

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

Years Ended December 31, 2020 and 2019

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Basic Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 21
Additional Information	
Schedule of Board Members	22
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability	23
Schedule of Employer Contributions	24
Compliance and Internal Controls	
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>	25 - 26
Schedule of Findings	27

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Board of Directors
North Baldwin County Health Care Authority
Bay Minette, Alabama

We have audited the accompanying financial statements of the North Baldwin County Health Care Authority as of December 31, 2020 and 2019, and for the years ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Baldwin County Health Care Authority, as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 9 to the financial statements, certain errors resulting in overstatement of amounts previously reported for net position and pension expense and an understatement of amounts for funds on deposit with ERS and overdrawn funds owed to ERS as of December 31, 2019, were discovered during the current year. Accordingly, amounts reported for funds on deposit with ERS, overdrawn funds owed to ERS and pension expense been restated in the financial statements now presented, and an adjustment

has been made to net position as of December 31, 2019, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of employer contributions to retirement plan and the schedules of changes in net pension liability on pages 23 and 24 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 financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the North Baldwin County Health Care Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Robertson, Andreoli & Covington, P.C.

Robertson, Andreoli and Covington, P.C.
Certified Public Accountants

Bay Minette, Alabama
November 15, 2021

BASIC FINANCIAL STATEMENTS

North Baldwin County Health Care Authority
Statements of Net Position
As of December 31, 2020 and 2019 (Restated)

	<u>2020</u>	<u>2019</u> <u>Restated</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 737,492	\$ 460,757
Money Market Account - Board Designated	79,345	204,026
Accounts Receivable, Net	148,666	159,977
Prepaid Insurance	1,090	1,090
Accrued Interest	1,319	1,239
Total Current Assets	<u>967,912</u>	<u>827,089</u>
Restricted Assets		
Funds on Deposit with ERS	<u>256,494</u>	<u>247,923</u>
Total Restricted Assets	256,494	247,923
Capital Assets		
Land	10,000	10,000
Equipment, Net	<u>0</u>	<u>0</u>
Total Capital Assets	<u>10,000</u>	<u>10,000</u>
TOTAL ASSETS	1,234,406	1,085,012
DEFERRED OUTFLOWS OF RESOURCES	<u>81,734</u>	<u>82,387</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,316,140</u>	<u>\$ 1,167,399</u>
LIABILITIES		
Current Liabilities		
Current Portion of Overdrawn Funds Owed to ERS	\$ 18,000	\$ 18,000
Total Current Liabilities	<u>18,000</u>	<u>18,000</u>
Noncurrent Liabilities		
Overdrawn Funds Owed to ERS	206,008	224,008
Net Pension Liability	<u>2,634,064</u>	<u>3,091,636</u>
Total Noncurrent Liabilities	2,840,072	3,315,644
TOTAL LIABILITIES	<u>2,858,072</u>	<u>3,333,644</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
NET POSITION		
Net Investment in Capital Assets	10,000	10,000
Restricted	256,494	247,923
Unrestricted - Board Designated	79,345	204,026
Unrestricted	<u>(1,887,771)</u>	<u>(2,628,194)</u>
Total Net Position	<u>(1,541,932)</u>	<u>(2,166,245)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,316,140</u>	<u>\$ 1,167,399</u>

See independent auditors' report and notes to the financial statements.

North Baldwin County Health Care Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019 (Restated)

	<u>2020</u>	<u>2019 Restated</u>
Operating Revenues		
Reimbursements	\$ 0	\$ 0
Total Operating Income	<u>0</u>	<u>0</u>
Operating Expenses		
Accounting and Legal Fees	6,800	6,585
Allocations to North Baldwin Infirmary	134,446	228,968
Insurance	2,115	2,115
Miscellaneous	6,656	6,416
Pension Expense (Income)	(110,255)	272,035
Scholarship Funding	4,113	9,888
Total Operating Expenses	<u>43,875</u>	<u>526,007</u>
Operating Income (Loss)	<u>(43,875)</u>	<u>(526,007)</u>
Nonoperating Revenues		
Ad Valorem Tax Revenue - Real Estate	498,709	482,533
Ad Valorem Tax Revenue - Auto	86,168	75,953
Privilege Tax Revenue	75,883	75,318
Interest Income	7,428	8,223
Total Nonoperating Revenue	<u>668,188</u>	<u>642,027</u>
Increase in Net Position	624,313	116,020
Net Position - Beginning of Year, as Previously Reported	(2,166,245)	(2,044,431)
Prior Period Adjustment	0	(237,834)
Net Position - Beginning of Year, as Restated	<u>(2,166,245)</u>	<u>(2,282,265)</u>
Net Position - End of Year	<u>\$ (1,541,932)</u>	<u>\$ (2,166,245)</u>

See independent auditors' report and notes to the financial statements.

North Baldwin County Health Care Authority
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019 (Restated)

	<u>2020</u>	<u>2019 Restated</u>
Cash Flows from Operating Activities:		
Payments for Services and Other Costs	<u>(509,365)</u>	<u>(636,200)</u>
Net Cash Provided (Used) by Operating Activities	(509,365)	(636,200)
Cash Flows from Noncapital Financing Activities:		
Ad Valorem Tax Revenue	596,188	547,423
Privilege Tax Revenue	75,883	75,318
ERS Principal Payments	<u>(18,000)</u>	<u>(18,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	654,071	604,741
Cash Flows from Investing Activities:		
Interest on Investments	<u>7,348</u>	<u>6,984</u>
Net Cash Provided (Used) by Investing Activities	<u>7,348</u>	<u>6,984</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 152,054	 (24,475)
 Cash and Cash Equivalents, Beginning of Year	 <u>664,783</u>	 <u>689,258</u>
Cash and Cash Equivalents, End of Year	\$ <u>816,837</u>	\$ <u>664,783</u>
SUMMARY		
Unrestricted Cash - cash and cash equivalents	\$ 816,837	\$ 664,783
Restricted Cash - cash and cash equivalents	<u>0</u>	<u>0</u>
Total cash and cash equivalents	\$ <u>816,837</u>	\$ <u>664,783</u>

See independent auditors' report and notes to the financial statements.

North Baldwin County Health Care Authority
Statements of Cash Flows - Continued
For the Years Ended December 31, 2020 and 2019 (Restated)

	<u>2020</u>	<u>2019 Restated</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ <u>(43,875)</u>	\$ <u>(526,007)</u>
Adjustments to reconcile operating income (loss) to net cash flows used in operating activities:		
Deferred outflows of resources related to GASB 68	653	10,118
Change in pension expense related to GASB 68	(457,572)	(116,259)
Funds held by ERS	<u>(8,571)</u>	<u>(4,052)</u>
	<u>(465,490)</u>	<u>(110,193)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(509,365)</u></u>	\$ <u><u>(636,200)</u></u>

See independent auditors' report and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The North Baldwin County Health Care Authority (the Authority) is a not-for-profit public corporation organized under the laws of the State of Alabama and existing pursuant to Section 22-21-310 et seq, **Code of Alabama 1975**, as amended. The Authority was created for the purpose of promoting healthcare in the North Baldwin area, as well as charitable, educational, scientific, and any other purpose permitted under section 501(c)(3) of the Internal Revenue Code. After incorporation, the Authority commenced operations of the North Baldwin Hospital located in Bay Minette, Alabama.

In 2001, the Authority entered into a capital lease with Gulf Health Hospitals, Inc. The lease includes leased land, the 55 bed acute care facility hospital building, the physician office buildings located on the leased land, the Oakwood-North Baldwin Center for Living, the North Baldwin Wellness Center, and all other improvements, furniture, fixtures, machinery, vehicles, office furnishings, and equipment. During 2002, a second amendment of the lease provided for an option to purchase upon the expiration or termination of the lease or at any time during the option term. The present value of the option is a nominal amount and has not been recorded. The lease contains no other provision for any future lease payments.

Tax Status

As a governmental unit, the Authority is exempt from federal and state income taxes, including the filing of Form 990.

Related Organization

The Authority's Board Members are appointed by the Baldwin County Commission. The County, however, is not financially accountable because it does not impose will or have a benefit or burden relationship with the Authority. The Authority is not considered part of the Commission's financial reporting entity but is considered a related organization of the County Commission.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The Authority has elected to apply the provisions of all applicable GASB pronouncements as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. At December 31, 2020 and 2019, there were no cash equivalents.

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Contributed capital assets are reported at their estimated fair market value on the date received. Capital assets are shown at cost less accumulated depreciation (net) on the financial statements.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from three to thirty-nine years. Depreciation expense for the years ended December 31, 2020 and 2019 was \$0 and \$0 respectively.

Ad Valorem Tax

The Authority received approximately 88% of its financial support during the year ended December 31, 2020 from ad valorem taxes. Ad valorem taxes are levied in February of each year based on assessments as of the previous October 1. The taxes are due the following October 1 and are considered delinquent after December 31. Per Alabama Act No. 2007-008, “the governing body of Baldwin County shall levy and cause to be collected annually, beginning October 1, 2007, for a period of 20 years,...a special district tax of two mills on each one dollar assessed valuation of taxable property,...to be used exclusively for public hospital purposes.”

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority’s policy to use restricted resources before unrestricted resources.

Net Position

Net position of the Authority is classified in the following components:

Net Investment in Capital Assets – consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets.

Restricted – consist of noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority.

Unrestricted - Designated – consist of the net assets that are restricted by the board of directors.

Unrestricted – consist of the remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Concentrations of Credit Risk – Accounts Receivable

The Authority’s accounts receivable consist mainly of taxes received from state and local governmental agencies. As a consequence, concentrations of credit risk related to accounts receivables are limited.

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Operating Revenues and Expenses

The Authority's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues would result from exchange transactions associated with providing health care services, the Authority's previous principal activity; however, since the lease transaction described above, the Authority's revenues have consisted primarily of nonexchange revenues. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Risk Management

The Authority is exposed to various risks including, but not limited to, loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and accidents. The Authority has elected to manage its risks through commercial insurance provided by the lessee on leased assets and self-insurance for remaining needs. Given the Authority's transition from hospital operations to lessor, the Authority feels that the potential risk of loss has been mitigated and no reserve has been established.

Pensions

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.

Date of Management Review

Subsequent events were evaluated by management for disclosure through November 15, 2021, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The Authority's deposits are required to be held by financial institutions that participate in the State of Alabama's Security of 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 financial 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.

Designated Money Market Account

The Authority had a balance of \$79,345 in a money market account as of December 31, 2020 that has been designated by the Board of Directors as restricted for use in funding future obligations related to the Employees' Retirement System of Alabama.

**NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)**

NOTE 2 – DEPOSITS AND INVESTMENTS, continued

Investment Risks

The Authority's policies regarding investment risks are as follows:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority does not have a formal investment policy that limits investments to higher credit quality ratings as a means of managing its exposure to credit risk.

Custodial Credit Risk

For an investment, the custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that limits the amount of securities that can be held by counterparties as a means of managing its custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority does not have a formal investment policy that limits investments in a single issuer as a means of managing its concentrations of credit risk.

NOTE 3 – ALLOCATIONS TO NORTH BALDWIN INFIRMARY

The Authority considers requests from organizations for expenditures as set forth in the Health Care Authorities Act and other applicable state and local statutes. These requests are based on the availability of the funds and the needs assessed.

During the year ended December 31, 2020, the Authority provided the following allocations:

	<u>2020</u>
Allocations to North Baldwin Infirmary:	
Physician & Operating Costs	\$134,446

During the year ended December 31, 2019, the Authority provided the following allocations:

	<u>2019</u>
Allocations to North Baldwin Infirmary:	
Physician & Operating Costs	\$228,968

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 3 – ALLOCATIONS TO NORTH BALDWIN INFIRMARY, continued

Physician Recruitment

The Authority assists the North Baldwin Infirmary (NBI) with physician recruitment. In the course of this assistance, the Authority has in prior years provided advances of incentives and subsidies to physicians under varying terms. Generally with the expectation that some, or all, of the funds will be forgiven upon the achievement of defined milestones by the physician. For the years ended December 31, 2020 and 2019, the Authority paid \$0 and \$11,662, respectively. The contract has a remaining balance of zero.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable for the year ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
<u>Accounts Receivable</u>		
Ad Valorem Tax – Real Estate	\$ 145,256	\$ 158,406
Ad Valorem Tax – Auto	<u>3,410</u>	<u>1,571</u>
Total Accounts Receivable	<u>\$ 148,666</u>	<u>\$ 159,977</u>

NOTE 5 – CAPITAL ASSETS

Capital asset additions, retirements, and balances for the year ended December 31, 2020 were as follows:

	Balance <u>12/31/2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/2020</u>
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Equipment	<u>599</u>	<u>0</u>	<u>0</u>	<u>599</u>
Totals at historical cost	10,599	0	0	10,599
Less accumulated depreciation				
Equipment	(599)	0	0	(599)
Total accumulated depreciation	<u>(599)</u>	<u>0</u>	<u>0</u>	<u>(599)</u>
Capital Assets, net	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 5 – CAPITAL ASSETS, continued

Capital asset additions, retirements, and balances for the year ended December 31, 2019 were as follows:

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/2019</u>
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Equipment	<u>599</u>	<u>0</u>	<u>0</u>	<u>599</u>
Totals at historical cost	10,599	0	0	10,599
Less accumulated depreciation				
Equipment	(599)	0	0	(599)
Total accumulated depreciation	<u>(599)</u>	<u>0</u>	<u>0</u>	<u>(599)</u>
Capital Assets, net	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Certificates of deposit: The carrying amount reported in the balance sheet for certificates of deposit approximates its fair value.

Accounts receivable: The carrying amount reported in the balance sheet for accounts receivable approximates its fair value.

Notes receivable: The carrying amount reported in the balance sheet for notes receivable approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

The carrying amounts and fair values of the Authority's financial instruments at December 31, 2020 and 2019 are as follows:

	<u>2020</u>		<u>2019</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$ 737,492	\$ 737,492	\$ 460,757	\$ 460,757
Accounts Receivable	148,666	148,666	159,977	145,977
Prepaid Insurance	1,090	1,090	1,090	1,090
Accrued Interest Income	1,319	1,319	1,239	1,239
Accounts Payable and Accrued Expenses	0	0	0	0

**NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)**

NOTE 7 – SETTLEMENT OF CLAIM

The Authority along with The Employees' Retirement System of Alabama (ERS) and The Board of Control of The Employees' Retirement system of Alabama agreed during 2015 to settle and compromise any claims pending in the Circuit Court of Baldwin County and the Supreme Court of Alabama. In addition, the Authority and the thirty-eight persons being former employees of North Baldwin Hospital, who were members of the Employees' Retirement System of Alabama, settled their issues during 2015 through Pro Tanto Settlement Agreement. These two settlement agreements, in accordance with an Order dated July 21, 2014 by the Baldwin County Circuit Court, conclude that the Authority is obligated to pay the Members' retirement benefits.

The agreements will operate generally under the following financial conditions:

The Authority will pay the ERS the sum of \$318,508, without interest, in consecutive monthly payments of \$1,500 commencing on January 1, 2016 and continuing until the amount is paid in full.

The Authority started remitting to ERS in October 2015, and quarterly thereafter, a payment sufficient to fund benefits quarterly and to maintain a reserve equal to the amount necessary to pay benefits the following quarter.

For the years ended December 31, 2020 and 2019 overdrawn funds owed to ERS were \$224,008 and \$242,008, respectively. Additionally, for the years ended December 31, 2020 and 2019 funds held by ERS were \$256,494 and \$247,923, respectively. These funds will be utilized to fund retiree payments. The Authority continued to make quarterly deposits during 2020 to fund the former employees' retirement. This amount is subject to change depending on circumstances such as the death of covered individuals.

NOTE 8 – RETIREMENT 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. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

1. The Governor, ex officio.
2. The State Treasurer, ex officio.
3. The State Personnel Director, ex officio.
4. The State Director of Finance, ex officio.
5. Three vested members of the Employees' Retirement System of Alabama 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.

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

6. Six members of the Employees' Retirement System of Alabama 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 the Employees' Retirement System of Alabama.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in the Employees' Retirement System of Alabama pursuant to § 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.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	<u>98</u>
Total	<u><u>93,986</u></u>

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

Contributions

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. 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 of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

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 year ended December 31, 2020, North Baldwin County Health Care Authority had no active employees.

Plan Membership

The Authority's retirement plan membership as of September 30, 2020 is shown in the following table:

Retired members or their beneficiaries currently receiving benefits	28
Vested inactive members	2
Active members	<u>0</u>
Total members	<u><u>30</u></u>

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

(a) Total Pension Liability as of September 30, 2019	\$ 2,814,937
(b) Discount Rate	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020	0
(d) Transfers Among Employees	0
(e) Actual Benefit Payments and Refunds for the period October 1, 2019 - September 30, 2020	<u>(351,380)</u>
(f) Total Pension Liability as of September 30, 2020 = [(a) x (1+(b))] +(c) +(d) + [(e) x (1+.5 x (b))]	<u>\$ 2,666,768</u>

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key assumptions are summarized below:

Inflation	2.75%
Projected Salary Increases	3.25%-5.00%
Investment Rate of Return*	7.70%

*Net of pension plan expense

Mortality rates for the Retirement Systems of Alabama were based upon the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% for 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, 2017, 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.

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

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:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	100.00%	

*Includes assumed rate of inflation of 2.50%

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 Retirement Systems of Alabama 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.

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

Changes in net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2019	\$ 2,997,385	\$ (94,251)	\$ 3,091,636
Changes for the year:			
Service cost	0	0	0
Interest	217,271	0	217,271
Changes of assumptions	0	0	0
Difference between expected and actual experience	(196,508)	0	(196,508)
Contributions - employer	0	478,335	(478,335)
Contributions - employee	0	0	0
Net investment income	0	0	0
Benefit payments, including refunds			
of employee contributions	(351,380)	(351,380)	0
Administrative expense	0	0	0
Transfers among employers	0	0	0
Net changes	(330,617)	126,955	(457,572)
Balances at September 30, 2020	\$ 2,666,768	\$ 32,704	\$ 2,634,064

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

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

	1.0% Decrease (6.70%)	Current Discount Rate (7.70%)	1.0% Increase (8.70%)
Plan's Net Pension Liability	\$ 2,795,891	\$ 2,634,064	\$ 2,489,256

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report 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.rsa-al.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 Year Ended December 31, 2020, the Authority recognized pension income of \$110,255.

Service cost	\$	0
Interest on the total pension liability		217,271
Current-period benefit changes		0
Expensed portion of current-period difference between expected and actual experience in the total pension liability		(196,508)
Expensed portion of current-period changes of assumptions		0
Member contributions		0
Projected earnings on plan investments		0
Expensed portion of current-period differences between actual and projected earnings on plan investments		0
Transfers among employers		0
Recognition of beginning deferred outflows of resources as pension expense		0
Recognition of beginning deferred inflows of resources as pension expense		0
		<hr/>
Pension Expense	\$	<u>20,763</u>

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 8 – RETIREMENT PLAN, continued

At December 31, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	0	0
Employer contributions subsequent to the measurement date	<u>81,734</u>	<u>0</u>
Total	<u>\$ 81,734</u>	<u>\$ 0</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending December 31</u>	
2020	\$ 81,734
2021	0
2022	0
2023	0
2024	0
Thereafter	<u>0</u>
	<u>\$ 81,734</u>

NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019 (Restated)

NOTE 9 – CORRECTION OF AN ERROR

A prior period adjustment of (\$237,834) was made to net position as of December 31, 2018. This correction was made to adjust net position, funds on deposit with ERS and overdrawn funds owed to ERS. Pension expense previously stated for the year ended December 31, 2019 was decreased by \$22,052. Funds on deposit with ERS previously stated for the year ended December 31, 2019 was increased by \$26,226. Overdrawn funds owed to ERS were previously stated for the year ended December 31, 2019 increased to \$242,008.

ADDITIONAL INFORMATION

**NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
SCHEDULE OF BOARD MEMBERS
December 31, 2020**

<u>Member</u>	<u>Term Expires</u>
Mr. Don Robinson 705 Lakeview Drive Bay Minette, AL 36507	January 1, 2022
Mrs. Betty Lou Wills 602 East 6th Street Bay Minette, AL 36507	January 1, 2022
Mrs. Lynn Biles 44850 Linda Jones Road Bay Minette, AL 36507	January 1, 2022
Dr. Dennis Goodwin 45578 Highway 112 Bay Minette, AL 36507	January 1, 2026
Mr. Jason Padgett 25 Hand Avenue Bay Minette, AL 36507	January 1, 2026
Mr. Robert Zarr 45480 Lac Road Bay Minette, AL 36507	January 1, 2026
Mr. Scotty Lewis 2108 Cate Court Bay Minette, AL 36507	January 1, 2024
Dr. Phyllis French 43860 Old Robinson Road Bay Minette, AL 36507	January 1, 2024
Mr. Archie McMillan P.O. Box 758 Bay Minette, AL 36507	January 1, 2024

REQUIRED SUPPLEMENTARY INFORMATION

North Baldwin Health Care Authority
Required Supplementary Information
Schedule of Changes in the Net Pension Liability
Last 10 Fiscal Years Ending September 30

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	217,271	230,970	240,372	246,135	253,013	265,468	278,009
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	(196,508)	(41,330)	43,361	99,158	99,427	13,326	0
Changes of assumptions	0	0	9,335	0	96,504	0	0
Benefit payments, including refunds of employee contributions	(351,380)	(383,733)	(406,328)	(432,983)	(438,350)	(430,625)	(438,922)
Transfers among employers	0	0	0	0	0	0	0
Net change in total pension liability	(330,617)	(194,093)	(113,260)	(87,690)	10,594	(151,831)	(160,913)
Total pension liability-beginning	2,997,385	3,191,478	3,304,738	3,392,428	3,381,834	3,533,665	3,694,578
Total pension liability-ending (a)	<u>\$ 2,666,768</u>	<u>\$ 2,997,385</u>	<u>\$ 3,191,478</u>	<u>\$ 3,304,738</u>	<u>\$ 3,392,428</u>	<u>\$ 3,381,834</u>	<u>\$ 3,533,665</u>
Plan Fiduciary Net Position							
Contributions-employer	\$ 478,335	\$ 305,899	\$ 445,355	\$ 456,350	\$ 565,938	\$ 0	\$ 981,655
Contributions-member	0	0	0	0	0	0	0
Net investment income	0	0	0	0	0	0	1
Benefit Payments, including refunds of Employee contributions	(351,380)	(383,733)	(406,328)	(432,983)	(438,350)	(430,625)	(438,922)
Transfers among employers	0	0	0	0	0	0	0
Net change in plan fiduciary net position	126,955	(77,834)	39,027	23,367	127,588	(430,625)	542,734
Plan net position-beginning	(94,251)	(16,417)	(55,444)	(78,811)	(206,399)	224,226	(318,508)
Plan net position-ending	<u>\$ 32,704</u>	<u>\$ (94,251)</u>	<u>\$ (16,417)</u>	<u>\$ (55,444)</u>	<u>\$ (78,811)</u>	<u>\$ (206,399)</u>	<u>\$ 224,226</u>
Net pension liability (asset) -ending (a) -(b)	<u>\$ 2,634,064</u>	<u>\$ 3,091,636</u>	<u>\$ 3,207,895</u>	<u>\$ 3,360,182</u>	<u>\$ 3,471,239</u>	<u>\$ 3,588,233</u>	<u>\$ 3,309,439</u>
Plan fiduciary net position as a percentage of the total pension liability	1.23%	-3.14%	-0.51%	-1.68%	-2.32%	-6.10%	6.35%
Covered payroll	0	0	0	0	0	0	0
Net pension liability (asset) as a percentage of covered payroll	0%	0%	0%	0%	0%	0%	0%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**North Baldwin Health Care Authority
Required Supplementary Information
Schedule of Employer Contributions
Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution*	351,380 \$	383,733 \$	406,328 \$	433,952 \$	438,350 \$	430,625
Contributions in relation to the actuarially determined contributions*	<u>351,380</u>	<u>383,733</u>	<u>406,328</u>	<u>433,952</u>	<u>438,350</u>	<u>430,625</u>
Contribution deficiency (excess)	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0</u>
Covered payroll**	0 \$	0 \$	0 \$	0 \$	0 \$	0
Contributions as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	N/A years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25-5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

See independent auditors' report and notes to the financial statements.

COMPLIANCE AND INTERNAL CONTROLS



**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**

Board of Directors
North Baldwin County Health Care Authority
Bay Minette, 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 North Baldwin County Health Care Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Baldwin County Health Care Authority'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robertson, Andreoli & Covington, P.C.

Robertson, Andreoli and Covington, P.C.
Certified Public Accountants

Bay Minette, Alabama
November 15, 2021

**NORTH BALDWIN COUNTY HEALTH CARE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2020**

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

None