expected and actual experience	643,268	(526,442)	1,169,710
Benefit payments	(2,540,678)	(2,540,678)	-
Administrative expense	-	(97,618)	97,618
<b>Net changes</b>	<u>2,506,990</u>	<u>(311,749)</u>	<u>2,818,739</u>
<b>Balances at September 30, 2016</b>	<u>\$ 40,452,105</u>	<u>\$ 9,258,632</u>	<u>\$ 31,193,473</u>

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)
<b>Balances as of October 1, 2014</b>	\$ 33,439,367	\$ 9,294,747	\$ 24,144,620
<b>Changes for the year:</b>			
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
<b>Net changes</b>	<u>4,505,748</u>	<u>275,634</u>	<u>4,230,114</u>
<b>Balances at September 30, 2015</b>	<u>\$ 37,945,115</u>	<u>\$ 9,570,381</u>	<u>\$ 28,374,734</u>

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

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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - PENSION PLAN (Cont'd)**

*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 3.90 percent (for 2016) and 4.20 percent (for 2015), 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, 2016		
	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Authority's net pension liability	\$ 35,809,008	\$ 31,193,473	\$ 27,316,371
	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

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, 2015 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.

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

For the years ended September 30, 2016 and 2015, the Authority recognized pension expense of \$3,673,980 and \$2,505,156, respectively, related to this plan. At September 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - PENSION PLAN (Cont'd)**

	<u>September 30, 2016</u>		<u>September 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 3,410,119	\$ -	\$ 3,892,818	\$ -
Employer contributions subsequent to measurement date	1,607,763	-	1,232,411	-
Investment gains (losses)	474,937	-	-	308,488
Difference between expected and actual experience	<u>482,451</u>	<u>387,206</u>	<u>-</u>	<u>580,811</u>
Total	<u>\$ 5,975,270</u>	<u>\$ 387,206</u>	<u>\$ 5,125,229</u>	<u>\$ 889,299</u>

Authority contributions subsequent to the December 31, 2015 measurement date of \$1,607,763 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, 2014 measurement date of \$1,232,411 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, 2016 will be recognized as a component of pension expense as follows:

	<u>FYE September 30</u>
2017	\$ 1,516,610
2018	1,516,610
2019	412,608
2020	<u>105,286</u>
Total	<u>\$ 3,551,114</u>

**NOTE 9 - 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, 2016 and 2015 was \$67,710 and \$242,385, respectively. Investments in the Administrative Plan are managed by the Plan Administrator.

**NOTE 10 - 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.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (Cont'd)**

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 11 - 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, 2016 and 2015, 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, 2016, 2015 and 2014.

**NOTE 12 - SELF-INSURANCE PLAN**

The Authority began a self-insured health insurance program in March of 2004. The Authority decided to discontinue this program during fiscal year 2016. However, the Authority will maintain a security deposit for the discontinued self-insurer until all claims have been finally adjudicated and fully paid, and all expenses and assessments have been paid. The estimated liability for the fund balance at September 30, 2016 and 2015 was \$200,000 and \$200,000, respectively. Activity within the program for the years ended September 30, 2016 and 2015 are as follows:

	<u>Beginning Balance</u>	<u>Employer Contributions &amp; Changes in Estimates</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2016	\$ 200,000	\$ 2,295,193	\$ (2,295,193)	\$ 200,000
2015	\$ 150,000	\$ 3,394,480	\$ (3,344,480)	\$ 200,000

**NOTE 13 - 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 30, 2017, the date the financial statements were available to be issued.

**NOTE 14 - MANAGEMENT REVIEW**

Management of the Authority has reviewed the financial statements and the related notes on June 29, 2017.

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Changes in the Authority's Net Pension Liability and Related Ratios**  
**Last 3 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service cost	\$ 1,166,206	\$ 1,057,978	\$ 1,027,911
Interest on total pension liability	1,540,341	1,576,190	1,683,375
Difference between expected and actual experience	643,268	(774,416)	-
Changes of assumptions	1,697,853	5,190,424	-
Benefit payments	<u>(2,540,678)</u>	<u>(2,544,428)</u>	<u>(2,417,679)</u>
<b>Net change in total pension liability</b>	2,506,990	4,505,748	293,607
<b>Total pension liability - beginning</b>	<u>37,945,115</u>	<u>33,439,367</u>	<u>33,145,760</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 40,452,105</u>	<u>\$ 37,945,115</u>	<u>\$ 33,439,367</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,695,362	\$ 1,791,621	\$ 1,694,895
Contributions - employee	548,375	552,243	427,971
Net investment income	82,810	573,434	1,232,788
Benefit payments	(2,540,678)	(2,544,428)	(2,417,679)
Administrative expenses	<u>(97,618)</u>	<u>(97,236)</u>	<u>(108,721)</u>
<b>Net change in plan fiduciary net position</b>	(311,749)	275,634	829,254
<b>Plan fiduciary net position - beginning</b>	9,570,381	9,294,747	8,465,493
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 9,258,632</u>	<u>\$ 9,570,381</u>	<u>\$ 9,294,747</u>
<b>Net position liability - ending (a)-(b)</b>	<u>\$ 31,193,473</u>	<u>\$ 28,374,734</u>	<u>\$ 24,144,620</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	22.9%	25.2%	27.8%
<b>Covered employee payroll</b>	\$ 7,537,875	\$ 6,661,969	\$ 7,547,328
<b>Net pension liability as a percentage of covered-employee payroll</b>	413.8%	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**  
**Last 3 Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,070,714	\$ 1,680,806	\$ 1,836,899
Contributions in relation to the contractually required contribution	<u>2,070,714</u>	<u>1,680,806</u>	<u>1,836,899</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,537,875	\$ 6,929,833	\$ 7,400,275
Contributions as a percentage of covered-employee payroll	27/47%	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.



**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 of the  
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, 2016 and 2015, 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, 2017. 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.





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

Birmingham, Alabama  
June 29, 2017

*Bank, Finley White & Co.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors of the  
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, 2016. 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 audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.





To the Board of Directors of the  
Birmingham-Jefferson County Transit Authority  
Birmingham, Alabama  
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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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Birmingham, Alabama  
June 29, 2017

*Banks, Finley White & Co.*

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2016**

<b>Direct Program:</b>			
<b>U. S. Department of Transportation -</b>			
<b>Direct Programs</b>	<b>CFDA</b>	<b>Passed-through</b>	<b>Funds</b>
<hr/>	<hr/> <b>Number</b>	<hr/> <b>to Subrecipients</b>	<hr/> <b>Expended</b>
Federal Transit Capital Investment Grants	20.500		\$ 570,649
Federal Transit Formula Grants	20.507		8,947,452
Total Federal Transit Cluster			9,518,101
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	\$ 3,202,656	
Job Access Reverse Commute	20.516	398,210	
New Freedom Program	20.521	<u>117,643</u>	
Total Transit Services Programs Cluster			<u>3,718,509</u>
Total Expenditures of Federal Awards			<u>\$ 13,236,610</u>

**BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards include the federal grant activity of the 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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  
For the year ended September 30, 2016**

**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  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  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 2CFR Section 200.516(a)? Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II--Financial Statement Findings**

None reported.

**Section III--Federal Award Findings and Questioned Costs**

None reported.