TO: **All Prospective Proposers**

FROM: Darryl Grayson, Contracts & Procurement Manager
Cathy Hamilton, Sr. Projects Specialist

DATE: August 05 , 2021

SUBJECT: **Addendum 1- RFP #21-11 Financial Auditing Services**

The following change(s) have been made to the above-mentioned RFP. This document (hereinafter referred to as **Addendum 1**) becomes a binding component to the RFP and the resulting contract award. All proposers must include acknowledgment of the Addendum with submission.

	Original Dates	**New Dates**
Deadline for Questions	July 27, 2021	August 09, 2021 10:00 AM CST
Issuance of Responses to Questions:	July 29, 2021	August 13, 2021 3:00 PM CST
Proposals Due:	August 13, 2021	August 20, 2021 10:00 AM CST

Included Documents

1. Please see attached Questions & Responses for RFP# 21-11 Financial Auditing Services below.
2. Attachment A, “Birmingham-Jefferson County Transit Authority Financial Statements”

Acknowledgment to Addendum 1

Signature ______________________ Date ______________

Print ______________________ Title ______________

RFP #21-11 Financial Auditing Services

QUESTIONS & RESPONSES

NO.	SOLICITATION REFERENCE	COMMENTS / QUESTIONS	RESPONSE	DATE RECEIVED	ANSWERED IN ADDENDUM
1	Request for Proposal 21-11	Has the 2020 audited financial statements and single audit been issued? If so, may we obtain a copy of them please?	**Yes**	07//27/21	01
2	Request for Proposal 21-11	Has the Organization had any significant changes from 2019 and 2020 in operations?	**No**	07//27/21	01
3	Request for Proposal 21-11	Does the Organization prepare the financial statements, or will auditors have to prepare?	**BJCTA prepares with assistance from auditors. BJCTA will provide a trial balance after yearend, but financial statements and notes will not be provided at that same time. BJCTA completes the financial statements, including a supporting schedule for the Statements of Cash Flows. BJCTA completes a Disclosure Checklist and completes a template for the Notes. We are available to discuss the Auditor's Expectations and Timing for delivery.**	07//27/21	01
4	Request for Proposal 21-11	The 2019 reflect no leased assets. Is that still the case for 2021? If there are leased assets has the Organization already invested in a software system for GASB 87	**There are some leased copiers and minor equipment that is leased. Organization has not invested in software for GASB 87. Our understanding is that GASB 87 is not required to be implemented until FY22.**	07//27/21	01
5	Request for Proposal 21-11	Has there been any new debt or line of credit obtained in 2020/2021 or any intentions of obtaining?	**No debt or line of credit is outstanding currently. However, we are in discussions with our banking institution about acquiring a $2M to 3M LOC**	07//27/21	01
	Request for Proposal 21-11	Are there any organizations that will meet the GASB 84, Fiduciary Activities, implementation rules?	**No**	07//27/21	01

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

Request for Proposal #21-11

FINANCIAL AUDITING SERVICES

ATTACHMENT A

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
FINANCIAL STATEMENTS

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2020 and 2019

With Independent Auditor's Report

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
Birmingham, Alabama

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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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 the Birmingham-Jefferson County Transit Authority ("the Authority") as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the 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.

617 THIRTY-SEVENTH STREET SOUTH • BIRMINGHAM, AL 35222 • (205) 326-6660

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2020 and 2019, and the respective 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

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 4 through 12), the Schedules of Changes in the Net Pension Liability and Related Ratios (on page 29) and the Schedules 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 the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

Banks, Finley, White & Co.

Birmingham, Alabama
June 2, 2021

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

This Management's Discussion and Analysis ("MD&A") of the Birmingham-Jefferson County Transit Authority ("the Authority") 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, 2020 and 2019. 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, audited financial statements 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 selected based on the following criteria: one director shall be appointed by the authorizing county (Jefferson County), five by the principal municipality (Birmingham) and one by each of the municipalities having the largest population according to the last decennial census (Bessemer, Hoover and Vestavia Hills). 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 2020 Fiscal Year and continues to be committed to its vision and to its motto of "**Improve-Impact-Ignite**", which includes approximately 300 employees who are committed to providing excellent public transit services within the region.

Authority Activities and Highlights

Key activities and highlights for Fiscal Year 2020 (October 1, 2019 through September 30, 2020) are as follows:

- In March 2020, the COVID-19 pandemic became widespread and resulted in a major business and economic downturn. This downturn and the requirements to socially distance required the Authority to make certain decisions such as--

    1. limiting the number of passengers on buses;
    2. requiring passengers to load and unload from the rear door;
    3. discontinuing passenger fares;
    4. installing protective shields to protect operators;
    5. frequently cleaning and sanitizing buses during the day and after-hours;
    6. developing a pandemic leave policy for employees to continue to receive pay while being off related to the pandemic and;
    7. purchasing technology hardware and software to enable employees to work remotely whenever an outbreak was identified at a work location.

- The Federal Transit Administration awarded funds to transit systems throughout the nation through the CARES Act. The Authority received an award of $21,450,875 over the three-year period 2020, 2021 and 2022. The funds were awarded to allow the Authority to maintain the transit system during these downtimes, continue to pay employees, replace revenue losses, and to provide for additional safety and sanitation costs related to the pandemic. During Fiscal Year 2020, the Authority received $5.7 million in CARES Act funding.

- In March 2020, for the safety of its passengers and bus operators and to comply with social distancing requirements, the Authority began allowing passengers to onboard and offboard at the rear bus door. This required the Authority to also stop charging passenger fares. From March 2020 through December 6, 2020 the Authority did not charge passenger fares. Passenger fares were originally budgeted at $2,288,422 and the Authority only received $944,498, resulting in a decrease of $1,343,924 in passenger fares.

- The Authority continued efforts to fully adopt and implement measures mandated by House Bill 627 (the Enabling Legislation). The Enabling Legislation, adopted by Alabama Legislature in May 2013, prescribes key measures, that if followed, will help to improve administrative effectiveness. This legislation establishes parameters and guidelines for (1) transit funding through ad valorem taxes and rate setting methodologies to determine municipal charges; (2) it prescribes the method and timetable for municipalities to request transit services and certify routes; (3) it provides broad guidelines for developing the budget and provides for a budget review process by municipalities; and (4) it provides municipalities the right to audit the organization at their own cost.

- During Fiscal Year 2020, the Authority invited municipalities to participate in transit training presentations. the Authority also met individually with each municipality to review the Enabling Legislation, discuss the historical financial State of the Authority, its funding methodology, and provide a vision for the future. These efforts have improved the stakeholders' understanding of the Authority and transit operations in general. These meetings and presentations have also improved communications between the Authority and its stakeholders and have provided a foundation for collaboration and trust.

- The Authority performed a detailed review of historical audited financial statements, previous annual budgets and the related rate development methodology. The review revealed that the Authority had provided services to certain municipalities at costs that exceeded the amount paid for those services. It was also determined that the Authority's rate development methodology was fundamentally flawed in that federal funding earmarked only for capital expenditures was erroneously included in determining the rate for operating expenses, thereby reducing the hourly rate charged to municipalities to only $54.19 per hour rather than $82.36. The act of providing services for certain municipalities at costs that exceeded funding coupled with providing services at a lower rate for **all** municipalities, resulted in a stark reduction in revenues. The Authority corrected this error in Fiscal Year 2020 and began charging the hourly rate of $82.36 for all municipalities.

- The Authority undertook several initiatives to stabilize and undergird the financial condition of the organization. One of those initiatives was to implement a phased in fare increase beginning in Fiscal Year 2020. Since it had been several years since its last fare increase, the Authority approved, in general, a 20% fare increase for all fares except for paratransit services. The fare increase took effect in Fiscal Year 2020 and was projected to provide approximately $381,000 in additional farebox revenue had it not been for the COVID-19 pandemic.

- Another initiative of the Authority was to modify routes in certain cities to align the cost of routes in each city to the revenues charged and collected from that city. In 2019, the Authority uncovered a situation where, for at least the past three years, the Authority had provided services to certain municipalities, charging revenues far less than its cost. To correct this imbalance, in Fiscal Year 2020, the Authority modified routes to better align the cost of transit service provided to the city to services requested and paid for by that city.

- Standardized municipal contracts is another enhancement that was implemented in Fiscal Year 2020. Even though fully executed municipal contracts had been a requirement, some municipality contracts were not signed to indicate agreement and approval. Furthermore, payment terms allowed cities to pay for service quarterly in arrears and there are indications that some cities did not agree with the service routes provided. Receiving payment quarterly in arrears required the Authority to finance services for sometimes up to four months before being paid, thus straining and depleting the organization's cash reserves. Effective for Fiscal Year 2020, contract provisions were standardized, and there is now advance agreement of the contract terms and services, payment for services are required in advance and contracts are required to be executed by both parties.

- In June 2019, the Authority returned transit services to the cities of Fairfield, Brighton, Lipscomb and Adamsville under a pilot program financed by Jefferson County. Providing services to these communities was well received by their citizens and this expansion effort supports the concept of providing transit services to the entire Jefferson County region. Although the pilot program ended in September 2019, Jefferson County and the four cities agreed to continue the services in Fiscal Year 2020 under a modified service program and support structure.

- Another major initiative of the Authority is a modern maintenance facility. The current maintenance facility was constructed in the 1960's and many functional aspects are outdated. The Authority is currently exploring options for a modern maintenance facility that provides ease of access and parking for its fleet, close proximity to a CNG fueling station, opportunities for expansion and ability to generate other sources of revenue. In Fiscal Year 2020, the Authority enhanced its efforts to identify land to construct a modern maintenance facility.

- The Authority continued efforts with the City of Birmingham and the Federal Transit Administration to develop the Bus Rapid Transit Project (BRT). The BRT will operate in a 10-mile corridor between the Woodlawn Community in eastern Birmingham and the Five Points West Community near the Birmingham Crossplex in western Birmingham. The project is expected to be operational in May 2022. The BRT will provide a high quality public transit system delivering fast, reliable and cost effective mobility services for citizens and visitors, connecting neighborhoods to opportunities and vital services along its corridor. It will enable citizens to reach employment, educational, and healthcare centers and it will provide access for visitors to explore Birmingham's historic and cultural locations. The system will implement innovative system designs and technologies to improve travel time, lower costs, and enhance service appeal.

Financial Highlights

Key financial highlights for Fiscal Year 2020 are as follows:

- The Authority's net position (amount that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources) was $28,278,541 and $27,033,514 at September 30, 2020 and 2019, respectively. Of these amounts, $45,183,123 and $47,958,990, respectively, represented the Authority's investment in capital assets.

- The Authority's total net position increased $1,245,027 during the year ended September 30, 2020 and decreased $1,809,611 during the year ended September 30, 2019. These net changes are further reflected in the Authority's statements of revenues, expenses, and changes in net position.

- The Authority received federal operating assistance in the amount of $12,413,036 and $6,776,767 for the years 2020 and 2019, respectively. Federal pass-through revenues and expense were $2,292,258 and $3,769,325 for years 2020 and 2019 respectively. Additionally, for years 2020 and 2019 respectively, local operating assistance totaled $11,799,831 and $11,337,156; ad valorem tax revenues were $7,066,034 and $6,720,848, and other local taxes and rebates were $4,000,000 and $4,000,000. The Authority received federal capital contribution grants totaling $1,528,681 and $5,523,877 during the years ended September 30, 2020 and 2019, 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 15 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, 2020 and 2019. 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 15 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 16 through 28 of this report.

Financial Statements

Net Position: The following table summarizes the net position at September 30, 2020, 2019 and 2018.

	2020	2019	2018
Current assets	$ 11,937,605	$ 7,779,615	$ 13,021,395
Capital assets (net)	45,183,123	47,958,990	45,525,040
Other long-term assets	9,950	9,950	9,950
Total assets	57,130,678	55,748,555	58,556,385
Deferred outflows of resources	3,642,837	3,621,148	2,334,209
Current liabilities	2,389,513	1,875,154	2,661,270
Long-term liabilities	28,395,297	29,406,212	27,045,653
Total liabilities	30,784,810	31,281,366	29,706,923
Deferred inflows of resources	1,710,164	1,054,823	2,064,404
Net position:			
Investment in capital assets	45,183,123	47,958,990	45,525,040
Unrestricted	(16,904,582)	(20,925,476)	(16,405,773)
Total net position	$ 28,278,541	$ 27,033,514	$ 29,119,267

Significant changes to items on the Statements of Net Position for Fiscal Year 2020 are as follows:

- In Fiscal Year 2020, cash and cash equivalents increased $7,752,883, from $2,472,706 to $10,225,589 and accounts receivable decreased $2,658,379, from $2,916,336 to $257,957. Additionally, inventory decreased $792,256 from $2,023,188 to $1,230,932. These changes resulted in a $4,157,990 increase in current assets and resulted from aligning the level of transit services provided to the amounts paid by those municipalities. Also, the Authority reduced its receivables by requiring municipalities to pay for services in advance and inventories decreased because obsolete inventory items were written off.

- Capital and other long-term assets decreased $2,775,867, from $47,968,940 to $45,193,073 during Fiscal Year 2020. This change resulted primarily from recognizing depreciation expense of $4,994,037. The impact of depreciation was partially offset by fixed asset additions of paratransit vehicles and other machinery and equipment.

- In Fiscal Year 2020, changes to pension related amounts (deferred inflows, deferred outflows and the net pension liability) changed by a net total of $377,263.

- The total net position for Fiscal Year 2020 increased $1,245,027, from $27,033,514 to $28,278,541. This change flows from the Statement of Revenue, Expenses and Changes in Net Position with explanations described in more detail below. The components of the total change stem from a $4,219,239 increase in the unrestricted net position resulting from CARES Act funding and providing transit services to municipalities at costs better aligned with revenues from the participating cities. This was partially offset by a $2,866,111 decrease in investments in capital assets discussed above.

Changes in Net Position: The following table summarizes the changes in net position from revenues and expenses for the years ended September 30, 2020, 2019 and 2018.

	2020	2019	2018
Operating revenues:			
Passenger fares	$ 944,498	$ 2,005,547	$ 2,081,116
Other	271,124	496,986	402,901
Operating revenues	1,215,622	2,502,533	2,484,017
Operating expenses:			
Salaries and benefits	19,708,516	22,348,997	23,859,543
Vehicle fuel, repairs, and maintenance	1,286,067	1,741,638	1,799,940
Other operating expenses	10,889,507	10,424,150	10,126,186
Depreciation	4,994,037	4,192,884	3,652,645
Operating expenses	36,878,127	38,707,669	39,438,314
Nonoperating revenues, net:			
Operating grants - federal assistance	12,423,675	6,776,767	6,780,281
Operating grants - local assistance	11,799,831	11,337,156	12,659,960
Ad valorem tax revenue	7,066,034	6,720,848	6,628,753
Pass-thru funding	2,292,258	3,769,325	3,081,656
Pass-thru funding to subrecipients	(2,292,258)	(3,769,325)	(3,081,656)
Local taxes and rebates	4,000,000	4,000,000	4,742,401
Gain (loss) on disposal of capital assets	58,436	-	40,896
Interest income	30,875	36,877	63,414
Nonoperating revenues, net	35,378,851	28,871,648	30,915,705
Donated facilities	-	-	14,725,426
Capital contributions - land and buses	1,528,681	5,523,877	1,226,478
Capital contributions	1,528,681	5,523,877	15,951,904
Change in net position	$ 1,245,027	$ (1,809,611)	$ 9,913,312

Operating revenues total $1,215,622 in Fiscal Year 2020 compared to $2,502,533 in 2019, resulting in a decrease of $1,286,911. The amounts are comprised of passenger fares $944,498 and other revenues $271,124. Passenger fares decreased $1,061,149 in 2020 compared to 2019. The Authority, like other transit agencies in the nation, stopped charging fares in March 2020 because of the COVID-19 pandemic. Other revenues (advertising, commissions, and rental income) which were also adversely affected by the pandemic and decreased $225,862 in 2020 compared to 2019.

Operating expenses total $36,878,127 in Fiscal Year 2020 compared to $38,707,669 in 2019, resulting in a decrease of $1,829,542. Significant components of operating expense are labor and benefits, outside services, materials and supplies and depreciation. The decrease in Fiscal Year 2020 is attributable to decreases of $1,121,309 and $1,519,172, respectively in labor and in fringe benefits. These decreases resulted from reductions in the number of employees and in health insurance rates. Also casualty & liability and miscellaneous expenses decreased due to lower levels of travel, meetings and planning activities in 2020.

Nonoperating revenues and expense, net to $35,378,851 in Fiscal Year 2020 compared to $28,871,648 in 2019, resulting in an increase of $6,507,203. This increase is primarily attributable to $5,724,783 in CARES Act funding received from FTA. FTA provided CARES Act funding to transit systems to replace revenues losses resulting from the pandemic, to cover the additional costs associated with the pandemic and to provide funds to maintain the system and prevent layoffs.

Capital contributions total $1,528,681 in Fiscal Year 2020 compared to $5,523,877 in 2019. The year over year decrease of $3,995,196 results from recognizing federal contributions in 2019 to purchase 11 fixed route buses, whereas in 2020 federal funding was much lower and was used to purchase 10 smaller paratransit buses.

Budget Analysis

On September 18, 2019, the Board of Directors approved the Fiscal Year 2020 budget and approved amendments to the original budget on July 22, 2020. During Fiscal Year 2020, the Authority operated under this approved budget. The Authority has traditionally not included pass-thru revenues and expenses and depreciation expense in its annual budget. The rationale for not including these items are because pass-thru revenues are offset with pass-thru expenses, thus netting to zero with no financial impact. The Authority receives and administers these federal funds on behalf and for the benefit of other local entities (sub-recipients) that provide transit services. Depreciation expense is excluded because capital expenditures are budgeted and if the budget included capital expenditures as well as depreciation of those capital expenditures it would result in double counting the cost associated with capital assets.

The Authority's Fiscal Year 2020 budget reflects a 33% service modification in the City of Birmingham to better align transit service levels with funds received from the City. It also reflects a 20% fare increase except for fares charged for paratransit services. The budget also set the cost per hour charged to municipalities at $82.36, up from the $54.19 rate that was the result of a computation error and charged in 2019. The budget includes funding from Jefferson County to continue transit services in the cities of Adamsville, Brighton, Fairfield and Lipscomb and includes capital expenses to retrofit cameras and digi modems on buses, bus shelter improvements and other technology enhancements. Below are some budget details:

- The Authority's Fiscal Year 2020 budget continued to focus on cost control measures and maintaining a stable revenue base. The original 2020 budget estimated revenue including funds received for capital at $34.5 million (excluding pass-thru revenues). The 2020 budget estimated operating expenses at $31.8 million, plus capital expenditures at $2.2 million and pass-thru expenditures at $0.5 million.

- When required, the budget is 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. In midyear the budget was revised to reflect the items below which was projected to have a $3.3 million positive impact on the budget.

- A reduction in passenger fares, advertising, commission, rent and other revenue impacted by the COVID-19 pandemic and the addition of CARES Act funding received from FTA.

- Additional expenses associated with the pandemic (pandemic leave pay, payments to employees and increases in cleaning and security costs) as well as reductions in travel and training costs. Also, the revisions reflected lower health insurance and utility costs.

Capital Assets

The Authority's investment in capital assets was $45,183,123 as of September 30, 2020. This represents a 6% decrease from the capital asset balance of $47,958,990 as of September 30, 2019. The decrease in capital assets is primarily attributed to depreciation expense of $4,994,037. However, this decrease is partially offset by the acquisition of 10 new paratransit vehicles, two service vehicles, the construction of a farmers market pavilion and several equipment purchases including a bus pusher, frame pulling machine and retrofitting cameras for buses.

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

Compliance

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 NonProfit Organizations. These audits report on the Authority's compliance with laws, regulations, contracts and grants applicable to major federal programs through which the Agency received grant revenues. The auditor's report on compliance indicated some internal control deficiencies that are disclosed in the Schedule of Findings and Questioned Cost, beginning on page 38.

Potential Future Impacts

Stakeholders broadly recognize that transit is important for Jefferson County and surrounding areas in terms of connection to jobs, health care, education and leisure activities. Stakeholders recognize the need for stable and reliable funding to support the Authority's operations as they improve existing services, reform and grow services based on a vision for regional transit services. The vision for the 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 citizens in the region. 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 the transportation vision and goals for the region, the Authority will have to acquire additional funding. In addition to the funding received annually via our regular allocations and revenue sources; the Authority's 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.

The Authority wants to be a component of the regions' economic growth and development, and provide viable transit services and options. The Authority can improve and expand services with increases in funding levels and dedicated funding streams.

Vehicle Replacements

Ten CNG powered paratransit vehicles were purchased in Fiscal Year 2020 in continuation of the vehicle replacement program that ensures the reliability and safety of public transit services systemwide. The Authority's replacement schedule provides for the acquisition of fixed route, paratransit and service vehicles over the next several years. Federal funds generally provide up to 80% of the acquisition cost, while local matching funds cover the remaining 20%.

Marketing and Customer Information

The Authority has focused on improving the organization's visibility and marketing of transit services. These functions are essential to attracting and retaining customers and generating support within the community. Some strategies recently implemented include keeping media outlets updated and engaged and the launching of a new website with trip planning information along with schedules and maps.

The Authority also conducts public information meetings anytime there are route modifications, fare changes, or any other important information that we need to share with our customers. Because of the route modifications that took effect in Fiscal Year 2020, the Authority held 15 public meetings to inform the public and receive public feedback and comments. Additionally, 6 meetings were held in select cities to discuss new routes and service changes.

The Authority actively works with the Transit Citizen's Advisory Board (TCAB) which consist of riders who are advocates of public transportation. Plans are to soon begin meetings in Birmingham's 99 neighborhoods to educate the public on the Authority's, transit in general and to promote public transportation.

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 1801 Morris Avenue, Birmingham, AL 35202.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
September 30, 2020 and 2019

	2020	2019 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,225,589	$ 2,472,706
Accounts receivable, net	257,957	2,916,336
Grants receivable	14,408	44,000
Inventory	1,230,932	2,023,188
Prepaid expense	208,719	323,385
Total current assets	11,937,605	7,779,615
Noncurrent assets:		
Utility deposits	9,950	9,950
Capital assets:		
Land	2,856,622	2,856,622
Buildings and improvements	26,022,772	25,864,552
Buses and vehicles	37,159,992	41,265,337
Machinery and equipment	8,596,647	7,969,890
Furniture and fixtures	1,993,128	1,664,408
Construction in progress	776,483	500,309
Less: accumulated depreciation	(32,222,521)	(32,162,128)
Total capital assets	45,183,123	47,958,990
Total non-current assets	45,193,073	47,968,940
Total assets	57,130,678	55,748,555
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	3,642,837	3,621,148
Total deferred outflows of resources	3,642,837	3,621,148
Total Assets and Deferred Outflows of Resources	$ 60,773,515	$ 59,369,703
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,163,835	$ 960,377
Accrued payroll and withholdings	503,660	508,582
Compensated employee absences	722,018	406,195
Total current liabilities	2,389,513	1,875,154
Noncurrent liabilities:		
Net pension liability	28,395,297	29,406,212
Total non-current liabilities	28,395,297	29,406,212
Total liabilities	30,784,810	31,281,366
DEFERRED INFLOWS OF RESOURCES		
Pension related	1,710,164	1,054,823
Total deferred inflows of resources	1,710,164	1,054,823
NET POSITION:		
Investment in capital assets	45,183,123	47,958,990
Unrestricted	(16,904,582)	(20,925,476)
Total net position	$ 28,278,541	$ 27,033,514
Total Liabilities and Net Position and Deferred Inflows of Resources	$ 60,773,515	$ 59,369,703

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2020 and 2019

	2020	2019 (Restated)
OPERATING REVENUES		
Passenger fares	$ 944,498	$ 2,005,547
Other revenues	271,124	496,986
Total operating revenues	1,215,622	2,502,533
OPERATING EXPENSES		
Labor	13,536,294	14,657,603
Fringe benefits	6,172,222	7,691,394
Services	4,730,250	4,263,458
Materials and supplies	4,257,835	4,293,668
Utilities	1,038,122	1,069,072
Casualty and liability costs	1,761,315	1,982,906
Leases and rental	86,119	81,593
Miscellaneous	301,933	475,091
Depreciation	4,994,037	4,192,884
Total operating expenses	36,878,127	38,707,669
Operating loss	(35,662,505)	(36,205,136)
NONOPERATING REVENUES, NET		
Federal grant assistance:		
Operating assistance	6,626,994	6,356,812
Operating assistance - CARES Act	5,724,783	-
Project administration and other	71,898	419,955
Pass-thru funding	2,292,258	3,769,325
Pass-thru funding to subrecipients	(2,292,258)	(3,769,325)
Local operating assistance:		
Local funding	11,799,831	11,337,156
Ad valorem tax	7,066,034	6,720,848
Local taxes and rebates	4,000,000	4,000,000
Interest income	30,875	36,877
Net gain on disposal of capital assets	58,436	-
Total nonoperating revenues, net	35,378,851	28,871,648
CAPITAL CONTRIBUTIONS		
Capital contributions - federal grants	1,528,681	5,523,877
Total capital contributions	1,528,681	5,523,877
Change in net position	1,245,027	(1,809,611)
Net position, beginning of the year	27,033,514	28,843,125
Net position, end of the year	$ 28,278,541	$ 27,033,514

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 1,180,106	$ 2,498,422
Payments to suppliers	(11,065,194)	(12,689,581)
Payments to employees	(19,776,939)	(22,330,653)
Net cash used by operating activities	(29,662,027)	(32,521,812)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	7,066,034	6,720,848
Local operating assistance	14,440,734	11,142,916
Local taxes and rebates	4,055,052	3,960,556
Operating grants	12,453,267	9,232,767
Net cash provided by non-capital financing activities	38,015,087	31,057,087
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(2,218,169)	(6,902,976)
Proceeds from sale of capital assets	58,436	-
Capital grants	1,528,681	5,523,877
Net cash used by capital and related financing activities	(631,052)	(1,379,099)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest received	30,875	36,877
Net cash provided by investing activities	30,875	36,877
Net change in cash	7,752,883	(2,806,947)
Cash at beginning of the year	2,472,706	5,279,653
Cash at end of the year	$ 10,225,589	$ 2,472,706
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	$ (35,662,505)	$ (36,205,136)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	4,994,037	4,192,884
Change in assets and liabilities:		
Accounts receivable and grant receivable (net)	(37,577)	(4,111)
Inventory	792,256	184,577
Prepaid insurance	114,666	32,051
Deferred outflows of resources - pension	(21,689)	(1,286,939)
Accounts payable and accrued expenses	203,458	(925,436)
Accrued payroll related expenses	(4,922)	65,259
Accrued pension liability	(1,010,915)	2,360,559
Compensated employee absences	315,823	74,061
Deferred inflows of resources - pension	655,341	(1,009,581)
Total adjustments	6,000,478	3,683,324
Net cash used by operating activities	$ (29,662,027)	$ (32,521,812)

See Accompanying Notes to the 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 has no 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 reasonable 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 (Cont'd)

Revenue Recognition

The Authority distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating revenue, which are recorded as earned, are derived substantially from passenger fares and special transit fares. Operating expenses include operating and maintenance costs, employee salaries and benefits, contracted services, insurance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 and associated expenses are reported in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. For the years ended September 30, 2020 and 2019, federal pass-thru grant assistance totaled $2,292,258 and $3,769,325, respectively, and pass-thru funding expenses totaled $2,292,258 and $3,769,325, 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.

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

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, 2020 and 2019, there was no expense for allowance for uncollectible account receivables.

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.

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.

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

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, 2020 and 2019, accrued compensated employee absences totaled $722,018 and $406,195, 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.

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.

New GASB Pronouncements

In fiscal year ended September 30, 2020, the Authority implemented a new Government Accounting Standard Board (GASB) pronouncement, GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of the Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain authoritative guidance by one year to 18 months.

The following pronouncements will be evaluated for future implementation: As of the year ended September 30, 2020, GASB issued Statement No. 84, Fiduciary Activities; Statement No. 87, Leases; Implementation Guide No. 2019-2 and Implementation Guide No. 2019-3. Some of these statements will have a material effect on the Authority's financial statements once implemented.

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

The Authority will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are subject to several types of risk, which are explained 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, 2020, the carrying amount of the Authority's bank deposits and cash on hand was $10,225,589 and the bank balance was $10,694,101.

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:

> 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.

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

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 - INVENTORY

As of September 30, 2020 and 2019, inventory consisted of the following:

	September 30,	
	2020	**2019**
Diesel fuel supply	$ 19,854	$ 26,671
Unleaded fuel supply	3,054	60,463
Bus shelters	79,202	110,722
Parts, oil and lubricant	1,128,822	1,825,332
Total inventory	$ 1,230,932	$ 2,023,188

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NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 and 2019, was as follows:

	Balance at 10/01/19	Additions	Deductions	Balance at 09/30/20
Capital assets not being depreciated:				
Land	$ 2,856,622	$ -	$ -	$ 2,856,622
Construction in progress	500,309	753,823	(477,649)	776,483
Total capital assets not being depreciated	3,356,931	753,823	(477,649)	3,633,105
Capital assets being depreciated:				
Buildings and improvements	25,864,552	158,220	-	26,022,772
Buses and vehicles	41,265,337	786,786	(4,892,131)	37,159,992
Machinery and equipment	7,969,890	626,757	-	8,596,647
Furniture and fixtures	1,664,408	370,232	(41,512)	1,993,128
Total capital assets being depreciated	76,764,187	1,941,995	(4,933,643)	73,772,539
Less accumulated depreciation	32,162,128	4,994,036	(4,933,643)	32,222,521
Total capital assets being depreciated, net	44,602,059	(3,052,041)	-	41,550,018
Total capital assets, net	$ 47,958,990	$ (2,298,218)	$ (477,649)	$ 45,183,123

	Balance at 10/01/18	Additions	Deductions	Balance at 09/30/19
Capital assets not being depreciated:				
Land	$ 2,856,622	$ -	$ -	$ 2,856,622
Construction in progress	257,531	242,778	-	500,309
Total capital assets not being depreciated	3,114,153	242,778	-	3,356,931
Capital assets being depreciated:				
Buildings and improvements	25,766,826	97,726	-	25,864,552
Buses and vehicles	35,448,881	5,816,456	-	41,265,337
Machinery and equipment	7,293,517	676,373	-	7,969,890
Furniture and fixtures	1,594,764	69,644	-	1,664,408
Total capital assets being depreciated	70,103,988	6,660,199	-	76,764,187
Less accumulated depreciation	27,969,243	4,192,885	-	32,162,128
Total capital assets being depreciated, net	42,134,745	2,467,314	-	44,602,059
Total capital assets, net	$ 45,248,898	$ 2,710,092	$ -	$ 47,958,990

Intermodal Transportation Center

In Fiscal Year 2018, construction on the Authority's new Intermodal Transportation Center ("Center") was completed and the Authority assumed ownership and operation of the Center from the City of Birmingham. The City was the recipient of a Federal Transit Administration grant that, along with local matching monies, funded construction of the Center. At the end of the construction, the City granted ownership and operation of the Center to the Authority through a turnkey project. The Center serves as a multi-use transportation hub bringing together local, regional and national rail, bus and automotive transportation resources and access. The Center cost approximately $15 million to construct and bring into operation.

The Center was 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.

NOTE 6 - CAPITAL ASSETS (Cont'd)

Construction in Progress

The Authority's construction in progress relates to initial spending for engineering and design services for the Birmingham Rapid Transit (BRT) project. The BRT is a joint project with the City of Birmingham Additional significant costs are expected to be recorded to complete these projects. During Fiscal Year 2020, the Authority is still in the beginning phase of the project where engineering and design ideas are being fine-tuned.

Net Gain/Loss on Disposal of Capital Assets

Net gain on the disposal of capital assets for the year ended September 30, 2020 consisted of the following:

	September 30, 2020
Gain from auctioned capital assets - buses	$58,436
Total net gain from the disposal of capital assets	$58,436

There was no net gain or loss on the disposal of capital assets for the year ended September 30, 2019.

NOTE 7 - LEASES

The Authority is committed under several operating leases for office equipment expiring June 2023. The approximate minimum annual rental payments for operating leases follows:

Fiscal Year	Amount
2021	$ 39,976
2022	39,976
2023	39,976
	$ 119,928

The Authority also rents certain equipment on a month-to-month basis. Total rental expense paid for the year ended September 30, 2020 and 2019 was $86,119 and $81,593 respectively.

NOTE 8 - 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.

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 January 1, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	170
Inactive plan members entitled to but not receiving benefits	85
Active plan members	191
Total	446

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, 2020, the active member contribution rate was 8.0 percent of annual pay, and the Authority's contribution rate was 25.00% and 25.00% percent of annual covered-employee payroll for the years ended September 30, 2020 and 2019, respectively. The Authority’s contributions to the Plan were $2,354,424 and $1,901,480 for the years ended September 30, 2020 and 2019, 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.

NOTE 8 - PENSION PLAN (Cont'd)

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 Authority'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, 2019 (for the Authority's September 30, 2020 fiscal year end) and December 31, 2018 (for the Authority's September 30, 2019 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, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5 % for 2019 and 2018

Salary increases: 2.5% (at the assumed inflation rate) for 2019 and 2018

Investment rate of return: 6.25%, net of pension plan investment expense, including inflation for 2019 and 2018;

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

Mortality rates for the 2016 valuation were based on the RP-2014 Blue Collar projected to 2021 based on Scale MP-2016. This is a change from the prior valuation used in 2015 which used mortality rates based on the RP-2014 Blue Collar projected to 2020 with Scale MP-2015.

The actuarial assumptions used in the December 31, 2018 and 2017 valuation were based, for retirement and withdrawal rates, on the results of an actuarial experience study performed in 2020. 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, 2019 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%	7.50%
Other	-	6.00%

NOTE 8 - PENSION PLAN (Cont'd)

Discount rate. The discount rate used to measure the total pension liability for 2020 was 3.70 percent, which is the same as the 2019 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 20year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 3.80 percent (2020) and 3.50 percent (2019) and was determined based on quoted market prices at year end – were used. The discount rate of 3.70 percent (2020) and 4.30 percent (2019) 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, 2020 and 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	$ 39,442,646	$ 10,036,434	$ 29,406,212
Changes for the year:			
Service cost	910,423	-	910,423
Interest cost	1,668,750	-	1,668,750
Assumption changes	2,368,445	-	2,368,445
Contributions - employer	-	2,354,424	(2,354,424)
Contributions - employee	-	728,134	(728,134)
Net investment income	-	2,075,649	(2,075,649)
Difference between expected and actual experience	(928,394)	-	(928,394)
Benefit payments	(3,089,854)	(3,089,854)	-
Administrative expense	-	(128,068)	128,068
Net changes	929,370	1,940,285	(1,010,915)
Ending Balance	$ 40,372,016	$ 11,976,719	$ 28,395,297

The Plan's fiduciary net position as a percentage of the total pension liability 25.4%

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	$ 38,361,795	$ 11,316,142	$ 27,045,653
Changes for the year:			
Service cost	1,054,315	-	1,054,315
Interest cost	1,629,966	-	1,629,966
Assumption changes	69,809	-	69,809
Contributions - employer	-	1,901,480	(1,901,480)
Contributions - employee	-	608,337	(608,337)
Net investment income	-	659,847	(659,847)
Difference between expected and actual experience	1,346,594	(1,302,159)	2,648,753
Benefit payments	(3,019,833)	(3,019,833)	-
Administrative expense	-	(127,380)	127,380
Net changes	1,080,851	(1,279,708)	2,360,559
Ending Balance	$ 39,442,646	$ 10,036,434	$ 29,406,212

The Plan's fiduciary net position as a percentage of the total pension liability 25.4%

NOTE 8 - PENSION PLAN (Cont'd)

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.

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 3.70 percent for 2020 and 2019, 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, 2020		
	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Authority's net pension liability	$32,981,471	$28,395,297	$24,566,056

	September 30, 2019		
	1% Decrease (3.30%)	Current Discount Rate (4.30%)	1% Increase (5.30%)
Authority's net pension liability	$33,691,244	$29,406,212	$25,811,052

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, 2019 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, 2020 and 2019, the Authority recognized pension expense of $1,583,531 and $2,041,993, respectively, related to this plan. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8 - PENSION PLAN (Cont'd)

	September 30, 2020		September 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 1,602,232	$ 322,649	$ 46,539	$ 884,501
Employer contributions subsequent to measurement date	1,591,741	-	1,849,926	-
Investment gains (losses)	-	683,425	700,158	-
Difference between expected and actual experience	448,864	704,090	1,024,525	170,322
Total	$ 3,642,837	$ 1,710,164	$ 3,621,148	$ 1,054,823

Authority contributions of $1,591,741 subsequent to the December 31, 2019 measurement date 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, 2020. Authority contributions of $1,849,926 subsequent to the December 31, 2018 measurement date are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability in the year ended September 30, 2019. 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, 2020 will be recognized as a component of pension expense as follows:

	FYE September 30
2021	$ 370,033
2022	291,507
2023	(30,090)
2024	(290,518)
Total	$ 340,932

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, 2020 and 2019 was $228,343 and $229,135, 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.

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.

No estimated liability has been reported as of September 30, 2020 and 2019, 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, 2020 and 2019.

NOTE 12 - RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a novel strain of coronavirus, which initially resulted in international travel restrictions by the United States government, was eventually declared a pandemic by the World Health Organization on March 11, 2020, which resulted in a national and global focus to contain the disease by prohibiting non-essential travel and limiting person-to-person contact. Across the country, states and local governments, including the State of Alabama, issued "stay at home", "shelter in place", "safer at home" and similar orders designed to severely restrict movement outside the home and limit businesses and commercial activities to essential functions.

The COVID-19 pandemic and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the State of Alabama, the United States and other countries. Business failures, worker layoffs, and consumer and business bankruptcies are occurring and are expected into the reasonably foreseeable future. Volatility has occurred in domestic and international securities markets, many of which have lost significant value and may continue to decline.

The Authority has been impacted by the broad-based economic shutdown resulting from efforts to mitigate the effects and spread of COVID-19. However, due to the economic uncertainties resulting from the spread of COVID-19, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

Management of the Authority, while preparing the financial statements for the period ended September 30, 2020, determined that accumulated deprecation was understated in September 30, 2019 and September 30, 2018 due to certain fixed assets that were not being appropriately depreciated.

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NOTE 13 - PRIOR PERIOD ADJUSTMENTS (Cont'd)

Line Item	As Originally Reported	As Restated	Change
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Accumulated Depreciation	$ (31,517,797)	$ (32,162,128)	$ (644,331)
NET ASSETS			
Investment in capital assets	$ 48,603,321	$ 47,958,990	$ (644,331)
STATEMENT OF ACTIVITIES			
Depreciation	$ 3,824,695	$ 4,192,884	$ 368,189
Total operating expenses	$ 38,339,480	$ 38,707,669	$ 368,189

The financial statements for the year ended September 30, 2018, have been restated as follows:

Line Item	As Originally Reported	As Restated	Change
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Accumulated Depreciation	$ (27,693,101)	$ (27,969,243)	$ (276,142)
NET ASSETS			
Investment in capital assets	$ 45,525,040	$ 45,248,898	$ (276,142)
STATEMENT OF ACTIVITIES			
Depreciation	$ 3,652,645	$ 3,928,787	$ 276,142
Total operating expenses	$ 38,339,480	$ 38,615,622	$ 276,142

NOTE 14 - 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 2, 2021, the date the financial statements were available to be issued.

NOTE 15 - MANAGEMENT REVIEW

Management of the Authority has reviewed the financial statements and the related notes on June 2, 2021.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Changes in Net Pension Liability and Related Ratios
Last 6 Fiscal Years

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 910,423	$ 1,054,315	$ 1,097,025	$ 1,161,542	$ 1,166,206	$ 1,057,978
Interest on total pension liability	1,668,750	1,629,966	1,629,652	1,570,291	1,540,341	1,576,190
Difference between expected and actual experience	(928,394)	1,346,594	(340,644)	507,184	643,268	(774,416)
Changes of assumptions	2,368,445	69,809	(1,290,605)	(956,800)	1,697,853	5,190,424
Benefit payments	(3,089,854)	(3,019,833)	(2,768,424)	(2,699,531)	(2,540,678)	(2,544,428)
Net change in total pension liability	929,370	1,080,851	(1,672,996)	(417,314)	2,506,990	4,505,748
Total pension liability - beginning	39,442,646	38,361,795	40,034,791	40,452,105	37,945,115	33,439,367
Total pension liability - ending (a)	$ 40,372,016	$ 39,442,646	$ 38,361,795	$ 40,034,791	$ 40,452,105	$ 37,945,115
Plan fiduciary net position						
Contributions - employer	$ 2,354,424	$ 1,901,480	$ 2,165,314	$ 2,121,951	$ 1,695,362	$ 1,791,621
Contributions - employee	728,134	608,337	692,582	830,319	548,375	552,243
Net investment income	2,075,649	(642,312)	1,435,618	534,860	82,810	573,434
Benefit payments	(3,089,854)	(3,019,833)	(2,768,424)	(2,699,531)	(2,540,678)	(2,544,428)
Administrative expenses	(128,068)	(127,380)	(128,339)	(126,840)	(97,618)	(97,236)
Net change in plan fiduciary net position	1,940,285	(1,279,708)	1,396,751	660,759	(311,749)	275,634
Plan fiduciary net position - beginning	10,036,434	11,316,142	9,919,391	9,258,632	9,570,381	9,294,747
Plan fiduciary net position - ending (b)	$ 11,976,719	$ 10,036,434	$ 11,316,142	$ 9,919,391	$ 9,258,632	$ 9,570,381
Net position liability - ending (a)-(b)	$ 28,395,297	$ 29,406,212	$ 27,045,653	$ 30,115,400	$ 31,193,473	$ 28,374,734
Plan fiduciary net position as a percentage of the total pension liability	29.7%	25.4%	29.5%	24.8%	22.9%	25.2%
Covered employee payroll	$ 7,445,685	$ 8,059,279	$ 8,272,242	$ 8,221,789	$ 7,537,875	$ 6,661,969
Net pension liability as a percentage of covered-employee payroll	542.2%	364.9%	326.9%	366.3%	413.8%	425.9%

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
Schedules of Contributions
Last 6 Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,051,208	$ 2,259,674	$ 2,060,206	$ 2,153,372	$ 2,070,714	$ 1,680,806
Contributions in relation to the contractually required contribution	2,103,241	2,103,241	2,174,295	2,153,372	2,070,714	1,680,806
Contribution deficiency (excess)	$ (52,033)	$ 156,433	$ (114,089)	$ -	$ -	$ -
Covered-employee payroll	$ 7,445,685	$ 8,059,279	$ 8,272,242	$ 8,221,789	$ 7,537,875	$ 6,929,833
Contributions as a percentage of covered-employee payroll	27.55%	28.04%	24.91%	26.19%	27.47%	24.25%

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.

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

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 financial statements of Birmingham-Jefferson County Transit Authority ("the Authority") as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. 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.

Banks, Finley White & Co.

Birmingham, Alabama
June 2, 2021

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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 ("the Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2020. The 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 the 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 the 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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 a 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 2, 2021

Banks, Finley White & Co.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2020

Direct Program: **U. S. Department of Transportation - Direct Programs**	**CFDA Number**	**Passed-through to Subrecipients**	**Funds Expended**
Federal Transit Capital Investment Grants	20.500		$ 49,303
Federal Transit Formula Grants	20.507		6,805,411
Federal Transit Formula Grants - CARES Act	20.507		5,724,583
Bus and Bus Facilities Formula Grants	20.526		1,130,213
Total Federal Transit Cluster			13,709,510
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	$ 2,292,258	2,535,104
Total Transit Services Programs Cluster		2,292,258	2,535,104
Total Expenditures of Federal Awards		$ 2,292,258	$ 16,244,614

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") include the federal award activity of the Birmingham-Jefferson County Transit Authority ("the Authority") under programs of the federal government for the year ended September 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial positions, changes in net assets or cash flows of the Authority. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2020

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 weaknesses?	_____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 weaknesses?	__X__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)?	__X__Yes _____No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.500, 20.507 and 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____Yes __X__No

Section II--Financial Statement Findings

None

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2020

Section III-- Current Year: Federal Award Findings and Questioned Costs

Item 2020-001 – Submission of Data Collection Form and Reporting Package to the Federal Audit Clearinghouse

Condition: The Authority failed to timely submit the data collection form or audit reporting package to the Federal Audit Clearinghouse for the period ending September 30, 2019.

Criteria: 2 CFR section 200.512(a) requires the audit reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period.

Cause of Condition: The Authority failed to have an audit completed and data collection form submitted before the required deadline

Effect of Condition: The Authority is considered a high-risk auditee. This classification can impact current and future grants.

Auditor's Recommendation: It is recommended the Authority ensure timely completion of audit and submission of required reports to the Federal Audit Clearinghouse.

Views of Responsible Officials and Planned Corrective Actions: The 2019 annual audit was delayed in starting because of significant and unplanned vacancies in the Finance Division. Several key Finance employees left in 2018 without adequate notice, thereby preventing the transition of knowledge to replacement staff.

Furthermore, the Director of Finance position remained vacant for an extended period (June 2018 until February 2019), before a permanent replacement was in place, and certain other Finance positions experienced excessive turnover.

Because of the vacancies and lack of training for new staff, certain accounting functions were not performed in a manner that yielded accurate financial records for audit purposes.

To mitigate the impact of any future unplanned vacancies, the Finance Department has undertaken efforts to cross-train employees in the more critical and essential accounting and financial functions. Therefore, in the event of unplanned vacancies, those functions will continue with minimal disruptions. Additionally, certain functions are being documented in detail to serve as a how to guide in to further enhance and expedite the training and transition process.

This is a repeat finding and was not corrected timely because issuance of the 2018 audit report that disclosed the finding was late and because personnel were not hired that would have addressed the exposure that led to the finding. However, the Data Collection Form and Reporting Package for 2020 will be submitted to the Federal Audit Clearinghouse before the due date.

BIRMINGHAM-JEFFERSON COUNTY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2020

Section IV-- Prior Year: Federal Award Findings and Questioned Costs

Item 2019-001 – Submission of Data Collection Form and Reporting Package to the Federal Audit Clearinghouse

Condition: The Authority failed to timely submit the data collection form or audit reporting package to the Federal Audit Clearinghouse for the period ending September 30, 2018.

Status and Comments: The data collection form for 2019 was submitted as soon as the audit was final. During Fiscal Year 2019 vacant accounting positions were filled including the position of Chief Financial Officer. By filling these positions the accounting records were updated to enable the data collection form for 2020 to be submitted in a timely manner.

Item 2019-002 – Reporting: Federal Financial Reports for Grantees

Condition: The Authority failed to file the Federal Financial Reports within 30 days after the quarter end.

Status and Comments: To ensure Federal Financial Reports are filed timely, Standard Operating Procedures were adopted to provide instructions for preparation of Federal Financial Reports. Reoccurring calendar events were also set up to ensure all FFRS are submitted no later than the 30th day after the completion of a quarterly reporting cycle.

The 2019 annual audit was delayed in starting because of significant and unplanned vacancies in the Finance Division. Several key Finance employees left without adequate notice, thereby preventing the transition of knowledge to replacement staff.

Item 2019-003 – Reporting: Federal Financial Reports for Grantees

Condition: The Authority under reported expenditures on its Federal Financial Reports.

Status and Comments: To ensure expenditures in Federal Financial Reports are accurate, Standard Operating Procedures were adopted to provide instructions for preparation of Federal Financial Reports. Reoccurring calendar events were also set up to ensure all FFRS are submitted no later than the 30th day after the completion of a quarterly reporting cycle.