## Jefferson County Department of Health

**FINANCIAL STATEMENTS** 

September 30, 2022

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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 Audit of the Financial Statements**

#### Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **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 the information beginning on page 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### Supplementary 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2023, 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 solely 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 Department's internal control over financial reporting and compliance.

Carr, Riggs & Chyram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama April 12, 2023



# MANAGEMENT DISCUSSION & ANALYSIS (MDA)



#### 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.

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			Percentage
Assets	<u>2022</u>	<u>2021</u>	Change
Current assets	\$ 79,081,472	\$ 73,961,267	6.92%
Noncurrent assets	46,859,409	50,703,899	-7.58%
Deferred outflows of resources	10,486,651	8,405,469	24.76%
Total Assets	136,427,532	133,070,635	2.52%
Liabilities			
Current liabilities	4,088,708	3,712,557	10.13%
Noncurrent liabilities	57,235,348	65,667,302	-12.84%
Deferred inflows of resources	11,093,607	2,844,339	290.02%
Total Liabilities	72,417,663	72,224,198	0.27%
Net Position			
Invested in capital assets	40,195,758	40,897,203	-1.72%
Restricted	3,636,626	3,102,477	17.22%
Unrestricted	20,177,485	16,846,757	19.77%
Total Net Position	\$ 64,009,869	\$ 60,846,437	5.20%

#### Jefferson County Department of Health Net Assets

As shown in the table above, the Department experienced an increase of \$3,163,432 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 \$3,356,897 (2.52%). This increase is primarily due to:

- an increase in Cash (\$7.2M). This increase is primarily due to an increase in tax revenue;
- a decrease in Accounts Receivable (-\$1.6M);
- a decrease in Investments (-\$436K) is due to general market forces negatively impacting interest rate sensitive investment holdings;
- an increase in Deferred Outflow of Resources (\$2.1M) and a decrease in Net Pension Asset (-\$2.6M) are due mainly to changes in actuarial assumptions;
- a decrease in Post-Employment Benefits Other Than Pension (OPEB) assets (-\$747K) is due to changes in actuarial assumptions;
- an increase in Construction in Progress (\$515K) is due to ongoing building renovations and
- a decrease in Property, Plant and Equipment, net of depreciation (-\$482K).

The \$193K (0.27%) net increase in total liabilities and deferred inflows of resources is primarily due to:

- an increase in Accounts Payable (\$283K);
- an increase in Accrued Payroll (\$110K);
- an increase in Accrued Leave (\$173K);
- a decrease in Net Pension Obligation (-\$8.6M); and
- an increase in pension-related and OPEB Deferred Inflow of Resources (\$8.3M).

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

	Government-wide State	ment of Activities	
	Expenses	Expenses Program Revenues	
Program activities:	<u>2022</u> <u>2021</u>	<u>2022</u> <u>2021</u>	<u>2022</u> <u>2021</u>
General administration	\$ 18,667,151 \$ 9,561,339	\$ 318,712 \$ 337,745	\$ (18,348,439) \$ (9,223,594)
Health statistics and vital records	536,032 308,456	396,487 434,287	(139,545) 125,831
Environmental health	9,372,172 7,401,210	6,868,477 6,668,558	(2,503,695) (732,652)
Disease control	11,589,502 12,295,458	7,177,873 7,536,692	(4,411,629) (4,758,766)
Dental health	1,924,679 604,196	743,795 146,858	(1,180,884) (457,338)
Emergency preparedness and response	568,028 462,093	475,092 474,916	(92,936) 12,823
Primary care services	20,852,929 30,629,956	12,008,087 12,573,216	(8,844,842) (18,056,740)
Total program activities	\$ 63,510,493 \$ 61,262,708	\$27,988,523 \$28,172,272	\$ (35,521,970) \$ (33,090,436)
	General revenue	5:	
	Shared revenues		\$ 36,852,005 \$ 34,613,640
	Investment earnin	gs (loss)	6,656 143,240
	Miscellaneous rev	/enues	1,826,741 2,270,421
	Total general	revenues	38,685,402 37,027,301
	Change in net p	osition	3,163,432 3,936,865
	Net position at	beginning of year	60,846,437 56,909,572
	Net position a	t end of year	\$ 64,009,869 \$ 60,846,437

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 decreased by approximately \$184 thousand or less than 1%.

**Total General Revenues** of \$39 million increased by \$1.7M and reflects an increase in tax revenue (\$2.2M) in the fiscal year 2022 as compared to the fiscal year 2021. Investment earnings and the adjustment to market value were 95% lower than the previous year due to general market conditions.

**Total Expenses** of \$64 million reflected an increase of \$2.2 million (3.67%) from the previous fiscal year. The increase was primarily due a 3% Cost of Living Adjustment for employees.

#### 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 \$1.7M were necessary during the fiscal year 2022. The capital expenditures were primarily for renovation planning of the Department's Annex facility.

#### General Fund comparison of Actual to Budgeted results (page 49)

The budgeted excess of expenditures over revenues for the fiscal period was not realized. Revenues were higher than those budgeted by \$8,810,286 due to favorable budget variances for tax revenue (\$6.5M), third party reimbursement (\$1.1M), and operating grants (\$2.1M) and unfavorable variances in fees for services (-\$533K) and other revenues (-\$299K).

Expenditures were \$4.7M lower than those budgeted. Budget transfers to the Capital Fund were completed to cover the future capital outlay.

#### Economic Factors and Fiscal 2023 General Fund Budget

The proposed General Fund budget totals \$62,639,456. This is an increase of \$9,843,491 (18%) from the fiscal year 2022 budget.

#### Revenue Highlights

The budget includes \$9,000,000 of ad valorem tax revenue, a 6% increase from fiscal year 2022. 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 \$27,100,000, a 23% increase from fiscal year 2022.

Net Intergovernmental Revenue of \$2,047,352 is a decrease (-.3%) compared to the prior year's budget. Revenues for Service Charges (charges for services provided by the Department) in fiscal year 2023 are budgeted to be \$12,192,633. Clinical services revenue is budgeted higher (32%) due to a projected increase in patient encounters as compared to the pandemic-affected prior fiscal year.

The \$2,060,410 amount budgeted for Other Revenue/Non-Operating Revenue is lower than the prior-year budget by 12%.

An allocation of \$9,843,941 is expected from the Department's General Fund balance.

#### **Expenditure Highlights**

Personnel costs of \$37,691,875 (6%) are higher than those budgeted for fiscal year 2022 and include a proposed 6% Cost-of Living-Adjustment. Salaries are 69% of the personnel cost budget, with employee and retiree benefits representing 29% and 2% respectively.

Contractual Services of \$12,533,685 are higher by approximately \$7 million than those budgeted in 2022. This is due to contracts with third-party entities to perform work on violence reduction, as well as other initiatives and grants to promote health and health equity within the community. Materials and Supplies costs are projected to be \$11,213,896, a .5% increase from fiscal year 2022.

The Capital Expenditure/Transfer budget of \$1,200,000 for capital asset replacement transfer remains unchanged from fiscal year 2022.

#### **Capital Projects Fund**

Expenditures of approximately \$3.8 million are planned for fiscal year 2023. This includes funds for capital improvements to the JCDH Annex, the addition of medical isolation rooms at each of the Department's clinical facilities, the replacement of obsolete vehicles and the replacement of some IT infrastructure.

#### Special Revenue Funds

In addition to the General Fund Budget, the Department has seventeen active Special Revenue Funds expected to total approximately \$35 million. 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 fiscal year 2023 total \$101,507,087.

#### 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 48.

#### **Other Information**

Required supplementary information can be found on page 49 of this report.

Also included in the report are the Uniform Guidance Single Audit auditor reports, findings, and schedules, including the Uniform Guidance 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, 2022	Go	overnmental Activities
Assets		
Current assets		
Cash and cash equivalents	\$	16,454,470
Investments		53,548,374
Receivables (net of allowance for doubtful accounts)		8,248,174
Prepaid items		344,695
Inventories		485,759
Total current assets		79,081,472
Noncurrent assets		
Net pension asset		5,853,831
Net OPEB asset		590,391
Land		3,389,034
Construction in progress		515,287
Buildings and equipment		69,470,313
Accumulated depreciation		(32,959,447)
Total noncurrent assets		46,859,409
Total assets		125,940,881
Deferred outflows of resources		
Employer contributions subsequent to measurement date - pension		4,247,429
Changes of assumptions - pension		4,442,759
Differences between expected and actual experience - pension		156,344
Differences between projected and actual earnings on plan investments - OPEB		1,363,489
Differences between expected and actual experience - OPEB		276,630
Total deferred outflows of resources		10,486,651
Total assets and deferred outflows of resources	\$	136,427,532

(Continued)

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

September 30, 2022	Gov	vernmental Activities
Liabilities		
Current liabilities		
Accounts payable	\$	2,053,932
Accrued payroll and related costs		1,020,498
Accrued leave - current		1,014,278
Total current liabilities		4,088,708
Noncurrent liabilities		
Accrued leave - noncurrent		5,747,574
Net pension liability		51,487,774
Total noncurrent liabilities		57,235,348
Total liabilities		61,324,056
Deferred inflows of resources		
Differences between expected and actual experience - pension		958,060
Differences between projected and actual earnings on plan investments - pension		9,094,262
Differences between expected and actual experience - OPEB		621,247
Differences between projected and actual earnings on plan investments - OPEB		420,038
Total deferred inflows of resources		11,093,607
Net position		
Net investment in capital assets		40,195,758
Restricted		3,636,626
Unrestricted		20,177,485
Total net position	\$	64,009,869

## Jefferson County Department of Health Statement of Activities

				Program	Reve		a	Net enue (Expense) and Changes Net Position
Program Activities		Expenses		Fees, Fine and Charges for Services	C	Operating Grants and ontributions		Total
Governmental activities:								
General government administration	\$	18,667,151	\$	-	\$	318,712	\$	(18,348,439)
Health statistics and vital records		536,032		396,487		-		(139,545
Environmental health		9,372,172		5,785,278		1,083,199		(2,503,695
Disease control		11,589,502		221,212		6,956,661		(4,411,629
Dental health		1,924,679		743,795		-		(1,180,884
Emergency preparedness and response		568,028		-		475,092		(92 <i>,</i> 936
Clinical primary and support service		20,852,929		5,548,491		6,459,596		(8,844,842
Total government activities	\$	63,510,493	\$	12,695,263	\$	15,293,260		(35,521,970
		neral revenues						
		hared governn						36,852,005
		-		capital assets				6,656
	N	liscellaneous i						1,826,741
		Total general	rev	enues				38,685,402
		Change i	n ne	et position				3,163,432
	Ν	et position at	beg	inning of year				60,846,437
		Net pos	itio	n at end of yea	r		\$	64,009,869

For the year ended September 30, 2022

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

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

September 30, 2022

				Capital		Other		Total
		General		Projects	Go۱	/ernmental	Go	overnmental
		Fund		Fund		Funds		Funds
Assets								
Cash and cash equivalents	\$	16,454,470	\$	-	\$	-	\$	16,454,470
Investments	Ŧ	53,548,374	Ŧ	-	Ŧ	-	Ŧ	53,548,374
Receivables, net of allowance		6,254,067		-		1,994,107		8,248,17
for doubtful accounts		-,,				_,		-,,_,_
Interfund receivables		1,914,431		20,050,613		8,597,517		30,562,56
Inventories		485,759						485,759
Prepaid items		344,695		-		-		344,69
Total assets	\$	79,001,796	\$	20,050,613	\$	10,591,624	\$	109,644,033
Liabilities								
Accounts payable	\$	1,793,936	\$	219,429	\$	40,567	¢	2,053,932
Accrued payroll and related costs	Ŷ	1,020,498	Ŷ	215,425	Ŷ		Ŷ	1,020,498
Interfund payables		28,648,130		-		1,914,431		30,562,562
Total liabilities		31,462,564		219,429		1,954,998		33,636,992
Fund balance								
Nonspendable:								
Inventory and prepaids		830,454		-		-		830,454
Restricted for:								
Air pollution requirements		-		-		1,744,744		1,744,744
Immunization requirements		-		-		5,531		5,533
Small grants		-		-		3,607		3,60
Storm water requirements		-		-		1,882,744		1,882,744
Committed to:								
Capital projects		-		19,831,184		-		19,831,184
Disaster recovery		1,000,000		-		-		1,000,000
Public health community projects		-		-		5,000,000		5,000,000
Compensated absence obligations		6,761,852		-		-		6,761,852
General liability obligations		3,405,149		-		-		3,405,149
On the job injury obligations		1,000,000		-		-		1,000,000
Patient/client assistance		42,356		-		-		42,356
Freshwater Land Trust		2,518,534		-		-		2,518,534
Sustainable Industrial-Residential Buffer		2,000,000		-		-		2,000,000
Assigned to:								
General government		124,317		-		-		124,31
Subsequent year's budget		9,182,647		-		-		9,182,647
Unassigned		20,673,923		-		-		20,673,923
Total fund balances		47,539,232		19,831,184		8,636,626		76,007,042
Total liabilities and fund balances	\$	79,001,796	\$	20,050,613	\$	10,591,624	\$	109,644,033

#### 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, 2022		
Fund balance - total governmental funds	\$	76,007,042
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.		40,415,18
Net OPEB assets are not current financial resources and		
therefore are not reported in the governmental funds		
balance sheet.		590,39
Net pension assets are not current financial resources and		
therefore are not reported in the governmental funds		
balance sheet.		5,853,83
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		(6,761,85
Net pension liability		(51,487,77
Deferred outflow related to pensions		8,846,53
Deferred outflow related to OPEB		1,640,11
Deferred inflow related to pensions		(10,052,32
Deferred inflow related to OPEB		(1,041,28
Net position of governmental activities	¢	64,009,86

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

Capital Other Total General Projects Governmental Governmental Fund Fund Funds Funds Revenues Tax revenues: \$ Sales tax revenues \$ 28,011,384 \$ Ś 28,011,384 8,840,621 8,840,621 Advalorem tax revenues Total tax revenues 36,852,005 36,852,005 Fees for services 3,672,802 5,337,956 1,665,154 Third-party reimbursement 6,243,604 6,243,604 Intergovernmental revenues: Federal grants and special contracts 3,248,688 11,018,647 14,267,335 State grants and other 991,375 991,375 government revenues Other revenues 2,247,579 734,071 2,981,650 **Total revenues** 53,256,053 \_ 13,417,872 66,673,925 **Expenditures** Current: General government administration 13,063,329 13,063,329 534,051 Health statistics and vital records 534,051 **Environmental health** 6,374,924 2,741,030 9,115,954 **Disease control** 5,496,870 6,004,816 11,501,686 Dental health 1,898,069 1,898,069 16,850,568 Clinical primary and support service 3,282,845 20,133,413 Emergency preparedness and response 94,906 445,794 540,700 Other expenditures 3,429,139 3,429,139 Capital outlay 1,270,788 409,238 1,680,026 **Total expenditures** 47,741,856 1,270,788 12,883,723 61,896,367 Excess revenues (expenditures) 5,514,197 (1,270,788)534,149 4,777,558 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 Net change in fund balances 4,314,197 (70, 788)534,149 4,777,558 Fund balances at beginning of year 43,225,035 19,901,972 8,102,477 71,229,484 \$ 47,539,232 \$ Fund balances at end of year 19,831,184 \$ 8,636,626 \$ 76,007,042

For the year ended September 30, 2022

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, 2022	
Net change in fund balances - total governmental funds	\$ 4,777,558
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.	(223,359)
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.	1,680,026
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.	(2,162,042)
The net effect of transactions involving pension activity is to decrease net position.	(1,280,475)
The net effect of transactions involving OPEB activity is to increase net position.	371,724
Change in net position of governmental activities	\$ 3,163,432

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

September 30, 2022

	OPEB
	Trust Fund
Assets	
Cash and cash equivalents	\$ 56,712
Investments	5,557,614
Total assets	5,614,326
Net position restricted for other post-employment benefits	\$ 5,614,326

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

For the year ended September 30, 2022		
		OPEB
		Trust Fund
Additions		
Contributions:		
Employer	\$	502,040
Investment activity:		
Gains (losses) on investments and investment income		(1,200,415)
Less investment expense		(16,490)
Total investment activity		(1,216,905)
Total additions		(714,865)
Deductions		
Benefit payments:		
Employer		502,040
Total deductions		502,040
Net increase in net position		(1,216,905)
Net position restricted for other post-employment		
benefits at beginning of year		6,831,231
Net position restricted for other post-employment benefits at end of year	\$	5,614,326
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For the year ended September 30, 2022

## Jefferson County Department of Health Notes to Financial Statements Index

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#### 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, 2022, 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

#### 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.

## Jefferson County Department of Health Notes to Financial Statements

#### 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.

#### 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, 2022 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.

#### 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.

#### **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, other borrowings, or accounts payable that are attributable to the acquisition, construction, or improvement of those assets.
- 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.

## Jefferson County Department of Health Notes to Financial Statements

#### 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 \$19,831,184 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 \$6,761,852 of General Fund balance to fund this future amount.

The Board has committed \$3,405,149 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 \$42,356 of General Fund fund balance for various patient and client benefits.

The Board has committed \$2,518,534 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.

## Jefferson County Department of Health Notes to Financial Statements

#### 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 or asset, 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.

#### Subsequent Events

The Department has evaluated subsequent events through the date the financial statements were available to be issued, April 12, 2023, 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	\$16,454,470	\$16,499,261
OPEB Trust Fund	\$56,712	\$56 <i>,</i> 712

At September 30, 2022, 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.

## Jefferson County Department of Health Notes to Financial Statements

#### 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, 2022, 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	\$ 9,723,473	1.13	\$ 9,723,473 \$	- \$	
Net investments	9,723,473		9,723,473	-	
Accrued interest income	23,798		23,798	-	
Total portfolio	9,747,271		9,747,271	-	-
Other General Fund Investments			Fair Val	ue Measurements	
Investment type	Fair Value	Duration	Level 1	Level 2	Level 3
Government Asset Backed/CMO Securities	21,610,559	1.17	21,610,559	-	-
Net investments	21,610,559		21,610,559	-	-
Accrued interest income	172,371		172,371	-	-
Total portfolio	21,782,930		21,782,930	-	-
Certificates of deposit	5,889,903	1.75	-	5,889,903	-
Money market funds	16,128,270	1.75	16,128,270	-	-
Total portfolio	22,018,173		16,128,270	5,889,903	-
Total portfolios	\$ 53,548,374		\$ 47,658,471 \$	5,889,903 \$	-

The following schedule of investments displays the fair value of assets held in the Fiduciary Fund as of September 30, 2022, as well as the valuation approaches and inputs used in determining fair value:

Investment type	Fair Value	 Level 1	Level 2	Level 3
Equities	\$ 3,530,625	\$ 3,530,625 \$	- \$	-
U.S. Government Bonds	403,922	403,922	-	-
Mortgage Backed Securities	459,847	-	459,847	-
U.S. Credit	798,291	-	798,291	
Taxable Domestic FI Funds	353,283	353,283	-	-
Net investments	5,545,968	4,287,830	1,258,138	-
Accrued interest income	11,646	 11,646	-	-
Total portfolio	\$ 5,557,614	\$ 4,299,476 \$	1,258,138 \$	;   _

## Jefferson County Department of Health Notes to Financial Statements

#### 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.

#### <u>Credit Risk</u>

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 \$22,018,173 are secured by federal depository insurance or the SAFE Program.

#### Note 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning	Increase/	Retirement/	Ending
	Balance	Reclassifications	Reclassifications	Balance
Governmental activities:				
Land	\$ 3,389,034	\$-	\$-	\$ 3,389,034
Construction progress	-	515,287	-	515,287
Total capital assets not being depreciated	3,389,034	515,287	-	3,904,321
Capital assets being depreciated:				
Buildings	57,921,973	497,090	-	58,419,063
Equipment	10,383,601	667,649	-	11,051,250
Total capital assets being depreciated	68,305,574	1,164,739	-	69,470,313
Less accumulated depreciated for:				
Buildings	(22,887,506)	(1,172,908)	-	(24,060,414)
Equipment	(7,909,899)	(989,134)	-	(8,899,033)
Total accumulated depreciation	(30,797,405)	(2,162,042)	-	(32,959,447)
Total capital assets being depreciated, net	37,508,169	(997,303)	-	36,510,866
Governmental activities capital assets, net	\$ 40,897,203	\$ (482,016)	\$-	\$ 40,415,187

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

Governmental activities:	
General government administration	\$ 1,204,757
Environmental health	222,404
Disease control	45,153
Dental health	19,570
Emergency preparedness and response	25,322
Clinical primary and support service	644,836
Total depreciation expense – governmental activities	\$ 2,162,042

#### **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 15 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 15 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) Eight 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.
  - d. One full time employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
  - e. One full time employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
  - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the 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 formula method. 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 up to 80% of their average final compensation.

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.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected

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

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

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

	ERS	<u>JCDH</u>
Retirees and beneficiaries currently receiving benefits	29,727	499
Terminated employees entitled to, but not yet receiving benefits	2,130	20
Terminated employees not entitled to a benefit	16,415	35
Active members	56,184	390
Post-DROP participants who are still in active service	54	0
Total	104.510	944

#### 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.

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, 2022, the Department's average contribution rate was 15.35% of covered 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, 2022 was 16.83% of pensionable pay for Tier 1 employees and 14.31% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 \$4,247,429 for the year ended September 30, 2022.

#### Net Pension Liability

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

$ \begin{array}{c c c c c c c c c c c c c c c c c c c $		Total Pensior	n Liab	ility Roll Forwa	rd			
$\begin{array}{c c c c c c c c c c c c c c c c c c c $								Actual After
Assumptions       Original       Original         (a)       Total Pension Liability as of September 30, 2020       \$ 170,838,322       \$ 170,982,680       \$ 170,982,680       \$ 176,58         (b)       Discount Rate $7.70\%$ $7.70\%$ $7.70\%$ $7.70\%$ $7.70\%$ (c)       Entry Age Normal Cost for October 1, 2020 – September 30, 2021 $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,238,366$ $2,466$ (d)       Transfers Among Employers       -       (106,703)       (106,703)       (10         (e)       Actual Benefit Payment and Refunds for       -       (106,703)       (106,703)       (10         (f)       Total Pension Liability       as of September 30, 2021       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,248)       171,673,248       \$ 171,673,248       \$ 177,50         (g)       Difference between Expected and Actual:       48,770       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703)       (106,703) </th <th></th> <th></th> <th></th> <th>Expected</th> <th></th> <th>Valuation</th> <th>Valuation</th> <th>2020</th>				Expected		Valuation	Valuation	2020
(a) Total Pension Liability as of September 30, 2020       \$ 170,838,322 \$ 170,982,680 \$ 170,982,680 \$ 176,58         (b) Discount Rate       7.70%       7.70%       7.70%         (c) Entry Age Normal Cost for October 1, 2020 – September 30, 2021       2,238,366       2,238,366       2,238,366       2,238,366       2,46         (d) Transfers Among Employers       -       (106,703)       (106,703)       (10         (e) Actual Benefit Payment and Refunds for October 1, 2020 – September 30, 2021       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)         (f) Total Pension Liability as of September 30, 2021       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,248)       177,50         (g) Difference between Expected and Actual: (h) Less Liability Transferred for Immediate Recognition (i) Difference between Expected and Actual - Experience (Gain)/Loss       48,770       (106,703)       (106,703)         (j)       (j)       515,473       155,473       155,473       155,473				Valuation				Experience
as of September 30, 2020       \$ 170,838,322       \$ 170,982,680       \$ 2,238,366       2,238,366       2,238,366       2,238,366       2,238,366       2,246         (d)       Transfers Among Employers       -       (106,703)       (106,703)       (106,703)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,248)       \$ 171,673,248       \$ 177,50       (16,703)       (106,703)				Assumptions		Original	Original	Study
(b) Discount Rate       7.70%       7.70%       7.70%         (c) Entry Age Normal Cost for       2,238,366       2,238,366       2,238,366       2,238,366       2,466         (d) Transfers Among Employers       -       (106,703)       (106,703)       (106,703)         (e) Actual Benefit Payment and Refunds for       -       (106,703)       (106,703)       (106,703)         (f) Total Pension Liability       as of September 30, 2021       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)       (14,065,249)         (g) Difference between Expected and Actual:       48,770       (106,703)       (106,703)       (106,703)         (i) Difference between Expected and Actual:       48,770       (106,703)       (106,703)       (106,703)         (i) Difference between Expected and Actual:       48,770       (106,703)       (106,703)       (106,703)         (i) Difference between Expected and Actual -       155,473       155,473       (106,703)       (106,703)	(a)	Total Pension Liability						
(c)       Entry Age Normal Cost for October 1, 2020 – September 30, 2021       2,238,366       2,238,366       2,238,366       2,238,366       2,238,366       2,238,366       2,238,366       2,238,366       2,466         (d)       Transfers Among Employers       -       (106,703)       (106,703)       (10         (e)       Actual Benefit Payment and Refunds for October 1, 2020 – September 30, 2021       (14,065,249)       (14		as of September 30, 2020	\$	170,838,322	\$	170,982,680	\$ 170,982,680	\$ 176,583,898
October 1, 2020 – September 30, 2021       2,238,366       2,238,366       2,238,366       2,46         (d) Transfers Among Employers       -       (106,703)       (106,703)       (10         (e) Actual Benefit Payment and Refunds for       -       (106,703)       (106,703)       (10         (f) Total Pension Liability       as of September 30, 2021       (14,065,249)       <	(b)	Discount Rate		7.70%		7.70%	7.70%	7.45%
(d) Transfers Among Employers       -       (106,703)       (106,703)       (10         (e) Actual Benefit Payment and Refunds for       -       (106,703)       (106,703)       (10         (f) Total Pension Liability       as of September 30, 2021       (14,065,249)	(c)	Entry Age Normal Cost for						
(e)       Actual Benefit Payment and Refunds for October 1, 2020 – September 30, 2021       (14,065,249)       (		October 1, 2020 – September 30, 2021		2,238,366		2,238,366	2,238,366	2,460,853
October 1, 2020 – September 30, 2021         (14,065,249)	(d)	Transfers Among Employers		-		(106,703)	(106,703)	(106,703)
(f) Total Pension Liability as of September 30, 2021 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]       \$ 171,624,478 \$ 171,673,248 \$ 171,673,248 \$ 177,50         (g) Difference between Expected and Actual:       48,770         (h) Less Liability Transferred for Immediate Recognition       (106,703)         (i) Difference between Expected and Actual - Experience (Gain)/Loss       155,473	(e)	Actual Benefit Payment and Refunds for						
as of September 30, 2021       [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]       \$ 171,624,478 \$ 171,673,248 \$ 171,673,248 \$ 177,50         (g)       Difference between Expected and Actual:       48,770         (h)       Less Liability Transferred for Immediate Recognition       (106,703)         (i)       Difference between Expected and Actual - Experience (Gain)/Loss       155,473				(14,065,249)		(14,065,249)	(14,065,249)	(14,065,249)
[(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]       \$ 171,624,478 \$ 171,673,248 \$ 171,673,248 \$ 177,50         (g)       Difference between Expected and Actual:       48,770         (h)       Less Liability Transferred for Immediate Recognition       (106,703)         (i)       Difference (Gain)/Loss       155,473	(f)	•						
<ul> <li>(h) Less Liability Transferred for Immediate Recognition (106,703)</li> <li>(i) Difference between Expected and Actual - Experience (Gain)/Loss 155,473</li> <li>(j)</li> </ul>		, , , , , , , , , , , , , , , , , , ,	\$	171,624,478	\$	171,673,248	\$ 171,673,248	\$ 177,504,369
(h)       Less Liability Transferred for Immediate Recognition       (106,703)         (i)       Difference between Expected and Actual - Experience (Gain)/Loss       155,473         (j)       155,473	(g)	Difference between Expected and Actual:				48.770		
Experience (Gain)/Loss 155,473 (j)	(h)	Less Liability Transferred for Immediate Recognition				,		
	(י)					155,473		
	(j)	Difference between Actual TPL Before and After 2020						
								5,831,121

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

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

#### **Actuarial Assumptions**

The total pension liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25%-6.00%
Investment rate of return	7.45%*

\*Net of pension plan investment expense, including inflation

Mortality rates were based on Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	<u>Set Forward (+)/</u> Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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.

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

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

#### **Actuarial Assumptions (Continued)**

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Allocation	Long-term Expected Rate of Return*
Fixed Income	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

\* Includes assumed rate of Inflation of 2.00%.

#### **Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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.

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

## EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA (Continued)

#### Changes in Net Pension Liability

		Plan Fiduciary	Net Pension
	Total Pension	Net	Liability
	Liability	Position	(Asset)
	(a)	(b)	(a)-(b)
Balances at September 30, 2020	\$ 170,838,322	\$ 110,728,739	\$ 60,109,583
Changes for the year:			
Service cost	2,238,366	-	2,238,366
Interest	12,613,039	-	12,613,039
Changes in assumptions	5,831,121	-	5,831,121
Difference between expected and actual experience	155,473	-	155,473
Contributions – employer	-	4,336,491	(4,336,491)
Contributions – employee	-	1,463,812	(1,463,812)
Net investment income	-	23,659,505	(23,659,505)
Benefit payments, including refunds of employee			
contributions	(14,065,249)	(14,065,249)	-
Administrative expense	-	-	-
Transfers among employers	(106,703)	(106,703)	-
Net changes	6,666,047	15,287,856	(8,621,809)
Balances at September 30, 2021	\$ 177,504,369	\$ 126,016,595	\$ 51,487,774

#### 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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	(6.45%)	(7.45%)	(8.45%)
Plan's net pension liability	\$ 69,113,706	\$ 51,487,774	\$ 36,433,598

#### 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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. 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, 2022, the Department recognized pension expense of \$9,350,904. At September 30, 2022, the reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ć 450 044	ć 058.060
Differences between expected and actual experience	\$ 156,344	\$ 958,060
Changes of assumptions	4,442,759	-
Net difference between projected and		
actual earnings on plan investments	-	9,094,262
Employer contributions subsequent to the Measurement Date	4,247,429	
Total	\$ 8,846,532	\$ 10,052,322

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

For the years ending September 30,

## 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	\$ (936,192)
2023	(474,973)
2024	(1,235,991)
2025	(2,806,063)
2026	-
Thereafter	-
Total	\$ (5,453,219)

#### **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, 2021, membership consisted of:

Membership as of the valuation date June 30, 2020

Active employees	4
Retired participants and beneficiaries	38
Total	12

#### 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, 2022 and 2021, the Department contributed 100% of the required contributions. The Department contributed \$7,217 and \$7,486 for fiscal years 2022 and 2021, respectively.

#### Net Pension Liability (Asset)

The Department's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2021, rolled forward to June 30, 2022 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward	
Total Pension Liability	
as of June 30, 2021	\$ 10,181,462
Service cost	17,082
Interest	732,458
Differences between expected and actual experience	(286,365)
Changes of assumptions	475,233
Benefit payments and refunds	(864,876)
Net changes	73,532
Total Pension Liability	
as of June 30, 2022	\$ 10,254,994

#### **Actuarial Assumptions**

The actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30, 2022 are as follows:

Inflation	2.25%
Salary increases	2.25%, plus age-related salary scale based on participant group
Investment rate of return	7.25%, including inflation, net of pension plan investment expense

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

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

#### Actuarial Assumptions (Continued)

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.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an experience study for a five-year period ended June 30, 2020.

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Large cap domestic equity	30%	6.20%
	50% 10%	7.00%
Small and mid-cap domestic equity		
International equity	27%	6.80%
Core fixed income	11%	0.40%
Short-term high yield fixed income	4%	2.60%
Private equity	15%	10.40%
Cash	2%	-0.10%
Other fixed income	1%	2.80%
Total	100%	

#### **Discount Rate**

The discount rate used to measure the total pension liability is 7.25%. 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	\$ 10,254,994
Plan fiduciary net position	16,108,825
The Plan's net pension liability (asset)	(5,853,831)
Plan fiduciary net position as a percentage of total pension liability	157.08%

#### Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)		Pla	an Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2021	\$	10,181,462	\$	18,650,829 \$	(8,469,367)
Changes for the year:					
Service cost		17,082		-	17,082
Interest		732,458		-	732,458
Changes in assumptions		475,233		-	475,233
Difference between expected					
and actual experience		(286,365)		-	(286,365)
Contributions – employer		-		7,217	(7,217)
Contributions – employee		-		17,967	(17,967)
Net investment income		-		(1,702,312)	1,702,312
Benefit payments, including refunds					
of employee contributions		(864,876)		(864,876)	-
Administrative expense		-		-	-
Transfers among employers		-		-	-
Net changes		73,532		(2,542,004)	2,615,536
	ć	10.254.004	ć		
Balances at June 30, 2022	Ş	10,254,994	Ş	16,108,825 \$	(5,853,831)

#### 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 7.25%, 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 (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1%	Current Discount	1%
	Decrease (6.25%)	Rate (7.25%)	Increase (8.25%)
Plan's net pension asset	\$ 5,026,485	\$ 5,853,831	\$ 6,574,135

#### 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, 2022, 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, 2022, was as follows:

	Balance at			Balance at	Due
	Sept. 30,			Sept. 30,	Within
	2021	Additions	Reductions	2022	one year
Compensated absences	\$ 6,588,581	\$ 1,982,514	\$ 1,809,243	\$ 6,761,852	\$ 1,014,278

#### **Note 6: CONTINGENCIES**

#### Litigation

At September 30, 2022, 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, 2022 consists of the following:

		General Fund		Capital Projects Fund	(	Other Governmental Funds		Total
Due from other governments	¢	5,293,539	Ś	-	\$	1,917,240	Ś	7,210,779
Client patient billings	Ŷ	779,770	Ŷ	-	Ŷ		Ŷ	779,770
Other – Environmental Health, etc.		829,715		-		76,867		906,582
Total receivables		6,903,024		_		1,994,107		8,897,131
Allowance for doubtful accounts		(648,957)		-		-		(648,957)
Receivables – net	\$	6,254,067	\$		\$	1,994,107	\$	8,248,174

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

The composition of interfund balances as of September 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	\$ 20,050,613
Other Governmental Funds	General Fund	8,597,517
General Fund	Other Governmental Funds	1,914,431
Total		¢ 20 562 561
Total		\$ 30,562,561

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, 2022 consisted of the following:

Transfer 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, 2022, 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, 2022:

Asset Class	Target Allocation
Equity Fixed Income Cash	63% 36% 1%

#### **Concentrations**

The Plan had no concentrations in investments at September 30, 2022.

#### Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -17.82%. 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, 2022, were as follows:

Total OPEB liability	\$ 5,023,935
Plan fiduciary net position	5,614,326
Net OPEB liability (asset)	\$ (590,391)

#### **Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, 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/Healthy Annuitant RP-2000 Table.				

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

#### Actuarial Assumptions (Continued)

The actuarial assumptions used in the October 1, 2021 valuation were based on the results of ongoing evaluations from October 1, 2006 to September 30, 2022 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, 2022 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)

	Ir	ncreases (Decreases)	
		Plan Fiduciary	Net OPEB
	Total OPEB	Net Pension	Liability (Asset)
	 Liability (a)	(b)	(a-b)
Balance at September 30, 2021	\$ 5,493,902	\$ 6,831,231 \$	(1,337,329)
Service cost	53,410	-	53,410
Interest cost at 7.00%	367,002	-	367,002
Difference between expected and actual experience	(388,339)	-	(388,339)
Employer contributions trust	-	-	-
Net investment income	-	(1,200,415)	1,200,415
Changes in assumptions	-	-	-
Benefit payments			
a. From trust	-	-	-
b. Direct	(502,040)	-	(502,040)
Administrative expense			
a. From trust	-	(16,490)	16,490
b. Direct	 -	-	-
Net changes	 (469,967)	(1,216,905)	746,938
Balance at September 30, 2021	\$ 5,023,935	\$ 5,614,326 \$	(590,391)

#### 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% I	Decrease	Disc	ount Rate	1	1% Increase
		(6.00%)		(7.00%)		(8.00%)
	ć	200 025	¢	(500.201)	÷	(1 220 080)
Net OPEB Liability (Asset)	Ş	296,935	Ş	(590,391)	Ş	(1,330,980)

#### 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%)
	(1 0 10 000)	<b>•</b> (500.004)	<b>†</b>
Net OPEB Liability (Asset)	\$ (1,348,399)	\$ (590,391)	\$

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

For the year ended September 30, 2022, the Department recognized OPEB expense of \$130,316. At September 30, 2022, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Defe	erred Outflows of Resources	D	eferred Inflows of Resources
Differences between projected and actual earnings on plan investments Differences between expected	\$	1,363,489	\$	420,038
and actual experience		276,630		621,247
Total	\$	1,640,119	\$	1,041,285

#### 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,	t Amount to Recognized
2023	\$ (166,221)
2024	(145,149)
2025	(181,781)
2026	(297,370)
2027	35,585
Thereafter	156,102
Total	\$ (598,834)

#### 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. 91, *Conduit Debt* Obligations 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.
- Statement No. 96, *Subscription-Based Information Technology Arrangements* This statement will become effective for the Department in fiscal year 2023.
- Statement No. 99, *Omnibus* 2022 Portions of this statement will become effective for the Department in fiscal year 2023 and 2024.
- Statement No. 100, Accounting Changes and Error Corrections an amendment of GASB Statement No. 62 – This statement will become effective for the Department in fiscal year 2024.
- Statement No. 101, *Compensated Absences* This statement will become effective for the Department in fiscal year 2025.

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, 2022			
	Budgeted		
	Amounts		
	Original		
	and Final	Actual	Variance
Revenue			
Tax revenues:			
Sales tax revenues	\$ 22,000,000	\$ 28,011,384	\$ 6,011,384
Advalorem tax revenues	8,500,000	8,840,621	340,621
Fees for services	4,205,352	3,672,802	(532 <i>,</i> 550)
Third-party reimbursement	5,164,374	6,243,604	1,079,230
Intergovernmental revenues:			
Federal grants and special contracts	900,635	3,248,688	2,348,053
State grants and other governmental revenues	1,128,742	991,375	(137 <i>,</i> 367)
Other revenues	2,546,664	2,247,579	(299,085)
Total revenues	44,445,767	53,256,053	8,810,286
Expenditures			
Current (operating):			
General government administration	13,965,651	13,063,329	902,322
Health statistics and vital records	457,017	534,051	(77,034)
Environmental health	6,065,914	6,374,924	(309,010)
Disease control	7,777,377	5,496,870	2,280,507
Dental health	2,791,318	1,898,069	893,249
Clinical primary and support service	19,460,578	16,850,568	2,610,010
Emergency preparedness and response	41,620	94,906	(53,286)
Other expenditures	1,868,939	3,429,139	(1,560,200)
	1,000,000	5,425,155	(1,500,200)
Total expenditures	52,428,414	47,741,856	4,686,558
	(7 002 617)	E E14 107	12 /06 9/4
Excess revenues (expenditures)	(7,982,647)	5,514,197	13,496,844
Other financing sources (uses)			
Other sources - transfers in	9,182,647	-	(9,182,647)
Other uses - transfers out	(1,200,000)	(1,200,000)	 -
Other financing sources (uses), net	 7,982,647	 (1,200,000)	 (9,182,647)
	 .,,	 (_,;,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	 (-,,• ., )
Net change in fund balance	\$ -	\$ 4,314,197	\$ 4,314,197

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

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

		2021		2020		2019		2018		2017		2016		2015		2014
Total pension liability																
Service cost	\$	2,238,366	\$	2,122,599	\$	2,110,895	\$	2,043,773	\$	2,067,101	\$	2,125,909	\$	2,084,496	\$	2,117,297
Interest		12,613,039		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		155,473		(2,085,190)		179,971		(2,013,937)		840,395		(279,001)		(362,655)		-
Changes of assumptions		5,831,121		-		-		753,824		-		4,334,855		-		-
Benefit payments, including refunds																
of employee contributions		(14,065,249)		(13,480,144)		(13,082,597)		(13,321,335)		(12,920,100)		(12,769,910)		(12,721,731)		(12,359,564)
Transfers among employers		(106,703)		29,104		10,324		119,258		(25,608)		10,519		-		-
Net change in total pension liability		6,666,047		(722,438)		1,787,457		206,786		2,415,350		5,818,212		1,294,331		1,913,371
Total pension liability - beginning		170,838,322		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)	\$	177,504,369	\$	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	Ś	4,336,491	Ś	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	Ŷ	1,463,812	Ŧ	1,527,550	Ŷ	1,409,446	Ŷ	1,335,891	Ŧ	1,285,442	Ŧ	1,272,188	Ŧ	1,213,267	Ŧ	1,180,665
Net investment income		23,659,505		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		20,000,000		0,200,077		2,000,700		10)1 (0)001		10,200,770		10)27 1)7 10		1,2,2,0,,00		12)200)200
of employee contributions		(14,065,249)		(13,480,144)		(13,082,597)		(13,321,335)		(12,920,100)		(12,769,910)		(12,721,731)		(12,359,564)
Transfers among employers		(106,703)		29,104		10,324		119,258		(25,608)		10,519		(29,140)		(40,811)
Net change in plan fiduciary net position		15,287,856		(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		110,728,739		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)	\$	126,016,595	\$	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)	\$	51,487,774	\$	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		70.99%		64.81%		65.22%		68.42%		66.83%		64.28%		64.84%		69.30%
Covered payroll	\$	27,708,319	\$	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 payroll		185.82%		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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 17,082	\$ 23,161	\$ 27,451	\$ 36,091	\$ 48,781	\$ 49,939	\$ 61,004	\$ 64,181	\$ 62,675
Interest	732,458	725,174	761,472	766,879	803,649	778,040	749,345	764,708	765,878
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(286,365)	224,788	(381,077)	(421,970)	336,211	70,755	(187,011)	(202,192)	-
Changes of assumptions	475,233	-	-	-	-	-	(84,528)	-	-
Benefit payments, including refunds of employee									
contributions	(864,876)	(874,973)	) (900,096)	(832,729)	(983,354)	(901,200)	(838,553)	(853,769)	(836,771)
Net change in total pension liability	73,532	98,150	(492,250)	(451,729)	205,287	(2,466)	(299,743)	(227,072)	(8,218)
Total pension liability - beginning	10,181,462	10,083,312	10,575,562	11,027,291	10,822,003	10,824,469	11,124,212	11,351,284	11,359,502
Total pension liability - ending (a)	\$ 10,254,994	\$ 10,181,462	\$ 10,083,312	\$ 10,575,562	\$ 11,027,290	\$ 10,822,003	\$ 10,824,469	\$ 11,124,212	\$ 11,351,284
Plan fiduciary net position									
Contributions - employer	\$ 7,217	\$ 7,486	\$ 8,560	\$ 8,702	\$ 10,614	\$ 12,517	\$ 12,474	\$ 13,888	\$ 14,707
Contributions - employee	17,967	18,636	. ,	21,663	26,426	31,164	31,055	34,556	36,616
Net investment income	(1,702,312)	4,426,955	,	740,330	1,146,266	1,662,389	61,975	665,531	2,288,551
Benefit payments, including refunds of employee	(1)/02/012/	.,	110,000	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1)1 10)200	2,002,000	01,070	000,001	2,200,002
contributions	(864,876)	(874,973)	) (900,096)	(832,729)	(983,354)	(901,200)	(838,553)	(853,769)	(836,771)
Net change in plan fiduciary net position	(2,542,004)	3,578,104	,	(62,034)	199,952	804,870	(733,049)	(139,794)	1,503,103
Plan net position - beginning	18,650,829	15,072,725	15,823,708	15,885,742	15,685,790	14,880,920	15,613,969	15,753,763	14,250,660
······						_ ,,==,===			,,
Plan net position - ending (b)	\$ 16,108,825	\$ 18,650,829	\$ 15,072,725	\$ 15,823,708	\$ 15,885,742	\$ 15,685,790	\$ 14,880,920	\$ 15,613,969	\$ 15,753,763
Net pension liability (asset) - ending (a) - (b)	\$ (5,853,831)	\$ (8,469,367)	) \$ (4,989,413)	\$ (5,248,146)	\$ (4,858,452)	\$ (4,863,787)	\$ (4,056,451)	\$ (4,489,757)	\$ (4,402,479)
Plan fiduciary net position as a percentage of total									
pension liability	157.08%	183.18%	149.48%	149.63%	144.06%	144.94%	137.47%	140.36%	138.78%
Covered payroll	\$ 299,450	\$ 310,600	\$ 361,950	\$ 361,050	\$ 440,433	\$ 519,400	\$ 517,583	\$ 575,933	\$ 610,267
The Plan's net pension liability as a percentage of covered payroll	-1954.86%	-2726.78%	-1378.48%	-1453.58%	-1103.11%	-936.42%	-783.73%	-779.56%	-721.40%

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution Employer contributions to pension plan	\$ 4,377,160 4,377,160	\$ 4,349,121 4,349,121	\$ 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	\$ 4,057,707 4,057,707
Annual contribution deficiency (excess)	\$ -	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Covered payroll	\$ 27,708,319	\$ 26,344,076	\$ 26,000,122	\$ 25,156,550	\$ 24,017,021	\$ 23,374,483	\$ 23,697,656	\$ 21,607,500
Employer contributions to pension plan as a % of covered payroll	15.80%	16.51%	17.22%	17.83%	17.83%	18.58%	17.52%	18.78%

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

	 2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution Contributions in relation to the actuarially determined	\$ - \$ 7,217	- \$ 7,486	- \$ 8,560	- \$ 8,702	- \$ 10,614	- \$ 12,517	- \$ 12,474	- 13,888
Contribution deficiency (excess)	\$ (7,217) \$	(7,486) \$	(8,560) \$	(8,702) \$	(10,614) \$	(12,517) \$	(12,474) \$	(13,888)
Covered payroll*	\$ 299,450 \$	310,600 \$	361,950 \$	361,050 \$	440,433 \$	519,400 \$	517,583 \$	575,933
Contributions as a percentage of covered payroll	2.41%	2.41%	2.36%	2.41%	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

	20	22	202	1	2020	2019	20	18	2	017
Total OPEB liability										
Service cost	\$ 53	410	\$ 58,	)34 \$	\$ 67,336	\$ 32,438	\$ 32	,736	\$3	0,722
Interest	367	002	347,	581	351,650	196,011	205	,312	20	6,643
Changes in benefit terms		-		-	-	-		-		-
Difference between expected an actual experience	(388	339)	387,	282	(18,532)	(357,066)	(68	,141)	(8	1,862)
Changes of assumptions		-		-	-	2,718,584		-		-
Benefit payments	502	040	528,	380	388,284	344,829	260	,729	28	3,422
Net change in total OPEB liability	(469	967)	264,	017	12,170	2,245,138	(90	,822)	(12	7,919)
Total OPEB liability at beginning of year	5,493	902	5,229,	885	5,217,715	2,972,577	3,063	,399	3,09	3,747
Total OPEB liability at end of year	5,023	935	5,493,	902	5,229,885	5,217,715	2,972	,577	2,96	5,828
Plan fiduciary net position										
Contributions - employer	502	040	528,	880	388,284	344,829	260	,729	28	3,422
Contributions - other		-		-	-	-		-		-
Net investment income	(1,200	415)	987,	060	553,490	247,661	307	,478	44	1,337
Benefit payments and net transfers	502	040	528,	880	388,284	344,829	260	,729	28	3,422
Administrative expense	16	490		-	-	-		-		-
Net change in fiduciary net position	(1,216	905)	987,	060	553,490	247,661	307	,478	44	1,337
Plan fiduciary net position at beginning of year	6,831	231	5,844,	171	5,290,681	5,043,020	4,735	,542	4,29	4,206
Plan fiduciary net position at end of year	5,614	326	6,831,	231	5,844,171	5,290,681	5,043	8,020	4,73	5,543
Net OPEB liability (asset) at end of year	\$ (590	391)	\$ (1,337,	329) ş	\$ (614,286)	\$ (72,966)	\$ (2,070	,443)	\$ (1,76	9,715)
Plan fiduciary net position as a percentage										
of the total OPEB liability	111	.75%	124.	34%	111.75%	101.40%	169	9.65%	15	9.67%
Covered employee payroll	26,064	968	25,062,4	469	23,881,468	22,962,950	25,205	,739	22,30	9,641
Net OPEB liability (asset) as a percentage of covered-employee payroll	-2	.27%	-5.	34%	-2.57%	-0.32%	-8	3.21%		-7.93%

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

	 2022		2021	2020	2019		2018		2017
Actuarially determined contribution Contributions in relation to the actuarially determined contribution	\$ (54,361)	\$	8,531	\$ 61,456	\$ (134,412)	\$	(102,016)	\$	(66,019)
Employer contributions to trust Employer-paid retiree premiums Employer-paid expenses	 ۔ 502,040 -		۔ 528,880 -	۔ 388,284 -	۔ 344,829 -		- 260,729 -		- 284,448 -
Contribution deficiency (excess)	\$ (556,401)	\$	(520,349)	\$ (326,828)	\$ (479,241)	\$	(362,745)	\$	(350,467)
Covered annual payroll	\$ 26,064,968	\$	25,062,469	\$ 23,881,468	\$ 22,962,950	\$ 2	25,205,739	\$2	2,309,641
Contributions as a percentage of covered employee payroll	1.93%		2.11%	1.63%	1.50%		1.03%		1.28%

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return,										
net of investment expense	-17.82%	16.89%	10.45%	4.91%	6.54%	10.54%	8.17%	-2.45%	9.28%	13.39%

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 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 2022 were 16.83% for Tier 1 employees (hired before January 1, 2013) and 14.31% 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 2022 were based on the September 30, 2019 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	27.6 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
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.

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

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

#### Note 3: ACTUARIAL ASSUMPTIONS (Continued)

#### Changes to Assumptions

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45% for the ERS. In 2021 and later, the expectation of retired life mortality for the ERS was changed to the Pub-2010 Below-Median Tables projected using a generational approach based on the mortality improvement scale, MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual In December 2018, the Boards of Control adopted new discount rates for the ERS. The new discount rates were 7.70% for the ERS.

In 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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, assume 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 payroll.

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

#### Note 2: SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

#### **Note 3: ACTUARIAL ASSUMPTIONS**

Valuation Date	7/1/2021
Actuarial Cost Method	Aggregate cost method
Amortization Method	Level percent of payroll, using 2.5% annual increases
Remaining Amortization Period	Rolling 30 years
Asset Valuation Method	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	7.25%, including inflation, net of pension plan investment expense
Projected Salary Increases Inflation rate	2.25%, plus age-related salary scale 2.25%

#### **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, 2022.

#### Note 3: ACTUARIAL ASSUMPTIONS—OPEB

The schedule of employer contributions is based on the following actuarial assumptions: **Notes to Schedule:** 

Notes to Schedule.	
Valuation date	10/1/2021 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, including inflation
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
Turnover	Age specific table with an average of 8% when applied to the active census



## **SUPPLEMENTARY INFORMATION**



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

For the year ended September 30, 2022

	Federal			_
	Assistance			Passec
	Listing	Contract		Through to
Description	Number	Number	Expenditures	Subrecipient
.S. Department of Health and Human Services assed through State Dept. of Public Health				
Public Health Emergency Preparedness	93.069	C10114270	\$ 71,951	ć
Public Health Emergency Preparedness	93.069	C00119239	288,549	Ş
Total Assistance Listing Number 93.069	55.005	000115255	360,500	
Injury Prevention and Control Research			500,500	
and State and Community Based Programs	93.136	C90116247	531,308	
Family Planning Services	93.217	C00119177	638,894	
Family Planning Services	93.217	C20115186	37,412	
Total Assistance Listing Number 93.217	55.217	620115160	676,306	
Immunization Cooperative Agreements	93.268	C10114223	513,791	
	93.323		1,523,717	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		C00119183		
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C00119180	353,093	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C10114159	2,988,851	
Total Assistance Listing Number 93.323			4,865,661	
COVID-19 - Activities to Support State, Tibal, Local and Territorial (STLT)				
Health Department Response to Public Health or Healthcare Crises	93.391	C10114219	195,437	
National Bioterrorism Hospital Preparedness Program	93.889	C10114261	110,667	
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889	C00119246	3,924	
Total Assistance Listing Number 93.889			114,591	
HIV Prevention Activities Health Department Based	93.940	C10114243	687,403	
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	C20115106	85,001	
Maternal and Child Health Services Block Grant to the States	93.994	C20115089	217,545	
assed through National Association of County and City Health Officers				
Strengthening Public Health Systems and Services through National Partnerships				
to Improve and Protect the Nation's Health	93.421	2021-040803	127,852	
Strengthening Public Health Systems and Services through National Partnerships				
to Improve and Protect the Nation's Health	93.421	2022-012403	13,999	
Total Assistance Listing Number 93.421			141,851	
Passed through University of Alabama at Birmingham				
HIV Demonstration, Research, Public and Professional Education Projects	93.941	5NU62PS924587-02-00	13,028	
Direct				
COVID-19- Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		122,589	
Total U.S. Department of Health and Human Services			8,525,011	
<u>S. Department of Agriculture</u> assed through State of Dept. of Public Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C20115110	2,543,771	
Total U.S. Department of Agriculture			2,543,771	
			· · · ·	
.S. Department of Transportation				
assed through Regional Planning Commission of Greater Birmingham				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	100073252	52,040	
Total U.S. Department of Transportation			52,040	
S. Environmental Protection Agency				
Virect		07440000		
Air Pollution Control Program Support	66.001	97412920	773,665	
Surveys, Studies, Research, Investigations, Demonstrations, and	-			
Special Purpose Activities Relating to the Clean Air Act	66.034	01D05020	201,214	
Total U.S. Environmental Protection Agency			974,879	
Total federal awards			\$ 12,095,701	\$
			- 12,035,701	Ť

## 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, 2022.

#### Note 5: NON-CASH AWARDS

During the year ended September 30, 2022, the Department did not receive any non-cash federal assistance.

#### **Note 6: RECONCILIATION TO FINANCIAL STATEMENTS**

Total federal awards on the accompanying Schedule of Expenditures of Federal Awards excludes \$2,171,634 of Provider Relief Funds, which were recognized as revenue by the Department in the year ended September 30, 2022. The Department will follow the reporting guidelines issued in future OMB Compliance Supplements to determine the timing of reporting Provider Relief Funds on the Schedule of Expenditures of Federal Awards.



## REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**Carr, Riggs & Ingram, LLC** 3700 Colonnade Parkway Suite 300 Birmingham, AL 35243

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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, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated April 12, 2023.

#### **Report on 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### **Report on 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 April 12, 2023



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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**

#### **Qualified and Unmodified Opinions**

We have audited the Jefferson County Department of Health's (the Department) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Qualified Opinion on Air Pollution Control Program Support

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Air Pollution Control Program Support for the year ended September 30, 2022.

#### Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2022.

#### Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

#### Matter Giving Rise to Qualified Opinion on Air Pollution Control Program Support

As described in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding Assistance Listing No. 66.001 Air Pollution Control Program Support as described in finding numbers 2022-001 for Procurement.

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to that program.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Departments federal programs.

#### Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Other Matters**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama April 12, 2023



# SCHEDULE OF FINDINGS AND QUESTIONED COSTS



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

For the year ended September 30, 20	22
-------------------------------------	----

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:	Unmoc	lified
Internal control over financial reporting:		
Material weakness(es) identified?	yes	x no
Significant deficiency(ies)?	yes	x none reported
Noncompliance material to financial		
statements noted?	yes	<u>x</u> no
Federal Awards		
Internal control over major programs:		
Material weakness(es) identified?	x yes	no
Significant deficiency(ies)?	yes	x none reported
	,	
Major programs and type of report issued on		
compliance for major programs:		
	Federal Assistance	Type of Opinion on
Federal agency and name of major program	Federal Assistance Listing Number	Type of Opinion on Major Program
<i>Federal agency and name of major program</i> U.S. Department of Agriculture		
U.S. Department of Agriculture		
U.S. Department of Agriculture Special Supplemental Nutrition Program for	Listing Number	Major Program
U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children	Listing Number	Major Program
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> </ul>	Listing Number 10.557	Major Program Unmodified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> </ul>	Listing Number 10.557	Major Program Unmodified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> <li>U.S. Department of Health and Human Services</li> </ul>	Listing Number 10.557	Major Program Unmodified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> <li>U.S. Department of Health and Human Services</li> <li>COVID-19 - Epidemiology and Laboratory</li> <li>Capacity for Infectious Diseases (ELC)</li> </ul>	Listing Number 10.557 66.001	Major Program Unmodified Qualified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> <li>U.S. Department of Health and Human Services</li> <li>COVID-19 - Epidemiology and Laboratory</li> <li>Capacity for Infectious Diseases (ELC)</li> </ul>	Listing Number 10.557 66.001	Major Program Unmodified Qualified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> <li>U.S. Department of Health and Human Services</li> <li>COVID-19 - Epidemiology and Laboratory</li> <li>Capacity for Infectious Diseases (ELC)</li> <li>Any audit findings disclosed that are required to</li> <li>be reported in accordance with 2 CFR section</li> </ul>	Listing Number 10.557 66.001 93.323	Major Program Unmodified Qualified Unmodified
<ul> <li>U.S. Department of Agriculture</li> <li>Special Supplemental Nutrition Program for</li> <li>Women, Infants, and Children</li> <li>U.S. Environmental Protection Agency</li> <li>Air Pollution Control Program Support</li> <li>U.S. Department of Health and Human Services</li> <li>COVID-19 - Epidemiology and Laboratory</li> <li>Capacity for Infectious Diseases (ELC)</li> </ul>	Listing Number 10.557 66.001	Major Program Unmodified Qualified
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#### Section II - Financial Statement Findings

There were no matters to be reported

#### Section III - Federal Awards Findings and Questioned Costs

#### 2022-001: Federal Procurement Standards

Federal agency: U.S. Environmental Protection Agency Pass-through agency: None Title: Air Pollution Control Program Support Assistance Listing Number: 66.001 Award Year: 2022 Award Number: 97412920

*Criteria:* 2 CFR 200.303 requires the Department to establish and maintain internal controls over compliance with federal awards. 2 CFR 200.320 identifies the methods of procurement to be followed for acquisition of property or services required under a federal award or subaward.

*Condition and perspective:* The Department recorded \$69,375 of legal services to the federal award without following an approved method of procurement under 2 CFR 200.320. Legal services are exempt from state procurement law, but they are within the scope of federal procurement standards.

*Cause:* The vendor provides in-house legal representation and regularly assists the Department with legal matters. Due to the long-standing, existing relationship, the vendor was selected for services related to the grant without following procurement standards.

*Effect:* The Department posted \$69,375 of legal services to the federal award without following federal procurement standards.

*Questioned Cost:* \$69,375.

#### **Recommendation:**

Management should ensure the Department follows federal procurement standards for all vendors paid with federal funds.

#### Management's response:

Rate quotes will be obtained from at least three (3) law firms as required for "small purchases" by 2 C.F.R. 200.320.