

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Financial Statements

September 30, 2021 and 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Net Position.....	6
Statements of Revenues, Expenses, and Change in Net Position	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	10
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Changes in Net Pension Liability (Asset).....	27
Schedules of Employer Contributions.....	28
Note to Required Supplementary Information	29
ADDITIONAL INFORMATION	
Schedule of Revenues	31
Schedule of Expenses	32
Officers and Board of Directors.....	33
Schedule of Bonded Officials	34
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 <i>Government Auditing Standards</i>	35
Schedule of Findings and Responses	37
Report on Compliance with Department of Mental Health Contracts.....	38

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
DeKalb County Mental Retardation Board, Inc.
Fort Payne, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of DeKalb County Mental Retardation Board, Inc. (the Board), which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dekalb County Mental Retardation Board, Inc. as of September 30, 2021 and 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the net pension asset and the schedule of employer's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues and schedule of expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and schedule of expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The officers and board of directors, subcontractor officers and board of directors and schedule of bonded officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

BMSS, LLC

Gadsden, Alabama
April 5, 2022

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.Statements of Net Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 646,759	\$ 543,828
Receivables	17,363	215,504
Prepaid expenses	365	990
	<u>664,487</u>	<u>760,322</u>
Noncurrent assets		
Property and equipment, net	70,649	73,096
Net pension asset	-	22,737
	<u>70,649</u>	<u>95,833</u>
Total assets	735,136	856,155
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>52,811</u>	<u>30,317</u>
Total assets and deferred outflows of resources	<u>\$ 787,947</u>	<u>\$ 886,472</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 741	\$ 153,503
Due to DMH	30,304	30,304
Accrued liabilities	13,819	9,000
Net pension liability	23,550	-
	<u>68,414</u>	<u>192,807</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	3,699	7,580
Net position		
Net investment in capital assets	70,649	73,096
Unrestricted	645,185	612,989
	<u>715,834</u>	<u>686,085</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 787,947</u>	<u>\$ 886,472</u>

See notes to financial statements.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenues		
Contracts with governmental agencies	\$ 178,822	\$ 1,952,995
Stimulus income	33,905	58,740
	212,727	2,011,735
Operating Expenses		
Day habilitation	11,941	386,764
Residential habilitation	-	1,387,033
Personal care	-	38,963
Case management	51,717	49,563
Management and general	121,792	116,413
	185,450	1,978,736
Operating profit	27,277	32,999
Non-Operating Income		
Interest income	2,472	2,708
Change in net position	29,749	35,707
Net position at beginning of year	686,085	650,378
Net position at end of year	\$ 715,834	\$ 686,085

See notes to financial statements.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash receipts from contracts	376,963	1,926,918
Cash receipts from government grants	33,905	58,740
Cash payments to suppliers for goods and services	(225,549)	(1,862,414)
Cash payments to employees for services	(84,860)	(96,873)
	<hr/>	<hr/>
Net cash provided by operating activities	100,459	26,371
 Cash Flows from Capital Financing Activities		
Acquisition of capital assets	-	(1,962)
	<hr/>	<hr/>
Net cash used in capital financing activities	-	(1,962)
 Cash Flows from Investing Activities		
Interest received	2,472	2,708
	<hr/>	<hr/>
Net cash provided by investing activities	2,472	2,708
 Net increase in cash and cash equivalents	102,931	27,117
 Cash and cash equivalents - beginning of year	543,828	516,711
	<hr/>	<hr/>
Cash and cash equivalents - end of year	<u>\$ 646,759</u>	<u>\$ 543,828</u>

See notes to financial statements.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Statements of Cash Flows
Years Ended September 30, 2021 and 2020
(Continued)

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating profit	27,277	32,999
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation	2,447	2,423
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	198,141	(26,077)
Prepaid expenses	625	-
Net pension asset	22,737	32,538
Deferred outflows related to pensions	(22,494)	(4,395)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(152,762)	7,811
Accrued liabilities	4,819	(551)
Net pension liability	23,550	
Deferred inflows related to pensions	(3,881)	(18,377)
Net cash provided by operating activities	<u>\$ 100,459</u>	<u>\$ 26,371</u>

See notes to financial statements.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The DeKalb County Mental Retardation Board, Inc. (the Board) is a non-profit public corporation formed under Title 22, Chapter 51 of the Code of Alabama of 1975 for the purpose of enhancing the lives of persons with intellectual disabilities living in DeKalb County by providing day habilitation, residential habilitation, and individual case management through contracts with the Alabama Department of Health.

Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Board.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Professional standards for external financial reporting for all state and local governmental entities require the following financial statements be presented: a statement of net position (balance sheet), a statement of revenues and expenses and change in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. The classifications are defined as follows:

- *Net Investment in Capital Assets* – consists of capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase in balance of deferred outflows of resources related to those assets.
- *Restricted* – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Board's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- *Unrestricted Net Position* – consists of all other net position that does not meet the above two components and is available for general use by the Board.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All activities of the Board are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

The Board of Directors adopts a budget on a basis consistent with accounting principles generally accepted in the United States of America. However, budgetary comparisons are not required to be presented.

Cash and Cash Equivalents

For purposes of cash flows, the Board considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the Board are services provided to consumers under contracts with governmental agencies. Operating expenses include the costs to provide these services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contracts Receivable

Contracts receivable are stated at face amount with no allowance for doubtful accounts considered necessary because probable uncollectible accounts are immaterial.

Capital Assets

The Board has no formal capitalization policy, however, capital assets, which include property, plant and equipment, are reported in the financial statements at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Renovations	40 years
Equipment	3 - 10 years
Automobiles	5 years

Contributed Services

When material, the value of contributed services meeting the requirements for recognition in the financial statements are recorded in the financial statements as revenues and an expense. Additionally, many individuals volunteer their time and perform tasks such as serving on the Board of Directors, which are not recorded in the financial statements. No amounts for contributed services have been recorded in the financial statements.

Contract Income, Receivables, and Economic Dependency

The Board contracts with the Alabama Department of Mental Health (DMH) to provide services in DeKalb County. The Board receives payments from DMH on a monthly basis and significantly depends on these funds for its operations. The Board records revenue as services are provided under this contract. Receivables related to this contract are considered fully collectible; therefore, no allowance for doubtful accounts is maintained. If an amount is determined to be uncollectible, due to ineligibility, etc., DMH reduces a future payment when that determination is made.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The Board is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and the Code of Alabama 1975, Section 22-51-1 through Section 22-51-14. The Organization's Federal Exempt Business Income Tax returns for the prior years is subject to examination by the IRS, generally for three years after they are filed.

Compensated Absences

The Board's policy is for employees to accrue paid time off based on length of service. Upon retirement, resignation, or termination, the Board compensates employees for unused paid time off if certain conditions are met. At September 30, 2021 and 2020, the Board's liability for compensated absences totaled \$8,156 and \$8,001, respectively.

Functional Allocation of Expenses

The costs of providing the various programs of the Board have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets. Accordingly, certain costs have been allocated among the programs benefited.

Deferred Inflows and Outflows of Resources

In addition to assets, when applicable, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Currently, the Board has only one item that qualifies for reporting in this category, deferred amounts from contributions made to the pension plan subsequent to measurement date.

In addition to liabilities, when applicable, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for the reporting in this category, deferred inflows of resources, which is the net difference between projected and actual earnings on pension plan investments.

Advertising Expenses

The Board's policy is to expense advertising costs when incurred.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2021 and 2020, the bank balance of the Board's deposits totaled \$647,369 and \$566,308 respectively.

NOTE 3 - RECEIVABLES

Contract receivables at September 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Medicaid	\$ 17,363	\$ 160,681
Education trust fund	-	42,730
Local agencies	-	12,093
	<u>\$ 17,363</u>	<u>\$ 215,504</u>

NOTE 4 - PREPAID EXPENSES

As of September 30, 2021 and 2020, prepaid expenses consisted of the following:

	<u>2021</u>	<u>2020</u>
Prepaid insurance	\$ 365	\$ 365
Prepaid rent	-	625
	<u>\$ 365</u>	<u>\$ 990</u>

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2021:

	Balance 2020	Additions	Deletions	Balance 2021
Property and equipment				
Buildings	\$ 73,668	\$ -	\$ -	\$ 73,668
Equipment	6,316	-	(1,348)	4,968
	<u>79,984</u>	<u>-</u>	<u>(1,348)</u>	<u>78,636</u>
Less accumulated depreciation for:				
Buildings	2,358	2,038	-	4,396
Equipment	4,530	409	(1,348)	3,591
	<u>6,888</u>	<u>2,447</u>	<u>(1,348)</u>	<u>7,987</u>
Property and equipment, net	<u>\$ 73,096</u>	<u>\$ (2,447)</u>	<u>\$ -</u>	<u>\$ 70,649</u>

The following is a summary of capital assets for the year ended September 30, 2020:

	Balance 2019	Additions	Deletions	Balance 2020
Property and equipment				
Buildings	\$ 73,668	\$ -	\$ -	\$ 73,668
Equipment	8,541	1,962	(4,187)	6,316
	<u>82,209</u>	<u>1,962</u>	<u>(4,187)</u>	<u>79,984</u>
Less accumulated depreciation for:				
Buildings	319	2,039	-	2,358
Equipment	8,333	384	(4,187)	4,530
	<u>8,652</u>	<u>2,423</u>	<u>(4,187)</u>	<u>6,888</u>
Property and equipment, net	<u>\$ 73,557</u>	<u>\$ (461)</u>	<u>\$ -</u>	<u>\$ 73,096</u>

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 6 - ACCOUNTS PAYABLE

At September 30, 2021 and 2020, accounts payable consisted of the following:

	<u>2021</u>		<u>2020</u>
Payable to service providers	\$	-	\$ 152,762
Other		741	741
	<u>\$</u>	<u>741</u>	<u>\$ 153,503</u>

NOTE 7 - OTHER INCOME, GAINS, AND LOSSES

Other income for the years ended September 30, 2021 and 2020, consisted of stimulus income in the amount of \$33,905 and \$58,740, respectively.

In January 2021, the Board received a \$20,763 SBA Paycheck Protection Program (PPP2) loan as established by the Consolidated Appropriations Act (CAA). The loan is subject to a note dated January 29, 2021. The Board applied for and has been notified that \$20,763 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in stimulus income for the year ended September 30, 2021 in the Statements of Revenues, Expenses, and Changes in Net Position.

The Board received a loan from First Southern State Bank in the amount of \$20,762 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 15, 2020. The Board applied for and has been notified that \$20,762 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in stimulus income for the year ended September 30, 2020 in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 8 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

NOTE 9 - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

Professional standards provide guidance on recognition, measurement, and disclosure of an uncertain tax position taken or expected to be taken by the Board. The Board has not and does not expect to take a position that would require recognition of an asset or liability in the statement of net position as of September 30, 2021 and 2020. As a result, there has been no adjustment to the Board's financial statements as of September 30, 2021 and 2020, for any uncertain tax position.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 10 - CONTINGENT LIABILITIES

The Board receives federal grants under Title XIX for Adult Habilitation. This program has been audited by others for financial and legal compliance. The amount, if any, of the expenditures questioned during that audit which may be disallowed cannot be determined at this time although there are no indications such amounts, if any, would be material.

NOTE 11 - RETIREMENT PLAN

The Employees' Retirement System of Alabama (the Plan or ERS) 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 the 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.

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

Plan Description - Continued

- a. Two vested active state employees.
- b. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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 (52 for State Police) 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 (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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 1 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 and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

Benefits Provided - Continued

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

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitle to but not yet receiving benefits	1,974
Terminated employees not entitle to a benefit	14,133
Active members	56,369
Post-DROP participants who are still in active service	97
	<u>101,245</u>

As of the measurement date of September 30, 2020, the Board's membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Vested inactive members	1
Non-vested inactive members	-
Active members	2
	<u>5</u>

Contributions

Covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police members of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not 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 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

Contributions - Continued

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 preretirement death benefit, and administrative expenses of the Plan. For the years ended September 30, 2020 and September 30, 2019, the Board's active employee contribution rate was 7.5% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 0.00% percent of pensionable payroll.

The Board's contractually required contribution rate for the year ended September 30, 2020, was 0.37% of pensionable pay for Tier 1 employees, and 0.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$392 and \$391 for the years ended September 30, 2021 and September 30, 2020, respectively.

Net Pension Liability

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

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132
Total pension liability as of September 30, 2019	\$ 422,181	\$ 455,417	\$ 455,417
Discount rate	7.70%	7.70%	7.70%
Entry age normal cost for the period October 1, 2019 through September 30, 2020	11,157	11,157	11,157
Transfers among employers	-	-	-
Actual benefit payments and refunds for the period October 1, 2019 through September 30, 2020	(20,826)	(20,826)	(20,826)
Total pension liability as of September 30, 2020	<u>\$ 444,218</u>	<u>\$ 480,013</u>	<u>\$ 480,013</u>
Difference between expected and actual		\$ 35,795	
Less liability transferred for immediate recognition		<u>-</u>	
Difference between expected and actual - experience (gain)/loss		<u>\$ 35,795</u>	

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

Actuarial Assumptions

The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Net investment rate of return *	7.70%

* Net of pension investment expense

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at September 30, 2019	\$ 422,181	\$ 444,918	\$ (22,737)
Changes for the year:			
Service cost	11,157	-	11,157
Interest	31,706	-	31,706
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	35,795	-	35,795
Contributions - employer	-	-	-
Contributions - employee	-	7,332	(7,332)
Net investment income	-	25,039	(25,039)
Benefit payments, including refunds of employee contributions	(20,826)	(20,826)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	57,832	11,545	46,287
Balance at September 30, 2020	\$ 480,013	\$ 456,463	\$ 23,550

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability (asset)	\$ 85,779	\$ 23,550	\$ (28,643)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail, by employer and in aggregate, additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsaa.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the years ended September 30, 2021 and 2020, the Board recognized pension expense of \$19,912 and \$9,766, respectively. At September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,190	\$ 3,699
Changes of assumptions	2,252	-
Net difference between projected and actual earnings on pension plan investments	14,369	-
Employer contributions subsequent to the measurement date	-	-
	\$ 52,811	\$ 3,699

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 11 - RETIREMENT PLAN - Continued

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

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,554	\$ 7,580
Changes of assumptions	10,165	-
Net difference between projected and actual earnings on pension plan investments	5,598	-
Employer contributions subsequent to the measurement date	-	-
	<u>\$ 30,317</u>	<u>\$ 7,580</u>

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

Year ended September 30:	
2022	\$ 12,127
2023	\$ 17,352
2024	\$ 16,190
2025	\$ 3,443
2026	\$ -
Thereafter	\$ -

NOTE 12 - UNCERTAINTIES

A novel strain of coronavirus, COVID-19, emerged in the United States in early 2020. The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Board's financial condition or results of operations in the near term is uncertain.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 13 - CONTINGENCIES

According to the U.S. Department of Health and Human Services (HHS), the general and targeted Provider Relief Fund payments are subject to legal terms and conditions. Noncompliance with these terms and conditions is grounds for the recoupment of some or all of the payments by HHS. Recipients of payments from the Provider Relief Fund will be required to submit documentation to HHS demonstrating that these payments were used for health care-related expenses or lost revenue attributable to COVID-19, and HHS has stated that it will perform significant anti-fraud and auditing work. HHS has also stated that to avoid recoupment, recipients must be able to demonstrate that total payments from the Provider Relief Fund do not exceed their lost revenues and increased expenses attributable to COVID-19 that have not or will not be reimbursed from other sources. The Board believes that it is in compliance with all applicable legal terms and conditions and is not aware of any instances that may be grounds for the recoupment of some or all of the payments by HHS.

NOTE 14 - SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through April 5, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.
Schedules of Changes in Net Pension Liability (Asset)
Years Ending September 30
(Unaudited)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 11,157	\$ 9,407	\$ 8,059	\$ 7,714	\$ 10,565	\$ 9,784
Interest	31,706	29,348	27,595	26,932	21,561	19,605
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	35,795	12,694	3,903	(18,252)	10,412	(1,433)
Changes of assumptions	-	-	2,015	-	38,962	-
Benefit payments, including refunds of employee contributions	(20,826)	(20,826)	(12,165)	(3,505)	(3,505)	(3,505)
Transfers among employers	-	-	-	-	-	-
Net change in total pension liability	57,832	30,623	29,407	12,889	77,995	24,451
Total pension liability, beginning	422,181	391,558	362,151	349,262	271,267	246,816
Total pension liability, ended (a)	\$ 480,013	\$ 422,181	\$ 391,558	\$ 362,151	\$ 349,262	\$ 271,267
Plan Fiduciary Net Position						
Contributions - employer	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -
Contributions - member	7,332	7,607	8,143	9,050	8,677	8,325
Net investment income	25,039	11,304	38,020	46,545	33,103	3,753
Benefit payments, including refunds of employee contributions	(20,826)	(20,826)	(12,165)	(3,505)	(3,505)	(3,505)
Net change in plan fiduciary net position	11,545	(1,915)	33,998	52,100	38,275	8,573
Plan net position, beginning	444,918	446,833	412,835	360,735	322,460	313,887
Plan net position, ending (b)	\$ 456,463	\$ 444,918	\$ 446,833	\$ 412,835	\$ 360,735	\$ 322,460
Net pension liability (asset), ending (a) - (b)	\$ 23,550	\$ (22,737)	\$ (55,275)	\$ (50,684)	\$ (11,473)	\$ (51,193)
Plan fiduciary net position as a percentage of the total pension liability	95.09%	105.39%	114.12%	114.00%	103.28%	118.87%
Covered payroll	\$ 106,566	\$ 148,634	\$ 119,507	\$ 139,900	\$ 126,035	\$ 116,145
Net pension liability (asset) as a percentage of covered payroll	22.10%	-15.30%	-46.25%	-36.23%	-9.10%	-44.08%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Schedules of Employer Contributions
Years Ending September 30
(Unaudited)

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>
Actuarially determined contribution	\$ 396	\$	\$ 391	\$	\$ 347	\$	\$ 444	\$	\$ 404	\$	\$ 463
Contributions in relation to the actuarially determined contributions	396		391		347		444		404		463
Contribution deficiency (excess)	\$ -	\$	\$ -	\$	\$ -	\$	\$ -	\$	\$ -	\$	\$ -
Covered-employee payroll	\$ 106,989	\$	\$ 106,566	\$	\$ 148,634	\$	\$ 119,507	\$	\$ 139,900	\$	\$ 126,035
Contributions as a percentage of covered-employee payroll	0.4%		0.4%		0.2%		0.4%		0.3%		0.4%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Note to Required Supplementary Information

September 30, 2021 and 2020

(Unaudited)

NOTE 1 - PENSION RELATED SCHEDULES

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	N/A
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

ADDITIONAL INFORMATION

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Schedule of Revenues

Year Ending September 30, 2021

	<u>State</u>	<u>Local</u>	<u>Other</u>	<u>Total</u>
Contracts with governmental agencies	\$ 164,760	\$ 14,062	\$ -	\$ 178,822
Stimulus income	-	-	33,905	33,905
Interest income	-	-	2,472	2,472
	<u>\$ 164,760</u>	<u>\$ 14,062</u>	<u>\$ 36,377</u>	<u>\$ 215,199</u>

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Schedule of Expenses

For the Year Ending September 30, 2021

	Program Services			Total
	Day Habilitation	Case Management	Management and General	
Salaries	\$ -	\$ 44,980	\$ 64,611	\$ 109,591
Payroll taxes	-	3,482	4,984	8,466
Employee benefits	-	198	20,177	20,375
	-	48,660	89,772	138,432
Payments to providers	11,941	-	-	11,941
Accounting fees	-	-	11,500	11,500
Consulting fees	-	-	9,900	9,900
Depreciation	-	2,447	-	2,447
Dues and subscriptions	-	-	1,161	1,161
Insurance	-	-	2,691	2,691
Miscellaneous	-	-	738	738
Rent	-	-	625	625
Repairs and maintenance	-	-	290	290
Supplies	-	32	424	456
Taxes and licenses	-	-	-	-
Telephone	-	-	1,976	1,976
Travel	-	578	747	1,325
Utilities	-	-	1,968	1,968
	11,941	3,057	32,020	47,018
Total expenses	\$ 11,941	\$ 51,717	\$ 121,792	\$ 185,450

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Officers and Board of Directors

Year Ending September 30, 2021

Board Members

Bruce Hale	Director
Don Lucy	Director
Pat Cagle	Director
Amy Spurgeon	Director
Jonathan Phillips	Director
Gelane Nelson	Director
Marshall Stiefel	Director
Kim Kenna	Director
Marilyn Peppers	Director
Cat Curtis	Director
Whitney Whiteside	Director
Dana Greeson	Director
Sherry Gullede	Director
Michelle Norwood	Director
Jamie Larson	Director
Hannah Chandler	Director
Nicole Quevedo	Director

Officials

Amanda Phillips	Executive Director
-----------------	--------------------

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Schedule of Bonded Officials
Year Ending September 30, 2021

Name	Bonding Company	Amount
All employees/Board members	Great American Insurance Group	\$ 1,000,000

**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
DeKalb County Mental Retardation Board, Inc.
Fort Payne, Alabama

We have audited, 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, the financial statements of DeKalb County Mental Retardation Board, Inc. (the Board), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Board's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BMSS, LLC

Gadsden, Alabama
April 5, 2022

DEKALB COUNTY MENTAL RETARDATION BOARD, INC.

Schedule of Findings and Responses

Year ended September 30, 2021

Deficiencies in Internal Control

2021-01 *

Condition: The Board has a limited number of employees that does not allow for adequate segregation of duties to provide the Board with an internal control system that can be relied upon.

Criteria: Internal controls should be in place to mitigate the lack of segregation of duties.

Cause and effect: Limited administrative personnel contribute to the lack of proper segregation of duties, which increases the risk that erroneous or inappropriate actions by Board personnel might go undetected.

Recommendation: In light of the noted deficiency, we recommend the Board implement mitigating controls to assist it in overcoming this deficiency. These would include the requirement of dual signatures on checks, board review of financial information at its regular board meetings, rotating of duties among administrative personnel, etc.

Views of responsible officials and planned corrective actions:

The Board and management agree with this deficiency in internal controls. Currently duties are segregated as much as reasonably possible and the Board has implemented a dual signature requirement and it reviews financial information at its regular board meetings.

* Material weakness

**REPORT ON COMPLIANCE WITH DEPARTMENT
OF MENTAL HEALTH CONTRACTS**

To the Board of Directors
DeKalb County Mental Retardation Board, Inc.
Fort Payne, Alabama

We have audited contract/grant/agreement number G2320154H1 between the Department of Mental Health (DMH) and DeKalb County Mental Retardation Board, Inc. as of and for the year ended September 30, 2021.

Compliance with the DMH contracts/grants/agreements, and all laws, rules and regulations applicable to DeKalb County Mental Retardation Board, Inc. is the responsibility of DeKalb County Mental Retardation Board, Inc.'s management. As part of obtaining reasonable assurance about whether the contract/grant/agreement, and all applicable laws, rules and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, *Audit for Compliance with the Contract of the DMH Audit Guidelines*. Revenue and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract/grant/agreement. Funds claimed as a match for federal programs were audited to determine if they were allowable and adequate to match federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract/grant/agreement, and all applicable laws, and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

BMSS, LLC

Gadsden, Alabama
April 5, 2022