## Jefferson County Department of Health

**FINANCIAL STATEMENTS** 

September 30, 2021

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## REPORT





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#### INDEPENDENT AUDITORS' REPORT

The Board of Directors Jefferson County Department of Health Birmingham, Alabama

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Department of Health (the Department), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Department'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.

#### Auditors' Responsibility

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of September 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4.1 through 4.6 and information beginning on page 48 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 opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022, on our consideration of the Department'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 the effectiveness of the Department's 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 Department's internal control over financial reporting and compliance.

Carr, Riggs & Chypan, L.L.C.

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama June 7, 2022



# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



#### JEFFERSON COUNTY DEPARTMENT OF HEALTH

#### **Management's Discussion and Analysis**

Management's Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the government written by its *financial managers*. As financial management of the Board, we offer readers of this financial statement an overview and analysis of the financial activities of the Jefferson County Department of Health (the Department). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Department's financial position and identify individual fund issues or concerns.

The MD&A is designed to focus on the current year's activities, the resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 5.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Financial Statements -** The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, like a private-sector business.

The Statement of Net Position (page 5) presents information on all the Department's assets and liabilities, with the difference between the two 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 Department is improving or deteriorating.

#### Jefferson County Department of Health Net Assets

			Percentage
Assets	<u>2021</u>	<u>2020</u>	Change
Current assets	\$ 73,961,267	\$ 73,634,957	0.44%
Noncurrent assets	50,703,899	47,679,389	6.34%
Deferred outflows of resources	8,405,469	6,356,032	32.24%
Total Assets	133,070,635	127,670,378	4.23%
Liabilities			
Current liabilities	3,712,557	4,653,128	-20.21%
Noncurrent liabilities	65,667,302	64,991,308	1.04%
Deferred inflows of resources	2,844,339	1,116,370	154.78%
Total Liabilities	72,224,198	70,760,806	2.07%
Net Position			
Invested in capital assets	40,897,203	42,075,690	-2.80%
Restricted	3,102,477	3,301,351	-6.02%
Unrestricted	16,846,757	11,532,531	46.08%
Total Net Position	\$ 60,846,437	\$ 56,909,572	6.92%

As shown in the table above, the Department experienced an increase of \$3,936,865 in net position at the government-wide level. The majority of the Department's net position is invested in capital assets (land,

buildings, and equipment) owned by the Department. These assets are not available for future expenditures since they will not be sold.

Total assets and deferred outflows of resources increased by \$5,400,257 (4.23%). This increase is primarily due to:

- an increase in Cash (\$5.5M). This increase is the result of the Department being eligible and receiving reimbursement of its COVID-19-related expenditures through the Coronavirus Relief Fund (CRF). Established by the CARES Act, the \$150 billion Coronavirus Relief Fund provided payments to State, Local, and Tribal governments addressing the impact of the COVID-19 outbreak.
- a decrease in Accounts Receivable (-\$2M). Accounts Receivable were higher in the previous year as the receipt of CRF funds was pending at year-end.
- a decrease in Investments (-\$3.0M) was due to general market forces negatively impacting interest rate sensitive investment holdings;
- increases in Deferred Outflow of Resources (\$2.0M) and Net Pension Asset (\$3.5M) are due mainly to changes in actuarial assumptions;
- an increase in Post-Employment Benefits Other Than Pension (OPEB) assets (\$723K) and
- a decrease in Property, Plant and Equipment, net of depreciation (\$1.2M).

The \$1.46M (2.07%) net increase in total liabilities and deferred inflows of resources is primarily due to:

- a decrease in Accounts Payable (-\$851K);
- an increase in Accrued Payroll (\$140K);
- an increase in Accrued Leave (\$413K) for amounts due to separated employees on 09/30/2021;
- a decrease in Accrued Self-Insurance (-\$400K);
- an increase in Net Pension Obligation (\$433K); and
- an increase in pension-related and OPEB Deferred Inflow of Resources (\$1.73M).

#### THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

The Statement of Activities (page 7) presents information showing how the Department's net position changed during the fiscal year.

		nent-wide State						
	Expe	nses	Pro	ogram	Revenues	Net (Expense) Revenue		
Program activities:	<u>2021</u>	<u>2020</u>	<u>20</u>	<u>)21</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
General administration	\$ 9,561,339	\$16,916,228	\$ 33	37,745	\$ 399,583	\$ (9,223,594)	\$ (16,516,645)	
Health statistics and vital records	308,456	482,781	43	34,287	404,722	125,831	(78,059)	
Environmental health	7,401,210	7,758,139	6,66	68,558	6,550,183	(732,652)	(1,207,956)	
Disease control	12,295,458	6,382,128	7,53	36,692	1,252,987	(4,758,766)	(5,129,141)	
Dental health	604,196	1,466,602	14	46,858	348,705	(457,338)	(1,117,897)	
Emergency preparedness and response	462,093	450,759	47	74,916	506,723	12,823	55,964	
Primary care services	30,629,956	26,928,201	12,57	73,216	16,714,732	(18,056,740)	(10,213,469)	
Total program activities	\$61,262,708	\$60,384,838	\$28,17	72,272	\$26,177,635	\$ (33,090,436)	\$ (34,207,203)	
		General reven	ues:					
		Shared revenu	es			\$ 34,613,640	\$ 30,939,734	
		Investment ear	nings (los:	s)		143,240	1,623,850	
		Miscellaneous	revenues			2,270,421	1,214,074	
		Total gener	ral reven	ues		37,027,301	33,777,658	
		Change in ne	t positio	n		3,936,865	(429,545)	
		Net position	at beginnir	ng of ye	ear	56,909,572	57,339,117	
		Net positio	n at end o	ofvear		\$ 60,846,437	\$ 56,909,572	

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, compensated absences).

**Total Program Revenues** of \$28 million increased by approximately \$2 million (7.6%). This increase was due in large part to reimbursement of COVID-19-related expenditures from the Coronavirus Relief Fund.

**Total General Revenues** of \$37 million increased by \$3.25M and reflects an increase in tax revenue (\$3.7M) in the fiscal year 2021 as compared to the fiscal year 2020. Investment earnings and the adjustment to market value were 91% lower than the previous year due to general market conditions.

**Total Expenses** of \$61 million reflected an increase of \$877K (1.5%) from the previous fiscal year. The increase was primarily due to COVID-19-related expenses.

#### **Fund Financial Statements**

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (page 10) includes essentially the same functions reported as governmental activities in the government-wide financial statements. Although the Fund statements and the Government-wide statements include the same functions, the financial information is different due to different reporting requirements relating primarily to capital asset transactions. Reconciliation of the government-wide statements to the corresponding government fund statements may be found on pages 9 and 11.

**Capital expenditures** of \$886K were necessary during the fiscal year 2020. The capital expenditures were primarily for renovation planning of the Department's Annex facility.

#### General Fund comparison of Actual to Budgeted results (page 48)

The budgeted excess of expenditures over revenues for the fiscal period was not realized. Revenues were higher than those budgeted by \$9,853,532 due to favorable budget variances for tax revenue (\$6.5M), reimbursement of COVID-19-related expenditures from the Coronavirus Relief Fund (approximately \$2.0 M), third party reimbursement (\$860K), other revenues (\$340K), and fees for services (\$254K), and an unfavorable variance in operating grants (-\$102K).

Expenditures were \$531K lower than those budgeted. Budget transfers to the Capital Fund were completed to cover the future capital outlay.

#### Economic Factors and Fiscal 2022 General Fund Budget

The proposed General Fund budget totals \$53,317,647. This is an increase of \$2,400,775 (4.7%) from the fiscal year 2021 budget.

#### **Revenue Highlights**

The budget includes \$8,500,000 of ad valorem tax revenue, a 12% increase from the fiscal year 2021. This amount is an estimate of two percent (2%) of the ad valorem taxes collected in Jefferson County for the County and its Municipalities, excluding those ad valorem taxes collected for the State of Alabama and all Boards of Education, and is the minimum percentage allowed in the funding legislation. The budget includes sales tax revenue of \$22,000,000, a 7% increase from the fiscal year 2021.

Net Intergovernmental Revenue of \$2,053,457 is a \$82,233 decrease (-3.9%) compared to the prior year's budget. Revenues for Service Charges (charges for services provided by the Department) in the fiscal year 2022 are budgeted to be \$9,209,966. While clinical services revenue is budgeted consistent with the prior year, revenue from Environmental Health Services is budgeted higher primarily due to a projected increase of 28% or approximately \$472,000 in the Food & Lodging division.

The \$2,371,577 amount budgeted for Other Revenue/Non-Operating Revenue is higher than the prior year's budget by \$29,455.

An allocation of \$9,182,647 is expected from the Department's General Fund fund balance.

#### **Expenditure Highlights**

Personnel costs of \$35,579,262 are \$439,247 (1.2%) higher than those budgeted for fiscal year 2021 and includes a proposed 3% Cost-of Living-Adjustment. Salaries are 73% of the personnel cost budget, with employee and retiree benefits representing 25% and 2% respectively.

Contractual Services of \$5,544,232 are higher by \$1,435,562 (34.9%) than those budgeted in 2021. This is due to contracts with third-party entities to perform work on violence reduction and health equity initiatives. Materials and Supplies costs are projected to be \$10,994,153 which is a \$525,966 (5.0%) increase from the fiscal year 2021.

The Capital Expenditure/Transfer budget of \$1,200,000 for capital asset replacement transfer remains unchanged from the fiscal year 2021.

#### **Capital Projects Fund**

Expenditures of \$5,731,000 are planned for the fiscal year 2022. This includes funds for capital improvements to Eastern Health Center, Annex and the replacement of some IT infrastructure.

#### **Special Revenue Funds**

In addition to the General Fund Budget, the Department has twenty-three active Special Revenue Funds expected to total \$45,824,461. These funds are operated in accordance with the funding requirements of special grants and appropriations.

The General Fund, Capital Projects Fund and Special Revenue Fund budgets for the fiscal year 2022 total \$104,873,108.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 14 through 47.

#### **Other Information**

Required supplementary information can be found on page 48 of this report.

Also included in the report are the Office of Management and Budget (OMB) A-133 Single Audit auditor reports, findings, and schedules, including the OMB Schedule of Findings and Questioned Costs.

#### **Contacting the Department's Financial Management**

This financial report is designed to provide a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Rodney Holmes, Director, Finance and Administration, Jefferson County Department of Health, P.O. Box 2648, Birmingham, AL 35202.



## **FINANCIAL STATEMENTS**



## Jefferson County Department of Health Statement of Net Position

September 30, 2021	Go	vernmental Activities
Assets		
Current assets		
Cash and cash equivalents	\$	9,246,686
Investments		53,984,743
Receivables (net of allowance for doubtful accounts)		9,808,125
Prepaid items		353,774
Inventories		567,939
Total current assets		73,961,267
Noncurrent assets		
Net pension asset		8,469,367
Net OPEB asset		1,337,329
Land		3,389,034
Buildings and equipment		68,305,574
Accumulated depreciation		(30,797,405
Total noncurrent assets		50,703,899
Total assets		124,665,166
Deferred outflows of resources		
Employer contributions subsequent to measurement date - pension		4,305,757
Changes of assumptions - pension		158,699
Difference between expected and actual experience - pension		85,249
Difference between projected and actual earnings on plan investments - pension		3,476,866
Difference between projected and actual earnings on plan investments - OPEB		46,942
Difference between expected and actual experience - OPEB		331,956
Total deferred outflows of resources		8,405,469
Total assets and deferred outflows of resources	\$	133,070,635
		(Continued)

(Continued)

## Jefferson County Department of Health Statement of Net Position (Continued)

September 30, 2021	Gov	vernmental Activities
Liabilities		
Current liabilities		
Accounts payable	\$	1,770,788
Accrued payroll and related costs		910,907
Accrued leave - current		1,030,862
Total current liabilities		3,712,557
Noncurrent liabilities		
Accrued leave - noncurrent		5,557,719
Net pension liability		60,109,583
Total noncurrent liabilities		65,667,302
Total liabilities		69,379,859
Deferred inflows of resources		
Differences between expected and actual experience - pension		1,945,613
Differences between projected and actual earnings on plan investments - OPEB		572,260
Differences between expected and actual experience - OPEB		326,466
Total deferred inflows of resources		2,844,339
Net position		
Net investment in capital assets		40,897,203
Restricted		3,102,477
Unrestricted		16,846,757
Total net position	\$	60,846,437

## Jefferson County Department of Health Statement of Activities

				Program	Reve	nues	а	Net enue (Expense) Ind Changes Net Position
Program Activities		Expenses		Fees, Fine and Charges for Services		Operating Grants and ontributions		Total
Governmental activities:								
General government administration	\$	9,561,339	\$	-	\$	337,745	\$	(9,223,594)
Health statistics and vital records		308,456		434,287		-		125,831
Environmental health		7,401,210		5,721,541		947,017		(732,652)
Disease control		12,295,458		159,792		7,376,900		(4,758,766)
Dental health		604,196		146,858		-		(457 <i>,</i> 338)
Emergency preparedness and response		462,093		-		474,916		12,823
Clinical primary and support service		30,629,956		6,369,092		6,204,124		(18,056,740)
Total government activities	\$	61,262,708	\$	12,831,570	\$	15,340,702		(33,090,436)
		neral revenues hared governr	-	tal revenues				34,613,640
				capital assets				143,240
		liscellaneous i		•				2,270,421
		Total general						37,027,301
		Change i	in n	et position				3,936,865
	Ν	et position at	beg	inning of year				56,909,572
		Net pos	itio	n at end of yea	r		\$	60,846,437

For the year ended September 30, 2021

## Jefferson County Department of Health Balance Sheet—Governmental Funds

September 30, 2021

Assets Cash and cash equivalents Investments Receivables, net of allowance for doubtful accounts Interfund receivables Inventories Prepaid items  Total assets \$ Liabilities Accounts payable Accrued payroll and related costs Accrued leave - current Interfund payables  Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to: Committ	General Fund 9,246,686 53,984,743 6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088 27,875,315	\$ \$	Projects Fund - - 19,905,038 - 19,905,038 - 19,905,038	Governmental Funds \$	Governmental Funds \$ 9,246,68 53,984,74 9,808,12 31,175,64 567,93 353,77 \$ 105,136,91 \$ 1,770,78 910,90
Cash and cash equivalents       \$         Investments       Receivables, net of allowance       for doubtful accounts         Interfund receivables       Inventories         Inventories       Prepaid items         Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       Interfund payables         Total liabilities       \$         Fund balance       Nonspendable:         Inventory and prepaids       Restricted for:         Air pollution requirements       Immunization requirements         Small grants       \$         Storm water requirements       \$         Committed to:       \$	9,246,686 53,984,743 6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088	\$	- - 19,905,038 - - 19,905,038	\$	<ul> <li>\$ 9,246,68</li> <li>53,984,74:</li> <li>9,808,12:</li> <li>31,175,64</li> <li>567,93:</li> <li>353,774</li> <li>\$ 105,136,91:</li> <li>\$ 1,770,78:</li> <li>910,90</li> </ul>
Cash and cash equivalents       \$         Investments       Receivables, net of allowance       for doubtful accounts         Interfund receivables       Inventories         Inventories       Prepaid items         Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       Interfund payables         Total liabilities       \$         Fund balance       Nonspendable:         Inventory and prepaids       Restricted for:         Air pollution requirements       \$         Immunization requirements       \$         Small grants       \$         Storm water requirements       \$         Committed to:       \$	53,984,743 6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088	\$	- - 19,905,038	- 3,553,081 7,970,277 - \$ 11,523,358	53,984,743 9,808,123 31,175,644 567,939 353,774 \$ 105,136,91 \$ 1,770,788 910,90
Cash and cash equivalents       \$         Investments       Receivables, net of allowance       for doubtful accounts         Interfund receivables       Inventories         Inventories       Prepaid items         Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       Interfund payables         Total liabilities       \$         Fund balance       Nonspendable:         Inventory and prepaids       Restricted for:         Air pollution requirements       Immunization requirements         Small grants       \$         Storm water requirements       \$         Committed to:       \$	53,984,743 6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088	\$	- - 19,905,038	- 3,553,081 7,970,277 - \$ 11,523,358	53,984,743 9,808,123 31,175,644 567,939 353,774 \$ 105,136,91 \$ 1,770,788 910,90
Investments Receivables, net of allowance for doubtful accounts Interfund receivables Inventories Prepaid items          Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       Interfund payables         Total liabilities       \$         Accrued leave - current       Interfund payables         Fund balance       \$         Nonspendable:       Inventory and prepaids         Restricted for:       Air pollution requirements         Small grants       \$         Storm water requirements       \$         Committed to:       \$	53,984,743 6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088	\$	- - 19,905,038	- 3,553,081 7,970,277 - \$ 11,523,358	53,984,743 9,808,123 31,175,644 567,939 353,774 \$ 105,136,91 \$ 1,770,788 910,90
Receivables, net of allowance         for doubtful accounts         Interfund receivables         Inventories         Prepaid items         Total assets         \$         Liabilities         Accounts payable         Accrued payroll and related costs         Accrued leave - current         Interfund payables         Total liabilities         Fund balance         Nonspendable:         Inventory and prepaids         Restricted for:         Air pollution requirements         Immunization requirements         Small grants         Storm water requirements         Committed to:	6,255,044 3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088		- - 19,905,038	7,970,277 - - \$ 11,523,358	9,808,12 31,175,64 567,93 353,77 \$ 105,136,91 \$ 1,770,78 910,90
for doubtful accounts Interfund receivables Inventories Prepaid items          Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       Interfund payables         Total liabilities       \$         Fund balance       Nonspendable:         Inventory and prepaids       Restricted for:         Air pollution requirements       Immunization requirements         Small grants       Storm water requirements         Committed to:       \$	3,300,329 567,939 353,774 73,708,515 1,647,170 910,907 50,088		- - 19,905,038	7,970,277 - - \$ 11,523,358	\$ 1,770,788 910,900
Interfund receivables Inventories Prepaid items Total assets \$ Liabilities Accounts payable Accrued payroll and related costs Accrued leave - current Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	567,939 353,774 73,708,515 1,647,170 910,907 50,088		- - 19,905,038	- - \$ 11,523,358	567,93 353,77 \$ 105,136,91 \$ 1,770,78 910,90
Inventories Prepaid items	567,939 353,774 73,708,515 1,647,170 910,907 50,088		- - 19,905,038	- - \$ 11,523,358	567,93 353,77 \$ 105,136,91 \$ 1,770,78 910,90
Prepaid items         Total assets       \$         Liabilities       \$         Accounts payable       \$         Accrued payroll and related costs       \$         Accrued leave - current       \$         Interfund payables       \$         Total liabilities       \$         Fund balance       \$         Nonspendable:       \$         Inventory and prepaids       \$         Restricted for:       \$         Air pollution requirements       \$         Small grants       \$         Storm water requirements       \$         Committed to:       \$	353,774 73,708,515 1,647,170 910,907 50,088				353,774 \$ 105,136,913 \$ 1,770,788 910,90
Total assets       \$         Liabilities       Accounts payable       \$         Accrued payroll and related costs       Accrued leave - current       Interfund payables         Total liabilities       Total liabilities       *         Fund balance       Nonspendable:       Inventory and prepaids         Restricted for:       Air pollution requirements       Small grants         Storm water requirements       Committed to:       *	73,708,515 1,647,170 910,907 50,088				\$ 105,136,91 \$ 1,770,78 910,90
Liabilities Accounts payable \$ Accrued payroll and related costs Accrued leave - current Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	1,647,170 910,907 50,088				\$ 1,770,78 910,90
Accounts payable       \$         Accrued payroll and related costs       Accrued leave - current         Interfund payables       Interfund payables         Fund balance       Nonspendable:         Inventory and prepaids       Restricted for:         Air pollution requirements       Immunization requirements         Small grants       Storm water requirements         Committed to:       Example 1	910,907 50,088	\$	3,066	\$ 120,552 -	910,90
Accrued payroll and related costs Accrued leave - current Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	910,907 50,088	\$	3,066 - -	\$ 120,552	910,90
Accrued payroll and related costs Accrued leave - current Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	910,907 50,088		-	-	910,90
Accrued leave - current Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	50,088		_		
Interfund payables Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:				-	50,08
Total liabilities Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	, ,		-	3,300,329	31,175,64
Fund balance Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:				- , ,	- , -,-
Nonspendable: Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	30,483,480		3,066	3,420,881	33,907,42
Inventory and prepaids Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:					
Restricted for: Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:					
Air pollution requirements Immunization requirements Small grants Storm water requirements Committed to:	921,713		-	-	921,713
Immunization requirements Small grants Storm water requirements Committed to:					
Small grants Storm water requirements Committed to:	-		-	1,269,034	1,269,034
Small grants Storm water requirements Committed to:	-		-	5,531	5,53
Storm water requirements Committed to:	-		-	13,451	13,45
Committed to:	-		-	1,814,461	1,814,46
Conital avaianta				,- , -	,- , -
Capital projects	-		19,901,972	-	19,901,97
Disaster recovery	1,000,000			-	1,000,000
Public health community projects	_,,		-	5,000,000	5,000,000
Compensated absence obligations	6,538,493		-		6,538,493
General liability obligations	4,089,050	`			4,089,050
On the job injury obligations	1,000,000		-	-	1,000,000
Patient/client assistance	42,446		-	-	42,44
Freshwater Land Trust	3,171,789		-	-	3,171,78
Sustainable Industrial-Residential Buffer	2,000,000		-	-	2,000,000
Assigned to:	2,000,000				2,000,000
General government	124,317		-	-	124,31
Subsequent year's budget	9,570,318		-	-	9,570,31
Unassigned	14,766,909				14,766,90
Total fund balances	43,225,035		19,901,972	8,102,477	71,229,484
Total liabilities and fund balances \$	73,708,515	\$	19,905,038	\$ 11,523,358	\$ 105,136,91

The accompanying notes are an integral part of these financial statements.

## Jefferson County Department of Health Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

September 30, 2021	
Fund balance - total governmental funds	\$ 71,229,484
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	40,897,203
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	1,337,329
Net pension assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.	8,469,367
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Accrued leave	(6,538,493)
Net pension obligation	(60,109,583)
Deferred outflow related to pensions	8,026,571
Deferred outflow related to OPEB	378,898
Deferred inflow related to pensions	(1,945,613)
Deferred inflow related to OPEB	(898,726)
Net position of governmental activities	\$ 60,846,437

The accompanying notes are an integral part of these financial statements.

## Jefferson County Department of Health Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds

For the year ended September 30, 2021				
		Capital	Other	Total
	General	Projects	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues				
Tax revenues:				
Sales tax revenues \$	25,959,793	\$-	\$-	\$ 25,959,793
Advalorem tax revenues	8,653,847	-	-	8,653,847
Total tax revenues	34,613,640	-	-	34,613,640
Fees for services	4,047,529	-	1,618,791	5,666,320
Third-party reimbursement	6,106,882	-	-	6,106,882
Intergovernmental revenues:				
Federal grants and special contracts	2,889,188	-	11,369,657	14,258,845
State grants and other				
government revenues	1,026,791	-	-	1,026,791
Other revenues	2,819,823	-	707,272	3,527,095
Total revenues	51,503,853	-	13,695,720	65,199,573
Expenditures				
Current:				
General government administration	8,428,041	-	-	8,428,041
Health statistics and vital records	307,062	-	-	307,062
Environmental health	3,850,397	-	3,293,230	7,143,627
Disease control	5,648,809	-	6,553,695	12,202,504
Dental health	581,985	-	-	581,985
Clinical primary and support service	26,425,538	-	3,403,846	29,829,384
Emergency preparedness and response	-	-	445,091	445,091
Other expenditures	4,066,201	-	-	4,066,201
Capital outlay	-	687,171	198,732	885,903
Total expenditures	49,308,033	687,171	13,894,594	63,889,798
Excess revenues (expenditures)	2,195,820	(687,171)	(198,874)	1,309,775
Other financing sources (uses)				
Other sources - transfers in	_	1,200,000	-	1,200,000
Other uses - transfers out	(1,200,000)		-	(1,200,000)
Other financing sources (uses), net	(1,200,000)	1,200,000		(1,200,000)
Other Infancing sources (uses), net	(1,200,000)	1,200,000	-	-
Net change in fund balances	995,820	512,829	(198,874)	1,309,775
Fund balances at beginning of year	42,229,215	19,389,143	8,301,351	69,919,709
			4	4
<b>Fund balances at end of year</b> \$	43,225,035	\$ 19,901,972	\$ 8,102,477	\$ 71,229,484

For the year ended September 30, 2021

The accompanying notes are an integral part of these financial statements.

## Jefferson County Department of Health Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2021		
Net change in fund balances - total governmental funds	\$	1,309,775
Amounts reported for governmental activities in the statement of activities are different because:		
The effect of the increase in the noncurrent accrued leave is to decrease net position.		(285,957)
Governmental funds report capital assets as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		885,903
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.		(2,054,425)
The net effect of transactions involving pension activity is to increase net position.		3,725,920
The net effect of transactions involving OPEB activity is to increase net position.		365,614
The net effect of transactions involving the disposal of capital assets is to decrease net position.		(9,965)
Change in net position of governmental activities	Ş	3,936,865

## Jefferson County Department of Health Statement of Fiduciary Net Position—OPEB Trust Fund

September 30, 2021

	OPEB Trust Fund
Assets	
Cash and cash equivalents	\$ 28,094
Investments	6,803,137
Total assets	6,831,231
Net position restricted for other post-employment benefits	\$ 6,831,231

## Jefferson County Department of Health Statement of Changes in Fiduciary Net Position—OPEB Trust Fund

For the year ended September 30, 2021		
		OPEB
		Trust Fund
Additions		
Contributions:		
Employer	\$	528,880
	<u>۲</u>	520,000
Investment activity:		
Gains on investments and investment income		1,002,675
Less investment expense		(15,615)
Total investment activity		987 <i>,</i> 060
Total additions		1,515,940
Deductions		
Benefit payments:		
Employer		528,880
Total deductions		528,880
Net increase in net position		987,060
Net position restricted for other post-employment		
benefits at beginning of year		5,844,171
Net position restricted for other post-employment benefits at end of year	\$	6,831,231
	Ŷ	0,001,201

For the year ended September 30, 2021

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#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Jefferson County Department of Health (the Department) provides medical and education services to residents of Jefferson County. Also, the Department provides environmental monitoring of various industries within Jefferson County. Revenues are primarily generated via local taxes, federal and state grants, Medicaid, fines from environmental pollutants, and licensing revenues. In addition, revenues are received based on various contracts, which obligate the Department to provide services for other health care organizations. The Department is under the general supervision and control of the Alabama State Board of Health.

The Department complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### **Basis of Presentation**

#### Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Department as a whole. They include all funds of the reporting entity, except fiduciary funds. The statements also distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues or other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. For the year ended September 30, 2021, the Department had no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements

Fund financial statements of the Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. A fund is considered major if it is the General Fund of the reporting entity or meets the following criteria:

Total assets, liabilities, revenues, or expenditure/expenses of the fund are at least 10 percent of the corresponding total for all funds of that category or type; and

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation (Continued)

#### Fund Financial Statements (Continued)

Total assets, liabilities, revenues, or expenditure/expenses of the individual fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The Department's funds are described below:

#### **Governmental Fund Types**

Governmental funds are those through which all activities of the Department are financed. The acquisition, use and balances of the Department's expendable financial resources and related liabilities are accounted for through governmental funds. The following are the Department's governmental fund types:

*General Fund*—The General Fund is the general operating fund of the Department and is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of federal, state, and local grants which are legally restricted and can be used only to finance specified activities as a condition of the grants and for recovery of appropriate indirect costs. The Department must submit separate financial records on the uses of these funds to the grantor agencies on a regular basis. The Department is required to match, at varying amounts, the federal funds spent for specific programs. Such expenditures are included in the General Fund. Special Revenue Funds are also used to account for any program revenues that the Department commits or restricts for specified purposes. These funds have no legal requirement for separation, only a Department requirement for separation.

*Capital Projects Fund*—The Capital Projects Fund has been established to account for financial resources to be used for expansion and renovation of facilities by the Department. The General Fund provides the resources for these activities.

*Major and Nonmajor Funds*—The General Fund and the Capital Projects Fund are classified as major funds and are described above.

#### **Measurement Focus**

On the Government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Accounting

In the Government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, when applicable, which are reported when due.

#### **Budgetary Accounts**

The Department adopts an annual budget for the General Fund. The Department maintains its budget on the modified accrual basis and it is approved by the Board of the Jefferson County Department of Health. The net operating result cannot be amended without the Board's approval. The budget of the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual. Appropriations lapse at year-end.

#### Inventories

Inventories consist of medicine and medical supplies stated on the weighted average cost basis. Reported inventories in the fund financial statements are equally offset by a fund balance restriction, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### Investments

Investments are stated at market value plus accrued interest.

#### **Compensated Absences**

Department employees earn annual vacation and sick leave in varying amounts based upon years of service. Employees who terminate in good standing are reimbursed for accumulated vacation leave and any accumulated sick leave through their termination date. The Department is not liable for accumulated vacation or sick leave unless the employee has completed one year of service.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Compensated Absences (Continued)

The total liability for these compensated absences is recorded in the government-wide financial statements. In the fund financial statements, only the portion of compensated absences representing amounts due to separated employees at September 30, 2021 is recorded as a liability.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is employed in the Governmental Funds. Encumbrances are reported as restricted, committed, or assigned fund balance in the Governmental Funds, as they do not constitute expenditures or liabilities.

#### Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of accounts receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals and other similar intergovernmental revenues since they are usually both measurable and available. Any nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

#### Interfund Transactions

During the course of normal operations, the Department incurs numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interfund Transactions (Continued)

See Note 8 for details of interfund transfers, receivables and payables at year-end. Permanent reallocations of resources between funds of the Department are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

#### **Capital Assets**

The accounting treatment of property, plant and equipment (capital/fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

#### Government-wide Financial Statements

In the government-wide financial statements, fixed assets with initial individual costs of more than \$5,000 and an estimated useful life in excess of one year are accounted for as capital assets. All fixed assets are valued at historical cost or at estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation.

The range of useful lives by type of asset is as follows:

Buildings	25 – 50 years
Equipment	3 – 20 years

The Department had no fixed assets considered infrastructure (e.g., roads, bridges, sidewalks and similar items) at year-end.

#### Fund Financial Statements

In the Fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures by the governmental fund benefiting from the fixed asset upon acquisition.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Equity Classifications**

#### **Government-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Department has no such debt and therefore no such debt reduction is applicable.
- b. Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted Fund Balance*—This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance*—These amounts can only be used for specific purposes pursuant to constraints imposed by resolutions of the Board of the Jefferson County Department of Health – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance—This classification reflects the amounts constrained by the Department's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Financial Statements (Continued)

*Unassigned Fund Balance*—This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

The Board has committed \$19,901,972 of the Capital Projects Fund balance to provide resources for the future purchase of capital assets and the construction of buildings and facilities.

The Board has established a policy to commit \$1,000,000 of the General Fund fund balance to cover disaster recovery efforts (natural disaster, epidemics, terrorist acts, etc.) that the Department could act upon as part of its mission to the residents of Jefferson County.

The Board has committed \$5,000,000 of the Other Governmental Funds fund balance for future public health community projects.

Employees with one year of service or more who terminate in good standing are reimbursed for accumulated vacation leave and any accumulated sick leave through their termination date. The Board has committed \$6,538,493 of General Fund balance to fund this future amount.

The Board has committed \$4,089,050 of General Fund fund balance for the funding of the Jefferson County Department of Health Professional and General Liability Trust Fund, the purpose of which will be to pay claims against the Department's directors, officers, agents, servants, and employees.

The Board has committed \$1,000,000 of General Fund fund balance for funding a trust for potential on-the-job-injury claims.

The Board has committed \$42,446 of General Fund fund balance for various patient and client benefits.

The Board has committed \$3,171,789 of General Fund fund balance for funding of the Freshwater Land Trust, to provide funding for public health and environmental protection infrastructure projects.

The Board has committed \$2,000,000 of General Fund fund balance for funding of the Sustainable Industrial-Residential Buffers Fund, to provide funding for creating of buffer zones, green spaces, and environmental improvement project in residential areas in close proximity to heavy industrial areas.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function		
	Capital Outlay		

In the fund financial statements, governmental funds report expenditures of financial resources.

#### Pensions

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

The City of Birmingham Retirement and Relief System Retirement Plan (the Plan) financial statements are prepared using the accrual basis for accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a pension trust fund (fiduciary fund type) in the City of Birmingham's Comprehensive Annual Financial Report.

#### **Other Postemployment Benefits**

The fiduciary net position of the Department's Retiree Benefits Plan (the OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

The Department has evaluated subsequent events through the date the financial statements were available to be issued, June 7, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### Note 2: CASH AND INVESTMENTS

#### Cash and Cash Equivalents

At year-end, the carrying amount and bank balance of the Department's deposit accounts were as follows:

	Carrying	Bank
	Amount	Balance
All governmental funds	\$ 9,246,686	\$ 9,384,931
OPEB Trust Fund	28,094	28,094

At September 30, 2021, the bank balances of the Department's deposit accounts were covered by federal depository insurance, secured by collateral through a financial institution or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE Program, the Department'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 those 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 pledged securities failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

#### Investments

The Department classifies its fair value measurements in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are inputs – other than quoted prices included in Level 1 – that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

#### Note 2: CASH AND INVESTMENTS (Continued)

#### Investments (Continued)

The following schedule of investments displays the fair value of assets held in the General Fund as of September 30, 2021, as well as the valuation approaches and inputs used in determining fair value:

#### Professional and General Liability Reserve Investments

			Fair Value Measurements		
Investment type	Fair Value	Duration	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 10,048,771	1.37	\$ 10,048,771 \$	- \$	
GNMA Mortgage Backed Securities	4,471	1.63	-	4,471	
Net investments	10,053,242		10,048,771	4,471	
Accrued interest income	27,872		27,872	-	
Total portfolio	10,081,114		10,076,643	4,471	
Investment type	Fair Value	Duration	Level 1	Level 2	Level 3
Investment type	Fair Value	Duration	Level 1	Level 2	Level 3
Government Asset Backed/CMO Securities	22,284,104	1.52	22,284,104	-	-
Net investments	22,284,104	-	22,284,104	-	-
Accrued interest income	84,072		-	84,072	-
Total portfolio	22,368,176		22,284,104	84,072	-
Certificates of deposit	16,224,220	1.00	-	16,224,220	-
Money market funds	5,311,233	*	5,311,233	-	-
Total portfolio	21,535,453		5,311,233	16,224,220	
Total portfolios	\$ 53,984,743		<u>\$ 37,671,980 \$</u>	16,312,763 \$	-

\*Duration information could not be determined for the money market fund account (Regions RTCS); however, the portfolio is required to maintain a weighted average maturity period of 60 days or less.

The following schedule of investments displays the fair value of assets held in the Fiduciary Fund as of September 30, 2021, as well as the valuation approaches and inputs used in determining fair value:

#### **OPEB** Trust

			 Fair Value Measurements			
Investment type		Fair Value	 Level 1	Level 2	Level 3	
Equities	\$	4,699,408	\$ 4,699,408	\$ - :	\$-	
U.S. Government Bonds		357,356	357,356	-	-	
Mortgage Backed Securities		357,296	-	357,296	-	
U.S. Credit		812,717	-	812,717		
Taxable Domestic FI Funds		294,393	294,393	-	-	
Marketable		273,495	273,495	-	-	
Net investments		6,794,665	 5,624,652	1,170,013	-	
Accrued interest income		8,472	 8,472	-		
Total portfolio	\$	6,803,137	\$ 5,633,124	\$ 1,170,013	<u>\$ -</u>	

#### Note 2: CASH AND INVESTMENTS (Continued)

#### Interest Rate Risk

Through its investment policy, the Department manages its exposure to fair value losses arising from increasing interest rates by limiting the modified or effective duration of its investment portfolio to between current and a maximum of 4.5 years.

#### Credit Risk

The Department manages all of its operations in a conservative and prudent manner due to its responsibilities to the public. It manages the investments in the portfolio in a similar manner. The Department strictly adheres to the 'prudent investor rule', and its pertinent application within State statutes governing the investment management of public funds. This rule states investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The investments held within the portfolio were allowable under Alabama law. The individual securities were all backed by the full faith and credit of the U.S. Government. The money market holdings were collateralized by the respective financial institutions holding the deposits. The Federated GNMA Fund invests in full faith and credit instruments of the U.S. Government.

The Department's certificates of deposit and money market funds totaling \$21,535,453 are secured by federal depository insurance or the SAFE Program.

#### Note 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increase/ Reclassifications	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Land	\$ 3,389,034	\$-	\$-	\$ 3,389,034
Construction progress	-	-	-	-
Total capital assets not being depreciated	3,389,034	-	-	3,389,034
Capital assets being depreciated:				
Buildings	57,728,692	193,281	-	57,921,973
Equipment	10,082,864	692,623	(391,885)	10,383,602
Total capital assets being depreciated	67,811,556	885,904	(391,885)	68,305,575
Less accumulated depreciated for:				
Buildings	(21,720,869)	(1,166,637)	-	(22,887,506)
Equipment	(7,404,031)	(887,788)	381,920	(7,909,899)
Total accumulated depreciation	(29,124,900)	(2,054,425)	381,920	(30,797,405)
Total capital assets being depreciated, net	39,604,101	(1,168,521)	(9,965)	37,508,170
Governmental activities capital assets, net	\$ 42,075,690	\$ (1,168,521)	\$ (9,965)	\$ 40,897,204

Depreciation expense and a change in the depreciation estimate were charged to programs of the primary government as follows:

#### Governmental activities:

General government administration	\$ 1,091,958
Environmental health	225,160
Disease control	37,570
Dental health	19,570
Emergency preparedness	14,982
Clinical primary and support service	665,185
	005,183
Total depreciation expense – governmental activities	\$ 2,054,425

#### **Note 4: PENSION PLANS**

#### **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

#### **Plan Description**

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

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to *Code of Alabama 1975, Section 36-27-6.*

## Note 4: PENSION PLANS (Continued)

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

## **Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier I retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees. A total of 590 employers adopted Act 2019-132.

## Note 4: PENSION PLANS (Continued)

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

	ERS	<u>JCDH</u>
Retirees and beneficiaries currently receiving benefits	28,672	492
Terminated employees entitled to, but not yet receiving benefits	1,974	20
Terminated employees not entitled to a benefit	14,133	30
Active members	56,369	404
Post-DROP participants who are still in active service	97	0
Total	101,245	<u>946</u>

## Contributions

Tier I covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. ERS were required by statute to contribute 8.25% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were note required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier I regular member contribution rates increased from 5% to 7.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the Department's active employee contribution rate was 17.03% of covered employee payroll.

#### **Note 4: PENSION PLANS (Continued)**

#### **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

## *Contributions (Continued)*

The Department's contractually required contribution rate for the year ended September 30, 2021 was 17.03% of pensionable pay for Tier 1 employees and 14.59% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$4,595,547 for the year ended September 30, 2021.

#### Net Pension Liability

The Department's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll Forward			
		Expected		Actual
(a)	Total Pension Liability			
	as of September 30, 2019	\$ 171,560,760	\$	169,624,651
(b)	Discount Rate	7.70%		7.70%
(c)	Entry Age Normal Cost for			
	October 1, 2019 – September 30, 2020	2,122,599		2,122,599
(d)	Transfers Among Employers	-		29,104
(e)	Actual Benefit Payment and Refunds for			
	October 1, 2019 – September 30, 2020	(13,480,144)		(13,480,144)
(f)	Total Pension Liability			
	as of September 30, 2020			
	[(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]	\$ 172,894,408	\$	170,838,322
(g) (h) (i)	Difference between Expected and Actual Experience (Gain)/Loss Less Liability Transferred for Immediate Recognition Experience (Gain)/Loss = (g) - (h)		\$ \$	(2,056,086) 29,104 (2,085,190)
(1)			Ş	(2,005,190)

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#### Note 4: PENSION PLANS (Continued)

#### **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

#### **Actuarial Assumptions**

The total pension liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return	7.70%*

\*Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

		Long-term
	Expected Rate	
	Allocation	of Return*
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

\* Includes assumed rate of Inflation of 2.50%.

#### Note 4: PENSION PLANS (Continued)

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

#### **Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2019	\$ 171,560,760	\$ 111,884,108	\$ 59,676,652
Changes for the year:			
Service cost	2,122,599	-	2,122,599
Interest	12,691,193	-	12,691,193
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,085,190)	-	(2,085,190)
Contributions – employer	-	4,584,444	(4,584,444)
Contributions – employee	-	1,527,550	(1,527,550)
Net investment income	-	6,183,677	(6,183,677)
Benefit payments, including refunds of employee			
contributions	(13,480,144)	(13,480,144)	-
Administrative expense	-	-	-
Transfers among employers	29,104	29,104	-
Net changes	(722,438)	(1,155,369)	432,931
Balances at September 30, 2020	\$ 170,838,322	\$ 110,728,739	\$ 60,109,583

## Note 4: PENSION PLANS (Continued)

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)**

## Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Department's net pension liability calculated using the discount rate of 7.70%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	(6.70%)	(7.70%)	(8.70%)
	4	+ co coo = co	
Plan's net pension liability	Ş 76,390,789	\$ 60,109,583	\$ 46,151,914

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditors' report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2021, the Department recognized pension expense of \$581,837. At September 30, 2021, the reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of	Deferred Inflows of
	Resources	Resources
Differences between expected and actual experience Changes of assumptions Net difference between projected and	\$	. , ,
actual earnings on plan investments	3,476,866	-
Employer contributions subsequent to the Measurement Date	4,305,757	-
Total	\$ 8,026,571	\$ 1,945,613

## Note 4: PENSION PLANS (Continued)

## Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

2022 2023 2024 2025 2026 Thereafter	\$ (574,926) 729,569 1,190,788 429,770 -
Total	\$ 1,775,201

## **CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM**

## Plan Description

With respect to certain employees who have not transferred to the Retirement System of Alabama, the Department participates with another local governmental unit in the City of Birmingham Retirement and Relief System (the Plan), an agent multiple-employer retirement plan. The Plan was created by legislation enacted by the Alabama State Legislature and is, therefore, governed by state statute. The plan is closed to new entrants.

## **Benefits Provided**

Department participants in the Plan who retire at age 60 with 10 years of credited service or participants completing 30 years of credited service, regardless of age, are entitled to an annual benefit payable monthly for life. A participant who terminates employment before reaching retirement age after completing 10 years of credited service is eligible for normal monthly pension benefits beginning at age 60, provided accumulated employee contributions are not withdrawn. The Plan also provides death and disability benefits. At June 30, 2020, membership consisted of:

Membership as of the valuation date June 30, 2020

Active employees	5
Retired participants and beneficiaries	38
Total	43

#### Note 4: PENSION PLANS (Continued)

#### **CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM (Continued)**

#### Contributions

Covered employees are required by law to contribute to the Plan. The Department contributes a required amount of 2% of employee compensation to the Plan, which is determined by the consulting actuary. Eligible department employees contribute 6% of compensation to the Plan. For fiscal years ended September 30, 2021 and 2020, the Department contributed 100% of the required contributions. The Department contributed \$7,486 and \$8,560 for fiscal years 2021 and 2020, respectively.

## Net Pension Liability (Asset)

The Department's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2020, rolled forward to June 30, 2021 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward	
Total Pension Liability as of June 30, 2020	\$ 10,083,312
Service cost Interest Differences between expected and actual experience	23,161 725,174 224,788
Benefit payments and refunds Net changes	(874,973) 98,150
Total Pension Liability as of June 30, 2021	\$ 10,181,462

#### Actuarial Assumptions

The actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30, 2021 are as follows:

Inflation	2.50%
Salary increases	2.50%, plus age-related salary scale based on participant group
Investment rate of return	7.50%, including inflation, net of pension plan investment expense

Health mortality rates were based on the sex distinct RP-2014 Blue Collar Employee Mortality Table, set forward two years for males and four years for females. Disabled mortality rates were based on the sex distinct RP-2014 Disabled Retiree Mortality Table.

## Note 4: PENSION PLANS (Continued)

## **<u>CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM</u> (Continued)**

## Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an experience study for the period July 1, 2010 to June 30, 2015.

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 allocation percentage and by adding the 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 June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Large cap domestic equity	30%	6.05%
Small and mid-cap domestic equity	10%	6.37%
International equity	27%	5.05%
Core fixed income	11%	1.65%
Short-term high yield fixed income	4%	3.25%
Private equity	15%	9.85%
Cash	2%	0.85%
Other fixed income	1%	3.75%
Total	100%	

## **Discount Rate**

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at 6.00% of compensation from plan members and no future employer contributions will be made. Based on these assumptions, the Department's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Department's pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Note 4: PENSION PLANS (Continued)

## **<u>CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM</u> (Continued)**

Total pension liability	\$ 10,181,462
Plan fiduciary net position	18,650,829
The Plan's net pension liability (asset)	(8,469,367)
Plan fiduciary net position as a percentage of total pension liability	183.18%

## Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)			an Fiduciary Net Position (b)	1	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2020	\$	10,083,312	\$	15,072,725	\$	(4,989,413)
Changes for the year:						
Service cost		23,161		-		23,161
Interest		725,174		-		725,174
Changes in assumptions		-		-		-
Difference between expected						
and actual experience		224,788		-		224,788
Contributions – employer		-		7,486		(7,486)
Contributions – employee		-		18,636		(18,636)
Net investment income		-		4,426,955		(4,426,955)
Benefit payments, including refunds						
of employee contributions		(874,973)		(874,973)		-
Administrative expense		-		-		-
Transfers among employers		-		-		-
Net changes		98,150		3,578,104		(3,479,954)
Balances at June 30, 2021	\$	10,181,462	\$	18,650,829	\$	(8,469,367)

## Note 4: PENSION PLANS (Continued)

## **CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM (Continued)**

## Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following table presents the net pension asset of the Department, calculated using the discount rate of 7.50%, as well as what the Department's net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1%	Current Discount	1%
	Decrease (6.50%)	Rate (7.50%)	Increase (8.50%)
Plan's net pension asset	\$ 7,647,060	\$ 8,469,367	\$ 9,186,914

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a publicly available financial report separately issued The City of Birmingham. Their report includes financial statements and required supplementary information for the Plan. The report may be obtained by writing the City of Birmingham, Director of Finance, Room GA100, City Hall, Birmingham, Alabama 35203.

## Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the Department had fully funded the Plan. No additional significant employer contributions were made subsequent to the measurement date. Therefore, no deferred outflows for contributions made after the measurement date but before the end of the fiscal year have been recorded.

The investments held by the Plan yielded no significant changes between projected and actual earnings; therefore, no deferred inflows for such have been recorded.

Additionally, there were no material changes of assumptions and there were no material differences between expected and actual experience.

## Note 5: SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended September 30, 2021, was as follows:

	Balance at Sept. 30,			Balance at Sept. 30,	Due Within
	2020	Additions	Reductions	2021	one year
Compensated absences	\$ 6,575,390	\$ 2,163,502	\$ 2,150,311	\$ 6,588,581	\$ 1,030,862

## **Note 6: CONTINGENCIES**

## Litigation

At September 30, 2021, several suits have been filed and are pending against the Department. The Department maintains an investment account to pay claims against the Department. Management and counsel feel that no opinion can be given on the ultimate outcome of these proceedings but management believes that the amount in the account is adequate to cover any adverse claims that may arise from them. The Department intends to vigorously defend its position in each of these matters.

## Grant and Programmatic Revenue Contingencies

The Department has received federal and state grants and revenues for specific purposes or programs that are subject to review and audit by grantor or programmatic agencies. 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 for reimbursement by the grantor or agency, cannot be determined at this time or the Department's management expects such amounts will not be significant.

## Note 7: RECEIVABLES

Accounts receivable at September 30, 2021 consists of the following:

	General Fund	Projects Fund	Gov	vernmental Funds	Total
Due from other governments Client patient billings	\$ 5,013,004 1,196,710	\$ -	\$	3,550,711	\$ 8,563,715 1,196,710
Other – Environmental Health, etc.	892,901	-		2,370	895,271
Total receivables	7,102,615	-		3,553,081	10,655,696
Allowance for doubtful accounts	(847,571)	-		-	(847,571)
Receivables – net	\$ 6,255,044	\$ -	\$	3,553,081	\$ 9,808,125

## Note 8: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	\$ 19,905,038
Other governmental funds	General Fund	7,970,277
General Fund	Other governmental funds	3,300,329
		,
Total		\$ 31,175,644

The purpose of the interfund receivable balance to the General Fund from Other governmental funds is for reimbursement of operating expenditures paid from the General Fund on behalf of Other governmental funds. The interfund receivable balance to the Capital Projects Fund from the General Fund is for future health center construction projects and reimbursement of capital expenditures. The interfund balances between the Other governmental funds and the General Fund are for reimbursement of operating expenditures between these funds.

Transfers for the year ended September 30, 2021 consisted of the following:

Transf	fer To Transfer From	Amount
Capital Projects Fund	General Fund	\$ 1,200,000
Total		\$ 1,200,000

The purpose of the transfer from the General Fund to the Capital Projects Fund was for health center construction projects and capital expenditures.

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

## Plan Description

The Department has established a single-employer postemployment benefit plan. The Plan is funded through an irrevocable Trust, which holds investments to fund future benefits. Medical benefits are provided to former employees upon retirement through participation in the Local Government Health Insurance Plan (LGHIP), a multiple-employer self-insured welfare plan administered by the State of Alabama's Local Government Health Insurance Board (LGHIB).

The employees are covered by the Retirement System of Alabama and must meet the retirement eligibility provisions of that system to receive retiree medical benefits. Those eligibility provisions are as follows: 25 years of consecutive service; or, attainment of age 60 and 10 years of service. Complete plan provisions are included in the official plan documents.

Management of the Plan is vested in the Jefferson County Board of Health, who may vary from time to time and who may designate certain administration officials as signatories on the Trust's investment account.

## Plan Membership

At September 30, 2021, the Plan's membership consisted of 353 active employees and 36 retirees.

## Benefits Provided

The employer pays a portion of the cost of the retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier1" members). Employees hired on and after January 1, 2013 (called "Tier 2" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. See the section below entitled "Expected Time of Commencement of Benefits" for the assumption concerning actual assumed retirement.

## **Contribution Rates**

Employees do not contribute to their postemployment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

#### **Investment Policy**

The Plan's policy regarding the allocation of invested assets is established and may be amended by the Department. The following was the asset allocation policy as of September 30, 2021:

Asset Class Ta	Target Allocation			
Equity	66%			
Fixed Income	32%			
Cash	2%			

#### **Concentrations**

The Plan had no concentrations in investments at September 30, 2021.

## Rate of Return

For the year ended September 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 16.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Net OPEB Liability (Asset)

The components of the Department's OPEB liability at September 30, 2021, were as follows:

Total OPEB liability	\$ 5,493,902
Plan fiduciary net position	6,831,231
Net OPEB liability (asset)	\$ (1,337,329)

#### **Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of October 1, 2020, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00%, including inflation
Discount Rate	7.00% annually (Beginning of Year to Determine ADC)
	7.00% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 4.0% annually
Mortality rates were based on the Employee/He	ealthy Annuitant RP-2000 Table.

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

## Actuarial Assumptions (Continued)

The actuarial assumptions used in the October 1, 2020 valuation were based on the results of ongoing evaluations from October 1, 2006 to September 30, 2021 in addition to the OGB assumptions.

The long-term expected rate of return on OPEB plan investments was determined using a buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 target asset allocation as of September 30, 2021 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6%
Corporate Bonds	5%
Certificates of Deposit	1%
Cash	0%

## **Discount Rate**

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Jefferson County Department of Health contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

## Changes in the Net OPEB Liability (Asset)

	li	ncreases (Decreases	5)	
		Plan Fiduciary	Net OF	Ъ
	Total OPEB	Net Pension	Liability (Ass	set)
	Liability (a)	(b)	(a	a-b)
Balance at September 30, 2020	\$ 5,229,885	\$ 5,844,171	\$ (614,	,286)
Service cost	58,034	-	58,	,034
Interest cost at 7.00%	347,581	-	347,	,581
Difference between expected and actual experience	387,282	-	387,	,282
Employer contributions trust	-	-		-
Net investment income	-	987,060	(987,	,060)
Changes in assumptions	-	-		-
Benefit payments				
a. From trust	-	-		-
b. Direct	(528,880)	-	(528,	,880)
Administrative expense				
a. From trust	-	-		-
b. Direct	-	-		-
Net changes	264,017	987,060	(723,	043)
Balance at September 30, 2021	\$ 5,493,902	\$ 6,831,231	\$ (1,337,	329)

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Jefferson County Department of Health, as well as what the Jefferson County Department of Health's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

				Current		
	1%	Decrease	Dis	count Rate	1	L% Increase
		(6.00%)		(7.00%)		(8.00%)
Net OPEB Liability (Asset)	\$	(366,997)	\$	(1,337,329)	\$	(2,147,197)

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

## Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates

The following represents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current healthcare trend rates:

		Current	
	1% Decrease	Discount Rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Net OPEB Liability (Asset)	\$ (2,166,246)	\$ (1,337,329)	\$ (349,169)

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the Department recognized OPEB expense of \$226,350. At September 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	 ed Outflows f Resources	De	Deferred Inflows of Resources			
Differences between projected and actual earnings on plan investments Differences between expected	\$ 46,942	\$	572,260			
and actual experience	331,956		326,466			
Total	\$ 378,898	\$	898,726			

## Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

For the years ending September 30,	et Amount to e Recognized
2022	\$ (109,105)
2023	(113,907)
2024	(134,979)
2025	(98,347)
2026	17,242
Thereafter	(80,732)
Total	\$ (519,828)

## Note 10: ECONOMIC DEPENDENCY

The Department's ability to provide program services is significantly dependent on annual appropriations and the awarding of grants from Federal, State, and local authorities. A failure to secure funding from these sources would necessitate the discontinuance of the Department's programs.

## Note 11: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Statement No. 87, Leases This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the Department in fiscal year 2022.
- Statement No. 91, *Conduit Debt* Obligations This statement will become effective for the Department in fiscal year 2022.
- Statement No. 92, *Omnibus* 2020 This statement will become effective for the Department in fiscal year 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates* This statement will become effective for the Department in fiscal year 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* This statement will become effective for the Department in fiscal year 2023.

The Department is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.



## **REQUIRED SUPPLEMENTARY INFORMATION**



## Jefferson County Department of Health Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual—General Fund

For the year ended September 30, 2021			
	Budgeted		
	Amounts		
	Original		
	and Final	Actual	Variance
Revenue			
Tax revenues:			
Sales tax revenues	\$ 20,500,000	\$ 25,959,793	\$ 5,459,793
Advalorem tax revenues	7,600,000	8,653,847	1,053,847
Fees for services	3,794,013	4,047,529	253,516
Third-party reimbursement	5,246,984	6,106,882	859 <i>,</i> 898
Intergovernmental revenues:			
Federal grants and special contracts	900,635	2,889,188	1,988,553
State grants and other governmental revenues	1,128,742	1,026,791	(101,951)
Other revenues	2,479,947	2,819,823	339,876
Total revenues	41,650,321	51,503,853	9,853,532
Expenditures			
Current (operating):			
General government administration	12,265,404	8,428,041	3,837,363
Health statistics and vital records	425,887	307,062	118,825
Environmental health	4,611,938	3,850,397	761,541
Disease control	7,599,416	5,648,809	1,950,607
Dental health	2,758,791	581,985	2,176,806
Clinical primary and support service	19,715,847	26,425,538	(6,709,691)
Other expenditures	2,462,054	4,066,201	(1,604,147)
Total expenditures	49,839,337	49,308,033	531,304
Excess revenues (expenditures)	(8,189,016)	2,195,820	10,384,836
	(0,100,010)	2,233,320	_0,00 1,000
Other financing sources (uses)			
Other sources - transfers in	9,570,318	-	(9,570,318)
Other uses - transfers out	(1,200,000)	(1,200,000)	-
Other financing sources (uses), net	8,370,318	(1,200,000)	(9,570,318)
Net change in fund balance	\$ 181,302	\$ 995,820	\$ 814,518

## Jefferson County Department of Health Schedule of Changes in Net Pension Liability

## **Employees' Retirement System of Alabama**

		2020		2019		2018		2017		2016		2015		2014
Total pension liability													_	
Service cost	\$	2,122,599	\$	2,110,895	\$	2,043,773	\$	2,067,101	\$	2,125,909	\$	2,084,496	\$	2,117,297
Interest		12,691,193		12,568,864		12,625,203		12,453,562		12,395,840		12,294,221		12,155,638
Changes in benefit terms		-		-		-		-		-		-		-
Differences between expected and actual experience		(2,085,190)		179,971		(2,013,937)		840,395		(279,001)		(362,655)		-
Changes of assumptions		-		-		753,824		-		4,334,855		-		-
Benefit payments, including refunds														
of employee contributions		(13,480,144)		(13,082,597)		(13,321,335)		(12,920,100)		(12,769,910)		(12,721,731)		(12,359,564)
Transfers among employers		29,104		10,324		119,258		(25,608)		10,519		-		-
Net change in total pension liability		(722,438)		1,787,457		206,786		2,415,350		5,818,212		1,294,331		1,913,371
Total pension liability - beginning		171,560,760		169,773,303		169,566,517		167,151,167		161,332,955		160,038,624		158,125,253
Total pension liability - ending (a)	\$	170,838,322	\$	171,560,760	\$	169,773,303	\$	169,566,517	\$	167,151,167	\$	161,332,955	\$	160,038,624
Plan fiduciary net position														
Contributions - employer	\$	4,584,444	Ś	4,499,632	Ś	4,546,425	Ś	4,253,014	Ś	4,059,458	Ś	3,970,489	Ś	3,279,227
Contributions - employee	'	1,527,550	'	1,409,446	'	1,335,891	'	1,285,442	'	1,272,188	'	1,213,267	'	1,180,665
Net investment income		6,183,677		2,890,705		10,149,381		13,283,779		10,274,715		1,270,798		12,295,106
Benefit payments, including refunds		, ,		, ,		, ,		, ,		, ,		, ,		, ,
of employee contributions		(13,480,144)		(13,082,597)		(13,321,335)		(12,920,100)		(12,769,910)		(12,721,731)		(12,359,564)
Transfers among employers		29,104		10,324		119,258		(25,608)		10,519		(29,140)		(40,811)
Net change in plan fiduciary net position		(1,155,369)		(4,272,490)		2,829,620		5,876,527		2,846,970		(6,296,317)		4,354,623
Plan net position - beginning		111,884,108		116,156,598		113,326,978		107,450,451		104,603,481		110,899,798		106,545,175
Plan net position - ending (b)	\$	110,728,739	\$	111,884,108	\$	116,156,598	\$	113,326,978	\$	107,450,451	\$	104,603,481	\$	110,899,798
Net pension liability (asset) - ending (a) - (b)	\$	60,109,583	\$	59,676,652	\$	53,616,705	\$	56,239,539	\$	59,700,716	\$	56,729,474	\$	49,138,826
Plan fiduciary net position as a percentage of total pension liability		64.81%		65.22%		68.42%		66.83%		64.28%		64.84%		69.30%
Covered employee payroll	\$	26,344,076	\$	26,000,122	\$	25,156,550	\$	24,017,021	\$	23,374,483	\$	23,697,656	\$	21,607,500
Net pension liability as a percentage of covered employee payroll		228.17%		229.52%		213.13%		234.17%		255.41%		239.39%		227.42%

## Jefferson County Department of Health Schedule of Changes in Net Pension Liability (Continued)

## City of Birmingham Retirement & Relief Pension System

		2021		2020		2019		2018		2017		2016		2015
Total pension liability														
Service cost	\$	23,161	\$	27,451	\$	36,091	\$	48,781	\$	49,939	\$	61,004	\$	64,181
Interest		725,174		761,472		766,879		803,649		778,040		749,345		764,708
Changes in benefit terms		-		-		-		-		-		-		-
Differences between expected and actual experience		224,788		(381,077)		(421,970)		336,211		70,755		(187,011)		(202,192)
Changes of assumptions		-		-		-		-		-		(84,528)		-
Benefit payments, including refunds of employee														
contributions		(874,973)		(900,096)		(832,729)		(983,354)		(901,200)		(838,553)		(853,769)
Net change in total pension liability		98,150		(492,250)		(451,729)		205,287		(2,466)		(299,743)		(227,072)
Total pension liability - beginning		10,083,312		10,575,562		11,027,291		10,822,003		10,824,469		11,124,212		11,351,284
Total pension liability - ending (a)	\$	10,181,462	\$	10,083,312	\$	10,575,562	\$	11,027,290	\$	10,822,003	\$	10,824,469	\$ :	11,124,212
Plan fiduciary net position														
Contributions - employer	Ś	7,486	ć	8,560	ć	8,702	ć	10,614	ć	12,517	ć	12,474	ć	13,888
Contributions - employee	ڔ	18,636	ç	21,717	ڔ	21,663	ç	26,426	ç	31,164	ڔ	31,055	ç	34,556
Net investment income		4,426,955		118,836		740,330		1,146,266		1,662,389		61,975		665,531
		4,420,955		110,050		740,550		1,140,200		1,002,589		01,975		005,551
Benefit payments, including refunds of employee contributions		(074 072)		(000.000)		(022 720)		(002.25.4)		(001 200)				
		(874,973)		(900,096)		(832,729)		(983,354)		(901,200)		(838,553)		(853,769)
Net change in plan fiduciary net position		3,578,104		(750,983)		(62,034)		199,952		804,870		(733,049)		(139,794)
Plan net position - beginning		15,072,725		15,823,708		15,885,742		15,685,790		14,880,920		15,613,969		15,753,763
Plan net position - ending (b)	\$	18,650,829	\$	15,072,725	\$	15,823,708	\$	15,885,742	\$	15,685,790	\$	14,880,920	\$	15,613,969
Net pension liability (asset) - ending (a) - (b)	\$	(8,469,367)	\$	(4,989,413)	\$	(5,248,146)	\$	(4,858,452)	\$	(4,863,787)	\$	(4,056,451)	\$	(4,489,757)
Plan fiduciary net position as a percentage of total pension liability		183.18%		149.48%		149.63%		144.06%		144.94%		137.47%		140.36%
Covered employee payroll	\$	310,600	\$	361,950	\$	361,050	\$	440,433	\$	519,400	\$	517,583	\$	575,933
The Plan's net pension liability as a percentage of covered employee payroll This schedule is intended to cover 10 fiscal years. As each	ו ye	-2726.78% ar ensues in		-1378.48% e future, the	e in	-1453.58% formation w	ill I	-1103.11% be added unt	il t:	-936.42% he schedule	co	-783.73% vers 10 year	s.	-779.56%

## Jefferson County Department of Health Schedule of Employer Contributions—Pensions

## **Employees' Retirement System of Alabama**

	2023		2020	2019	2018	2017	2016
Actuarially determined contribution Employer contributions to pension plan	\$ 4,349,12 4,349,12		4,478,127 4,478,127	\$ 4,485,270 4,485,270	\$ 4,282,218 4,282,218	\$ 4,342,996 4,342,996	\$ 4,151,055 4,151,055
Annual contribution deficiency (excess)	\$	- \$	-	\$ -	\$ -	\$ -	\$ -
Covered employee payroll Employer contributions to pension plan as a % of	\$ 26,344,07	6\$	26,000,122	\$ 25,156,550	\$ 24,017,021	\$ 23,374,483	\$ 23,697,656
covered employee payroll	16.53	.%	17.22%	17.83%	17.83%	18.58%	17.52%

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.

## City of Birmingham Retirement & Relief Pension System

	 2021	2020		2019	2018	2017	2016
Actuarially determined contribution Contributions in relation to the actuarially determined	\$ - \$ 7,486	8,56	-\$ )		\$ - \$ 10,614	- \$ 12,517	- 12,474
Contribution deficiency (excess)	\$ (7,486) \$	(8,56	D) \$	(8,702)	\$ (10,614) \$	(12,517) \$	(12,474)
Covered employee payroll* Contributions as a percentage of covered	\$ 310,600 \$	361,95	) \$	361,050	\$ 440,433 \$	519,400 \$	517,583
employee payroll	2.41%	2.36%		2.41%	2.41%	2.41%	2.41%

\* Included assumed contribution rate of 6.00%

## Jefferson County Department of Health Other Postemployment Benefits Schedule of Changes in Net OPEB Liability

	 2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 58,034	\$ 67,336	\$ 32,438	\$ 32,736	\$ 30,722
Interest	347,581	351,650	196,011	205,312	206,643
Changes in benefit terms	-	-	-	-	-
Difference between expected an actual experience	387,282	(18,532)	(357,066)	(68,141)	(81,862)
Changes of assumptions	-	-	2,718,584	-	-
Benefit payments	 528,880	388,284	344,829	260,729	283,422
Net change in total OPEB liability	264,017	12,170	2,245,138	(90,822)	(127,919)
Total OPEB liability at beginning of year	 5,229,885	5,217,715	2,972,577	3,063,399	3,093,747
Total OPEB liability at end of year	 5,493,902	5,229,885	5,217,715	2,972,577	2,965,828
Plan fiduciary net position					
Contributions - employer	528,880	388,284	344,829	260,729	283,422
Contributions - other	-	-	-	-	-
Net investment income	987,060	553,490	247,661	307,478	441,337
Benefit payments and net transfers	528,880	388,284	344,829	260,729	283,422
Administrative expense	 -	-	-	-	-
Net change in fiduciary net position	987,060	553,490	247,661	307,478	441,337
Plan fiduciary net position at beginning of year	 5,844,171	5,290,681	5,043,020	4,735,542	4,294,206
Plan fiduciary net position at end of year	 6,831,231	5,844,171	5,290,681	5,043,020	4,735,543
Net OPEB liability at end of year	\$ (1,337,329)	\$ (614,286)	\$ (72,966)	\$ (2,070,443)	\$ (1,769,715)
Plan fiduciary net position as a percentage					
of the total OPEB liability	124.34%	111.75%	101.40%	169.65%	159.67%
Covered employee payroll	25,062,469	23,881,468	22,962,950	25,205,739	22,309,641
Net OPEB liability as a percentage of covered-employee payroll	-5.34%	-2.57%	-0.32%	-8.21%	-7.93%

## Jefferson County Department of Health Other Postemployment Benefits Schedule of Employer Contributions—OPEB

	2	020	2019		2018		2017		2016
Actuarially determined contribution Contributions in relation to the actuarially determined contribution	\$	8,531	\$	61,456	\$ (134,412	\$ (	(102,016)	\$	(66,019)
Employer contributions to trust Employer-paid retiree premiums Employer-paid expenses		- 528,880 -		- 388,284 -	- 344,829 -		۔ 260,729 ۔		- 284,448 -
Contribution deficiency (excess)	\$ (	520,349)	\$	(326,828)	\$ (479,241	\$ (	(362,745)	\$	(350,467)
Covered annual payroll	\$25,	062,469	\$ 2	23,881,468	\$ 22,962,950	\$ 25,	,205,739	\$ 22	2,309,641
Contributions as a percentage of covered employee payroll		2.11%		1.63%	1.50%		1.03%		1.28%

## Jefferson County Department of Health Other Postemployment Benefits Schedule of Investment Returns—OPEB

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return,											
net of investment expense	16.89%	10.45%	4.91%	6.54%	10.54%	8.17%	-2.45%	9.28%	13.39%	16.25%	-0.99%
net of investment expense	16.89%	10.45%	4.91%	6.54%	10.54%	8.17%	-2.45%	9.28%	13.39%	16.25%	-0.9

Source: Regions Wealth Platform (RWP)

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

## Note 1: SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh MacDonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

## Note 2: SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2021 were 17.03% for Tier 1 employees (hired before January 1, 2013) and 14.59% for Tier 2 employees (hired after January 1, 2013).

## **Note 3: ACTUARIAL ASSUMPTIONS**

The actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2019 were based on the September 30, 2015 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry age
Amortization Method	Level percent closed
Remaining Amortization Period	28.2 years
Asset Valuation Method	5-year smoothed market
Inflation	3.000%
Salary increases	3.25-5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

## Changes to Benefit Terms

Members hired after January 1, 2013 are covered under a new benefit structure.

## **EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA** (Continued)

## Note 3: ACTUARIAL ASSUMPTIONS (Continued)

#### Changes to Assumptions

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

## **CITY OF BIRMINGHAM RETIREMENT AND RELIEF PENSION SYSTEM**

## Note 1: SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the City's actuarial consultants, The Segal Group, Inc. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

## Note 2: SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements as dictated by the Plan.

## Jefferson County Department of Health Notes to Required Supplementary Information

## **<u>CITY OF BIRMINGHAM RETIREMENT AND RELIEF PENSION SYSTEM</u> (Continued)**

## **Note 3: ACTUARIAL ASSUMPTIONS**

Valuation Date Actuarial Cost Method Amortization Method Remaining Amortization Period Asset Valuation Method	7/1/2019 Aggregate cost method Level percent of payroll, using 2.5% annual increases Rolling 30 years The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	
Investment Rate of Return	7.50%, including inflation, net of pension plan investment expense
Projected Salary Increases Inflation rate Cost of Living Adjustments	2.50%, plus age-related salary scale 2.50% N/A

## **OTHER POSTEMPLOYMENT BENEFITS**

## Note 1: SCHEDULE OF CHANGES IN NET OPEB LIABILITY

The net OPEB liability presented in these schedules were provided by the Department's actuarial consultants, Fontenot Benefits and Actuarial Consulting. The net OPEB liability is measured as the total OPEB liability less the components of the plan net position reserved to fund the total OPEB liability. The related ratios show plan net position as a percentage of the total OPEB liability and the net OPEB liability as a percentage of employee-covered payroll.

#### Note 2: SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

There were no contributions to the Plan outside of employer-paid retiree premiums for the year ended September 30, 2021.

## Note 3: ACTUARIAL ASSUMPTIONS—OPEB

Natas to Cabadula.

The schedule of employer contributions is based on the following actuarial assumptions:

Notes to Schedule:	
Valuation date	10/1/2020 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Healthcare trend	Flat 4.0% annually
Salary increases	4.0% annually
Discount Rate	7.0% annually (Beginning of Year to Determine ADC) 7.0% annually (As of End of Year Measurement Date)
Retirement age	4 years after the earliest of: 25 years of service at any age; or, attainment of age 60 and 10 years of service; employees hired on and after 1/1/13 are not eligible to retire before age 62
Mortality	RP-2000 without projection



## **SUPPLEMENTARY INFORMATION**



## Jefferson County Department of Health Schedule of Expenditures of Federal Awards

For the year ended September 30, 2021

	Federal Assistance	Pass-Through Entity		Passed
Description	Listing	Identifying Number	Expenditures	Through to Subrecipients
Description U.S. Department of Health and Human Services	Number	Number	expenditures	Subrecipients
Passed through State Dept. of Public Health				
Public Health Emergency Preparedness	93.069	C00119245	\$ 71,891	\$
Public Health Emergency Preparedness	93.069	C00119239	290,112	Ŷ
Total Assistance Listing Number 93.069			362,003	
Injury Prevention and Control Research			,	
and State and Community Based Programs	93.136	C90116247	775,655	
Family Planning Services	93.217	C00119177, C10114193	706,387	
Immunization Cooperative Agreements	93.268	C10114223	39,903	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C00119183	2,118,512	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C00119180	589,599	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C10114159	2,108,013	
Total Assistance Listing Number 93.323	55.525	010114155	4,816,124	
National Bioterrorism Hospital Preparedness Program	93.889	C00119238	94,304	
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889	C00119246	18,182	
Total Assistance Listing Number 93.889	55.885	00119240	112,486	
-	s 93.898	C10114180	5,769	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.940	C10114189 C00119249	239,903	
HIV Prevention Activities Health Department Based	93.940 93.977		97,500	
Preventitive Health Services-Sexually Transmitted Diseases Control Grants Maternal and Child Health Services Block Grant to the States	93.977	C10114102 C10114088	217,545	
	55.554	010114088	217,545	
Passed through National Association of County and City Health Officers				
Strengthening Public Health Systems and Services through National Partnerships	02 424		4 71 0	
to Improve and Protect the Nation's Health	93.421	5NU38OT000306-03-00	4,712	
Passed through University of Alabama at Birmingham	02.044		44.400	
HIV Demonstration, Research, Public and Professional Education Projects Total U.S. Department of Health and Human Services	93.941	5NU62PS924587-02-00	11,190 7,389,177	
Passed through State of Dept. of Public Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C10114136	2 621 750	
Total U.S. Department of Agriculture	10.557	C10114130	2,621,750	
			2,021,750	
U.S. Department of Transportation				
Passed through Regional Planning Commission of Greater Birmingham				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	100064488	57,088	
Total U.S. Department of Transportation	20.205	100004488	57,088	
U.S. Department of Treasury			57,088	
Passed through Jefferson County Commission				
COVID-19 - Coronavirus Relief Fund	21.019	2020	1,867,756	
Total U.S. Department of Treasury	21.019	2020	1,867,756	
			1,807,730	
U.S. Environmental Protection Agency				
Direct				
Air Pollution Control Program Support	66.001		625,112	
Surveys, Studies, Research, Investigations, Demonstrations, and	00.001		025,112	
Special Purpose Activities Relating to the Clean Air Act	66.034		217,917	
Total U.S. Environmental Protection Agency	00.034		843,029	
			043,029	
U.S. Department of Homeland Security				
Passed through State of Dept. of Public Health				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2021	1,480,045	
			,	
Total U.S. Department of Homeland Security			1,480,045	
Total U.S. Department of Homeland Security Total federal awards			1,480,045 \$ 14,258,845	

## Jefferson County Department of Health Notes to Schedule of Expenditures of Federal Awards

## Note 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Jefferson County Department of Health. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other state and local government agencies, is included in the schedule.

## Note 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's financial statements.

## Note 3: INDIRECT COST RATE

The Department has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## Note 4: FEDERALLY FUNDED INSURANCE AND FEDERALLY FUNDED LOANS

The Department has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2021.

## Note 5: NON-CASH AWARDS

During the year ended September 30, 2021, the Department did not receive any non-cash federal assistance.



# REPORTS ON COMPLIANCE AND INTERNAL CONTROL





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## INDEPENDENT AUDITORS' 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 Jefferson County Department of Health 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 the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Department of Health (the Department), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 7, 2022.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's 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 financial statements. 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.

Carr, Riggs & Ungram, L.L.C.

CARR, RIGGS, & INGRAM, LLC

Birmingham, Alabama June 7, 2022



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors Jefferson County Department of Health Birmingham, Alabama

## **Report on Compliance for Each Major Federal Program**

We have audited the Jefferson County Department of Health's (the Department) 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 Department's major federal programs for the year ended September 30, 2021. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department'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 the 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 Department'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 Department's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Department 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, 2021.

## **Report on Internal Control over Compliance**

Management of the Department 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 Department'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 Department'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 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 in *internal control over compliance* is a deficiency, or a combination of deficiencies is a deficiency, or a combination of deficiencies, in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ungram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama June 7, 2022



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## **Jefferson County Department of Health Schedule of Findings and Questioned Costs**

For the year ended September 30, 2021

Section I - Summary of Auditors' Results	
Financial Statements Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies)?	x yes no yes x none reported
Noncompliance material to financial statements noted?	yesx_no
<u>Federal Awards</u> Internal control over major programs: Material weakness(es) identified? Significant deficiency(ies)?	yesx_no yesx_none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	yesno
Identification of major areas	

Identification of major programs:

CFDA Numbers	
21.019	
93.136	
93.323	
97.036	

## Dollar threshold used to distinguish between type A and type B programs?

Auditee qualified as low-risk auditee?

Name of Federal Program or Cluster COVID-19 - Coronavirus Relief Fund Injury Prevention and Control Research and State and Community Based Programs COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID-19 Public Assistance Category B (Emergency Protective Measures)

750,000

x yes no

\$

## Section II - Financial Statement Findings

## Material Weaknesses:

## 2021-001: General ledger account reconciliations

**Criteria:** In order to ensure the accuracy and reliability of the Department's financial statements and management's monthly financial reports, the Department should reconcile its general ledger accounts to respective subsidiary ledgers and / or supporting balance details.

**Condition:** General ledger accounts for cash, receivables, compensated absences, and fund balance were not reconciled to subsidiary ledgers and / or supporting balance details.

**Cause:** Due to new staff in the Finance Department and related staff transition disruptions created by the COVID pandemic, general ledger account reconciliations referred to above were not performed accurately.

**Effect:** Accurate general ledger account reconciliations prevent errors in financial reporting and also prevent errors from accumulating without timely identification making future reconciliations more difficult to perform. Incorrect account reconciliations resulted in material audit adjustments related to cash, receivables, compensated absences and fund balance.

## **Recommendation:**

Enhanced monitoring and reviews of general ledger account reconciliations should be performed until all new accounting positions are fully transitioned to new accounting employees. Staffing levels should correspond to the workload required to maintain timely general ledger reconciliations. Consideration should be given to additional training related to reconciliation processes. A periodic staffing level assessment may also be necessary to maintain adequate general ledger reconciliations.

## Management's response:

The Department agrees with this finding. At the beginning of the COVID pandemic, the Deputy Finance Director retired and the planned transition and resulting reallocation of accounting staff was disrupted. Because of this disruption, the reconciliation process was interrupted. Also, accounting personnel had an immediate focus on acquiring and administering COVID grants and relief funds used by the Department for its public health mission. This temporary focusing of accounting personnel to administer COVD funding and maintain related COVID funding compliance requirements further strained the monthly reconciliation process. As the pandemic has waned, the accounting personnel have fully transitioned into their roles originally planned at the beginning of the pandemic and reconciliations are now fully performed and accounts are balanced to the general ledger. Enhanced reviews are occurring to ensure general ledger balances agree and are reconciled to subsidiary ledgers or underlying support.

## Section III - Federal Awards Findings and Questioned Costs

There were no matters to be reported