Opp City Board of Education

FINANCIAL STATEMENTS

For The Year Ended September 30, 2021

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Opp City Board of Education
Opp, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Opp City Board of Education (the "Board"), a component unit of the City of Opp, Alabama, as of and for the year ended September 30, 2021, 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 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11, schedules of the employer's proportionate share of the net pension liability and OPEB and schedules of employer contributions, on pages 56 – 61, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
March 24, 2022

Introduction

The Management's Discussion and Analysis (MD&A) of the Opp City Board of Education's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2021. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Board's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this analysis.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations:

On the government-wide financial statements:

- General fund revenues and other sources exceeded expenditures and other uses by $128,988 resulting in a fund balance of $2,279,840 available as of fiscal year end, September 30, 2021.
- The liabilities of the Board exceeded its assets at the close of the fiscal 2021 year by $6.87 million. The deficit is due to the recognition of defined benefit pension and OPEB liabilities and related deferred outflows and inflows which totaled approximately $19.6 million as of September 30, 2021. The recognition of these items is required by GASB Statements 68 and 75 and represents the estimated future pension and OPEB costs which have been earned by employees as of the date of the financial statements. However, the recognition of these amounts do not impact the current funding requirements of the pension and OPEB plans. Detailed information can be found in Notes 3 and 4.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements, which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements - the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Position* presents information on all of the Board's assets less liabilities, which results in net position. The statement is designed to display the financial position of the Board.

Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds – not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. One kind of funds – governmental funds – is presented in the fund financial statements.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* – are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

As noted earlier, the Board has no business-type activities. Consequently, the Board's net position is reported as Governmental Activities.

Net Position - Governmental Activities

September 30,	**2021**	2020
Assets		
Current assets	**$ 4,218,578**	$ 3,900,710
Restricted assets	**1,259,354**	1,158,922
Capital assets, net of depreciation	**17,401,911**	17,349,767
Total assets	**22,879,843**	22,409,399
Deferred Outflows of Resources		
Deferred loss on refunding of debt	**426,537**	454,180
Deferred outflows related to pension	**3,284,625**	2,027,999
Deferred outflows related to OPEB	**3,580,409**	1,333,872
Total deferred outflows of resources	**7,291,571**	3,816,051
Liabilities		
Current liabilities	**1,758,980**	1,691,400
Noncurrent liabilities	**29,576,785**	25,442,183
Total liabilities	**31,335,765**	27,133,583
Deferred Inflows of Resources		
Deferred inflows related to pension	**403,000**	603,000
Deferred inflows related to OPEB	**5,281,395**	6,066,906
Deferred gain on refunding	**22,701**	32,063
Total deferred inflows of resources	**5,707,096**	6,701,969
Net Position		
Net investment in capital assets	**8,404,496**	8,016,204
Restricted	**1,259,354**	1,158,922
Unrestricted (deficit)	**(16,535,297)**	(16,785,228)
Total net position (deficit)	**$ (6,871,447)**	$ (7,610,102)

The Board's liabilities and deferred inflows exceeded assets and deferred outflows by $6,871,447 at the close of the fiscal year. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.

It is important to note that the deficit in Total Net Position is largely due to the impact of GASB Statement 68 which became effective in 2015 and GASB Statement 75, which became effective in 2018. GASB 68 requires state and local governments and their related entities that participate in a defined benefit pension plan to disclose their proportionate share of any unfunded pension liability on their financial statements. GASB 75 established accounting and financial reporting requirements for governmental employers who provide Other Postemployment Benefits (OPEB) to their employees through a trust. GASB 68 and 75 address only financial reporting requirements and have no impact on the funding requirements for pension and OPEB plans. Readers of the financial statements must understand that these reporting requirements do not change the Board's cash position, credit worthiness, or overall financial health. The Board's financial ability to fund daily operations, meet debt obligations and allocate resources to achieve goals and objectives is unchanged. More detailed information regarding the calculations and reporting requirements of GASB 68 and GASB 75 can be found in the Notes to the Financial Statements.

The following table of the Board's total revenues and expenditures condenses the results of operations for the fiscal year into a format where the reader can easily see total revenues of the Board for the year. It also shows the impact operations had on changes in net position as of September 30, 2021.

Summary of Changes in Net Position From Operating Results

Years ended September 30,	**2021**	2020
Program Revenues		
Charges for services	**$ 1,572,631**	$ 1,120,178
Operating grants and contributions	**11,577,987**	10,415,573
Capital grants	**455,998**	466,340
General Revenues		
Local property taxes	**741,980**	731,630
Sales and use taxes	**1,960,486**	1,727,387
Miscellaneous taxes	**48,736**	51,433
Grants and contributions not restricted for specific programs	**300**	480
Investment earnings	**35,595**	63,876
Miscellaneous	**441,698**	403,522
Total revenues	**16,835,411**	14,980,419
Expenses		
Instructional services	**8,784,345**	7,510,885
Instructional support services	**2,240,111**	2,058,709
Operation and maintenance services	**1,377,577**	1,332,550
Food services	**349,726**	857,002
Student transportation services	**617,477**	587,753
General administration services	**985,076**	864,015
Other expenses	**1,449,214**	707,276
Interest and fiscal charges	**293,230**	311,072
Total expenses	**16,096,756**	14,229,262
Change in net position	**738,655**	751,157
Net position (deficit), beginning of year	**(7,610,102)**	(8,361,259)
Net Position (deficit), end of year	**$ (6,871,447)**	$ (7,610,102)

Program revenues, specifically operating grants and contributions, are the largest component of total revenues.

- Operating grants and contributions make up 85% of program revenues and 69% of total revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues, primarily property taxes and sales taxes, are used to provide for expenses that are not covered by program revenues.

Expense Analysis:

- Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense of the Board (55%). In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses. Instructional services and instructional support services account for 68% of total expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance-related assets.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and the bus shop, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Other expenses include for preschool teachers and aides. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Performance of School Board Funds

Governmental Funds – As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health.

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 15 and 17. The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of $4,309,250.

General Fund – The general fund is the primary operating fund of the Board. The beginning fund balance on October 1, 2020 was $2,150,852. The fund balance at the end of the fiscal year was $2,279,840. Each school system is required to have a one month general fund operating balance. Opp City Board of Education met this requirement for FY 2021.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used to acquire, repair or construct major capital facilities and is reported as a major fund. For fiscal year ended September 30, 2021, the ending PSF fund balance was $792,152.

Child Nutrition Program Fund – The Child Nutrition Program is funded primarily by a USDA grant. Funds are received based on the number of free and reduced meals served. As of FY 2021, 58% of our students received free and reduce priced meals. As a result of the nationwide Coronavirus pandemic, the United States Department of Agriculture extended free meals to all students during FY 2021. Anyone under the age of 18 is eligible to participate for free.

Budgetary Highlights of Major Funds

The Board's original 2021 fiscal year budget was adopted on September 9, 2020. The original budget was based on guaranteed state and federal revenues, estimated local revenues and necessary and planned expenditures. The budget was amended on April 29, 2021. The amendment was necessary to budget federal carryover funds, new allocations and make necessary adjustments. The final budget was reasonable based on the financial activity of the Board.

General Fund – The comparison of the general fund original budget to the final amended budget is on page 18. Because actual revenues exceeded actual expenses there was an overall increase in fund balance in the general fund.

Capital Asset and Debt Administration

Capital Assets – At September 30, 2021, the Board had approximately $17,401,911 invested in capital assets including land, buildings, equipment costing $5,000 or more, vehicles, and construction in progress. The capital asset activity for the year is detailed in Note 2 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased (depreciated) by $463,304 during fiscal year 2021. The Board expended available resources to acquire $515,448 in capital asset additions during the year. There was no disposal of assets during the year.

Long-Term Debt – At year-end, the Board had $8,789,052 in warrants and notes payable. Of this amount, $139,209 was owed on the Opp High School roof project, $7,505,000 for the new Opp Elementary School, $375,000 for a QSCB loan, and $769,843 on notes payable for school buses. More information with regard to the Board's long-term debt is presented in Note 2 to the financial statements.

Economic Factors and Next Year's Budget

Student Enrollment – The Board's current enrollment of 1,228 (2020-2021 school year) is based on the Average Daily Membership (ADM) calculated on the attendance for the first 20 days after Labor Day. State foundation funding for the Board supports the majority of the school's instructional operation. The Pre-K program was expanded during FY 2021. The district now has three Pre-K classes and served 49 students in fiscal year 2021. Funding for this program is provided through the Alabama Department of Early Childhood Development and local funds.

Funding – 10 Mill required local effort – Act 95-314, Section 16-13-231 of the Code of Alabama requires local support for school to be funded at an amount equivalent to 10 mills of district ad valorem tax. The State Department of Education reduces the Board's appropriation by this required local support. The assessed value of the property in Opp City remains steady resulting in a level funding match. Opp City Schools collects 12 mills of ad valorem tax through district and county levees. Sound financial management of the Board's resources allows for administrators and teachers to continue to provide for the academic and related needs of its students.

The proposed Educational Trust Fund Budget for fiscal year 2023 for school districts is $8.17 billion. If approved by the Senate, the proposed budget would represent an increase of $502 million over the FY 2022 budget. The proposed budget includes a 4% pay increase for teachers with additional increases for teachers in the middle of their careers. The budget, if passed, will increase funding for the Alabama Reading Initiative, the Alabama Math, Science and Technology Initiative, the pre-K program, workforce development, classroom supplies, and provides funding for reading coaches and the hiring of technology coordinators.

During FY 2020 and FY 2021, the Board was allocated $8.3 million in federal COVID aid. As of FY 2021, the Board had expended $1.2 million of that allocation. These federal funds allowed the Board to hire additional teachers to address learning loss, hire additional nurses to assist with COVID related issues, purchase educational materials, software, computers, personal protective supplies, cleaning and disinfecting supplies. The Board plans to utilize some of its COVID aid to improve air quality by replacing windows at Opp High School and installing a new HVAC system at Opp Middle School. COVID funds must be expended by September 2024.

County and District Sales Tax – In 2021, the Board received a total of $1.6 million in county sales tax. County-wide sales tax grew by nearly 13% in FY 2021. The district sales tax revenue increased slightly over the prior year to $271K. All district sales tax is earmarked for the repayment of the bond debt for the construction of Opp Elementary School. Local sources supplement the district sales tax to meet the Board's debt obligation.

Medical and Retirement Costs – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost remained $800 per employee month for FY 2021 and will be unchanged for FY 2022. Employer contributions to the Teachers Retirement System (TRS) will increase to 12.43 percent for Tier I employees and 11.32 for Tier II employees in 2022. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

One Month's Operating Reserve – The Alabama School Fiscal Accountability Act, ACT number 2006-196 became effective June 1, 2006. The Act requires local boards of education to develop a plan to establish and maintain a minimum reserve fund equal to one month's operating expenses. Currently, one month's operating reserve for the Board is approximately $985 thousand dollars. At the end of 2021, the Board had 3.2 months of operating reserve or $3.2 million dollars.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mrs. Linda Harper, Chief School Financial Officer, or Mr. Michael D. Smithart, Superintendent, at P.O. Box 840, Opp, AL 36467, or by calling (334) 493-3173 during regular office hours, Monday through Friday, from 8:00 A.M. to 4:00 P.M.

Opp City Board of Education
Statement of Net Position

September 30, 2021		Governmental Activities
Assets		
Cash and cash equivalents	$	2,024,407
Investments		1,805,710
Receivables, net		345,282
Inventories		43,179
Restricted assets		
Cash and cash equivalents		1,259,354
Capital assets, not being depreciated		768,715
Capital assets, net of accumulated depreciation		16,633,196
Total assets		22,879,843
Deferred Outflows of Resources		
Deferred loss on refunding of debt		426,537
Deferred outflows related to pension		3,284,625
Deferred outflows related to OPEB		3,580,409
Total deferred outflows of resources		7,291,571
Liabilities		
Salaries and benefits payable		1,151,491
Unearned grant revenue		17,191
Non-current liabilities		
Net pension liability		13,208,000
Net OPEB liability		7,557,832
Due and payable within one year		590,298
Due and payable after one year		8,810,953
Total liabilities		31,335,765
Deferred Inflows of Resources		
Deferred inflows related to pension		403,000
Deferred inflows related to OPEB		5,281,395
Deferred gain on refunding of debt		22,701
Total deferred inflows of resources		5,707,096
Net Position		
Net investment in capital assets		8,404,496
Restricted for		
Capital improvements		792,152
Debt service		467,202
Unrestricted (deficit)		(16,535,297)
Total net position (deficit)	$	(6,871,447)

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

Opp City Board of Education
Statement of Activities

For the year ended September 30, 2021

Functions / Programs		Expenses
Instructional services	$	8,784,345
Instructional support services		2,240,111
Operation and maintenance services		1,377,577
Student transportation services		617,477
Food services		349,726
General administrative services		985,076
Interest and fiscal charges		293,230
Other expenses		1,449,214
Total governmental activities	$	16,096,756

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

		Program Revenues		Net (Expenses) Revenues and Changes In Net Position
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	$ 146,934	$ 7,490,045	$ 270,209	$ (877,157)
	111,575	1,745,204	-	(383,332)
	30,325	862,465	100,661	(384,126)
	16,193	492,330	85,128	(23,826)
	243,212	38,500	-	(68,014)
	626	514,875	-	(469,575)
	-	-	-	(293,230)
	1,023,766	434,568	-	9,120
	$ 1,572,631	$ 11,577,987	$ 455,998	$ (2,490,140)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				741,980
Local sales tax				1,960,486
Other taxes				48,736
Grants not restricted for specific programs				300
Investment earnings				35,595
Miscellaneous				441,698
Total general revenues				3,228,795
Change in net position				738,655
Net position (deficit), beginning of year				(7,610,102)
Net position (deficit), end of year				$ (6,871,447)

September 30, 2021	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,410,425	$ -	$ 613,982	$ 2,024,407
Investments	1,805,710	-	-	1,805,710
Receivables, net	19,523	-	325,759	345,282
Inventories	-	-	43,179	43,179
Restricted assets				
Cash and cash equivalents	-	792,152	467,202	1,259,354
Total assets	$ 3,235,658	$ 792,152	$ 1,450,122	$ 5,477,932
Liabilities and Fund Balances				
Liabilities				
Salaries and benefits payable	$ 955,818	$ -	$ 195,673	$ 1,151,491
Unearned grant revenue	-	-	17,191	17,191
Total liabilities	955,818	-	212,864	1,168,682
Fund balances				
Non-spendable	-	-	43,179	43,179
Restricted	-	792,152	467,202	1,259,354
Assigned	-	-	726,877	726,877
Unassigned	2,279,840	-	-	2,279,840
Total fund balances	2,279,840	792,152	1,237,258	4,309,250
Total liabilities and fund balances	$ 3,235,658	$ 792,152	$ 1,450,122	$ 5,477,932

Opp City Board of Education
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position

September 30, 2021

Total fund balances - governmental funds		$	4,309,250
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.			
Governmental capital assets not being depreciated	768,715		
Governmental capital assets being depreciated	24,722,498		
Accumulated depreciation	(8,089,302)		17,401,911
Deferred inflows and outflows related to pensions and OPEB are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.			
Deferred outflows related to pension	3,284,625		
Deferred inflows related to pension	(403,000)		
Deferred outflows related to OPEB	3,580,409		
Deferred inflows related to OPEB	(5,281,395)		1,180,639
In the advance refunding of debt, the difference between the net carrying amount of the old debt and its reacquisitin price is treated as an other financing source or use in the givernmental fund statements, whereas this amount is deferred and amortized over the life of the old or new debt, whichever is shorter, and reported as a deferred outflow or inflow on the statement of net position.			403,836
Long-term liabilities, including debt, net pension liability, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	(13,208,000)		
Net OPEB liability	(7,557,832)		
Current portion of long-term debt	(590,298)		
Non-current portion of long-term debt	(8,810,953)		(30,167,083)
Net position of governmental activities		$	(6,871,447)

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

Opp City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the year ended September 30, 2021	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
State revenues	$ 9,314,916	$ 242,661	$ 213,337	$ 9,770,914
Federal revenues	300	-	3,311,777	3,312,077
Local revenues	2,627,621	-	1,052,032	3,679,653
Other revenues	44,797	-	13,793	58,590
Total revenues	11,987,634	242,661	4,590,939	16,821,234
Expenditures				
Instructional services	6,627,015	17,603	1,789,367	8,433,985
Instructional support services	1,683,481	-	505,208	2,188,689
Operation and maintenance	1,323,805	2,519	31,307	1,357,631
Student transportation services	529,749	-	13,250	542,999
Food services	149	-	303,822	303,971
General administrative services	818,783	-	211,716	1,030,499
Capital outlay	235,720	128,836	150,892	515,448
Debt service:				
Principal	22,842	18,716	508,195	549,753
Interest	1,485	5,153	307,987	314,625
Other expenditures	392,825	-	1,181,112	1,573,937
Total expenditures	11,635,854	172,827	5,002,856	16,811,537
Excess (deficiency) of revenues over (under) expenditures	351,780	69,834	(411,917)	9,697
Other Financing Sources (Uses)				
Indirect cost	155,230	-	-	155,230
Proceeds from the issuance of debt	235,000	-	-	235,000
Insurance loss recoveries	4,102	-	10,078	14,180
Transfers in	-	-	1,040,525	1,040,525
Transfers out	(617,124)	-	(423,401)	(1,040,525)
Total other financing sources (uses)	(222,792)	-	627,202	404,410
Net change in fund balances	128,988	69,834	215,285	414,107
Fund balances, beginning of year	2,150,852	722,318	1,021,973	3,895,143
Fund balances, end of year	$ 2,279,840	$ 792,152	$ 1,237,258	$ 4,309,250

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

Opp City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities

For the year ended September 30, 2021

Net change in fund balances - total governmental funds		$ 414,107
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		52,144
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in pension expense	(507,374)	
Change in OPEB expense	443,630	(63,744)
For governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net position in the government-wide statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from issuance of long-term debt		(235,000)
Principal payments		549,753
Amortization of deferred gain on refunding of debt		9,362
Amortization of bond premium		39,676
Amortization of deferred loss on refunding of debt		(27,643)
Change in net position of governmental activities		$ 738,655

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

Opp City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund

For the year ended September 30, 2021	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State revenues	$ 9,025,840	$ 9,221,470	$ 9,314,916	$ 93,446
Federal revenues	400	400	300	(100)
Local revenues	2,369,840	2,517,540	2,627,621	110,081
Other revenues	11,000	28,000	44,797	16,797
Total revenues	11,407,080	11,767,410	11,987,634	220,224
Expenditures				
Instructional services	6,487,381	6,523,449	6,627,015	(103,566)
Instructional support services	1,574,315	1,649,141	1,683,481	(34,340)
Operation and maintenance	1,243,760	1,349,421	1,323,805	25,616
Student transportation services	520,420	536,283	529,749	6,534
Food services	-	150	149	1
General administrative services	695,033	715,830	818,783	(102,953)
Capital outlay	-	245,000	235,720	9,280
Principal retirement	-	22,842	22,842	-
Interest and fiscal charges	-	1,485	1,485	-
Other expenditures	365,139	406,246	392,825	13,421
Total expenditures	10,886,048	11,449,847	11,635,854	(186,007)
Excess (deficiency) of revenues over expenditures	521,032	317,563	351,780	34,217
Other Financing Sources (Uses)				
Indirect cost	68,773	295,773	155,230	(140,543)
Proceeds from issuance of long-term debt	-	235,000	235,000	-
Transfers out	(595,195)	(595,195)	(617,124)	(21,929)
Insurance loss recoveries	-	4,000	4,102	102
Net other financing sources (uses)	(526,422)	(60,422)	(222,792)	(162,370)
Net change in fund balance	(5,390)	257,141	128,988	(128,153)
Fund balance, beginning of the year	2,150,852	2,150,852	2,150,852	-
Fund balance - end of year	$ 2,145,462	$ 2,407,993	$ 2,279,840	$ (128,153)
Reconciliation of GAAP to budgetary basis				
GAAP basis expenditures	$ 10,886,048	$ 11,449,847	$ 11,635,854	$ (186,007)
Non-budgeted accrued salaries and fringe benefits				
Instructional services	-	-	(129,531)	129,531
Instructional support services	-	-	(9,204)	9,204
Student transportation services	-	-	(5,019)	5,019
Other expenditures	-	-	(17,623)	17,623
Budgetary basis expenditures	$ 10,886,048	$ 11,449,847	$ 11,474,477	$ (24,630)

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Opp City Board of Education (the “Board”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

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.

The Board is a legally separate agency of the State of Alabama. However, for financial reporting, the Board is considered a component unit of the City of Opp, Alabama (the “City”) because the City issued bonds for the construction of facilities for the Board and the City is obligated for the debt. The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2021 as a special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements: The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

General Fund – This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's general fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the Board on a formula basis.

Capital Projects Fund – **Public School Fund Capital Outlay** – This fund accounts for the funds received from the State Department of Education which are to be used for capital improvements.

The Board reports the following governmental fund types in the "Other Governmental Funds" column:

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following:

1. IDEA – Part B
2. Preschool Ages 3 – 5 Part B
3. Vocational Education – Basic Grant
4. Title I Part A
5. Title I Part A School Improvement
6. Title II Part A Teachers Training
7. Title IV Part A Safe & Drug-free
8. Title VI Rural & Low Income Program
9. CARES Act – ESSER
10. CARES Act – GEER
11. CARES Act – Coronavirus Relief Fund (Health)
12. CARES Act – Coronavirus Relief Fund (Devices)
13. CRRSA Act – ESSER II
14. CRRSA Act – ESSER II ALSDE Reserve
15. ARPA – ESSER III
16. SLC E-Rate Refund
17. Local School Activity Funds
18. Food and Nutrition Fund

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

Other Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2021 fiscal year was September 15, 2020. The Board approved and submitted its original 2021 annual budget on September 9, 2020.

The 2021 budget was amended in April 2021 primarily to budget carryover federal funds, adjust federal allocations, and add revenue and expenditures for fund sources not reflected in the original budget.

The City Superintendent of Education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. Similarly, unbudgeted capital asset acquisitions that are not financed are reported as expenditures in the fund financial statements but are not reported as expenditures for budgetary purposes. For the year ended September 30, 2021, expenditures exceeded appropriations in the general fund by $186,007. The over-expenditure was funded by unanticipated revenues.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

The Board’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Investments

Investments are stated at amortized cost. The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables and Allowance for Doubtful Accounts

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

Property Tax Calendar

The Covington County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets at September 30, 2021 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments or capital improvements. Cash and cash equivalents restricted for debt service payments and capital improvements totaled $467,202 and $792,152, respectively.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their acquisition value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

Depreciation of capital assets is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

Asset Class		Capitalization Threshold	Estimated Useful Life
Land improvements - exhaustible	$	25,000	40 years
Buildings		25,000	40 years
Building improvements		25,000	7 - 40 years
Equipment		5,000	7 years
Equipment under lease		5,000	7 years
Vehicles		5,000	5 - 7 years

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is $1 or more. However, these capital assets are not depreciated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has three items reported in this category, deferred loss on refunding of debt, deferred outflows related to pension and deferred outflows related to OPEB. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria.* Deferred outflows related to OPEB result from OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources (continued)

contributions and proportionate share of contributions, and differences between actual and expected experience. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, deferred gain on refunding of debt, deferred inflows related to pension, and deferred inflows related to OPEB. A deferred gain on refunding of debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability (as the benefits are earned by the employees), if both of these conditions are met:

a. The employees' right to receive compensation is attributable to services already rendered.
b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Compensated Absences (continued)

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System of Alabama, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed two weeks of vacation per year with pay. Personnel considered full time support personnel and instructional personnel contracted for the fiscal year are eligible for vacation leave. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Pension Plan

The Teachers' Retirement System of Alabama (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the 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.

Other Postemployment Benefits (OPEB) Liability

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity (continued)

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Fund Balance Flow Assumptions – Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity (continued)

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Board's reported governmental fund balance at September 30, 2021 is comprised of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	$ -	$ -	$ 43,179	$ 43,179
Restricted:				
Debt service	-	-	467,202	467,202
Capital improvements	-	792,152	-	792,152
Assigned:				
Subsequent years' budget	-	-	726,877	726,877
Unassigned	2,279,840	-	-	2,279,840
	$ 2,279,840	$ 792,152	$ 1,237,258	$ 4,309,250

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic Dependency

The Board receives a substantial amount of its support from federal and state government. A significant reduction in the level of support, if this were to occur, may have a significant impact on the Board's programs and activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 24, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no impact on the financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this statement had no impact on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

The Board is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal deposit insurance or by the Security for Alabama Funds Enhancement Program (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 with original maturities of greater than three months. 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 Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Board's investments and restricted investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Board places its deposits are certified as "qualified public depositories," as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Board has limited its interest rate risk by investing in money market funds which are required to maintain an average dollar-weighted portfolio maturity of 90 days or less and certificates of deposits held at local banks with an original maturity of one year or less.

Accounts Receivable

Receivables as of September 30, 2021 consist of the following:

	General	Other Non-major	Total
State Department of Education			
School Lunch Program	$ -	$ 194,898	$ 194,898
TEAMS	18,208	-	18,208
Headstart	-	12,404	12,404
Special Education	1,315	-	1,315
IDEA - Part B	-	10,637	10,637
CARES Act - ESSER II	-	40,235	40,235
ARPA - ESSER III	-	67,585	67,585
Total receivables	$ 19,523	$ 325,759	$ 345,282

The Board deems all amounts collectible and, therefore an allowance for doubtful accounts is not necessary.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	$ 657,241	$ -	$ -	$ 657,241
Construction in progress	-	111,474	-	111,474
Capital assets, not being depreciated	657,241	111,474	-	768,715
Capital assets, being depreciated				
Buildings	16,773,809	235,720	-	17,009,529
Building improvements	5,162,073	64,858	-	5,226,931
Furniture and equipment	2,382,642	103,396	-	2,486,038
Capital assets, being depreciated	24,318,524	403,974	-	24,722,498
Less accumulated depreciation for				
Buildings	4,893,610	245,837	-	5,139,447
Building improvements	1,233,369	84,117	-	1,317,486
Furniture and equipment	1,499,019	133,350	-	1,632,369
Total accumulated depreciation	7,625,998	463,304	-	8,089,302
Total capital assets being depreciated, net	16,692,526	(59,330)	-	16,633,196
Capital assets, net	$ 17,349,767	$ 52,144	$ -	$ 17,401,911

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

For the year ended September 30, 2021	
Instructional services	$ 287,079
Instructional support services	26,802
Operation and maintenance services	29,089
Student transportation services	85,579
Food services	33,527
General and administrative services	1,228
Total depreciation expense - governmental activities	$ 463,304

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

Bonds Payable

Series 2009-QSCB Capital Outlay Pool Warrant

Pursuant to Act 2009-813 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2009-D Capital Improvement Pool Qualified School Construction Bonds (QSCB) to loan funds to participating local school boards for the purpose of funding capital improvements. The Board received a loan of $375,000 from the QSCB funds in 2009. The Board is required to make annual payments of $19,515 into a sinking fund for fifteen years beginning December 15, 2011. Principal payments on the warrant may be made with PSF Capital Purchase funds that are allocated and distributed to the Board by the PSCA pursuant to Section 16-13-234 of the Code of Alabama (1975), as amended.

The warrant bears interest at 1.865% of the original amount borrowed and is due quarterly. The Board has elected to have the quarterly interest payments withheld from annual PSF Capital Purchase allocations in the amount of $6,994 per year through the maturity of the warrant on December 15, 2025.

Annual debt service requirements to maturity for the Series 2009-D Capital Outlay Pool Warrant are payable as follows:

Fiscal Year Ending September 30,	Principal	Interest
2022	$ -	$ 6,994
2023	-	6,994
2024	-	6,994
2025	-	6,994
2026	375,000	1,748
	$ 375,000	$ 29,724

Series 2012-A Pool Refunding Bonds

Pursuant to Act 98-373 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2002-A Capital Improvement Pool Bonds to loan funds to participating local school boards for the purpose of acquiring capital improvements to eliminate portable and sub-standard classrooms in the State of Alabama. Participating local school boards receiving loans from the Pool Bond proceeds were required to execute a warrant payable to the PSCA in the principal amount of the loan. The Board received a loan of $1,462,753 in 2002.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Series 2012-A Pool Refunding Bonds (continued)

In March 2012, the PSCA issued the Series 2012-A Pool Refunding Bonds to refund, on a current basis, the outstanding Capital Improvement Pool Bonds. The principal and interest payments are payable by an irrevocable pledge of revenues from utility gross receipts taxes, utility service use taxes, sales taxes and use taxes (pledged revenues).

The bonds bear interest rates from 3% to 5%. The Board recognized a deferred gain on refunding on issuance of the 2012-A bonds in the amount of $112,089. This amount represents the difference between the acquisition price of the 2012-A bonds and the net carrying amount of the 2001-A bonds at the time of issuance. Amortization of the deferred gain on refunding for the year ended September 30, 2021 was $9,362.

Annual debt service requirements to maturity for the Series 2012-A Pool Refunding Bonds payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2022	$ 91,475	$ 4,185
2023	23,318	1,315
2024	24,416	366
	$ 139,209	$ 5,866

Pledged revenues recognized for the year ended September 30, 2021 were $95,628 while total debt service was $95,628.

2016 Board of Education Warrants

On June 23, 2016, the City of Opp issued $9,130,000 of Series 2016 General Obligation Refunding Warrants. The City issued the warrants for the benefit of the Opp City Board of Education. The Board used these funds to advance refund the outstanding Series 2007 Warrants noted above.

As a result, the refunded bonds are considered defeased and the Board has removed this liability from its accounts. The Board entered into a funding agreement with the City for repayment of the 2016 Refunding Warrants from tax revenues pledged by the Board to the City. Those pledged tax revenues consist of the Special One Cent City Sales Tax and the Four Mil Ad Valorem tax. The revenue pledge will remain in effect until the outstanding warrants are paid in full.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

2016 Board of Education Warrants (continued)

As required by GASB Statement No. 23, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred charge on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The amount deferred on the reacquisition was $572,250. The total amount amortized for the year ended September 30, 2021 was $27,643 and was reported as part of interest expense. The balance of deferred loss on refunding of debt is $426,537 at September 30, 2021 as shown on the statement of net position. Although the advance refunding resulted in the recognition of an accounting loss of $572,250, the Board reduced its aggregate debt service payments by approximately $1,300,000 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $460,000.

Annual debt service requirements to maturity for the 2016 General Obligation Refunding Warrants are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2022	$ 360,000	$ 269,533
2023	370,000	258,582
2024	380,000	245,432
2025	395,000	231,183
2026	410,000	220,228
2027 – 2031	2,240,000	897,161
2032 – 2036	2,735,000	405,100
2037	615,000	12,300
	$ 7,505,000	$ 2,539,519

Pledged revenues recognized for the year ended September 30, 2021 were $643,264 while total debt service was $628,432. A premium was recorded on the debt issuance in the amount of $821,340. Premium amortization for the year ended September 30, 2021 was $39,676.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Direct Borrowings

Southern Independent Bank – A note payable in semi-annual installments of $5,264 beginning on November 18, 2016, including interest at 3.35%. All unpaid principal is due at maturity on May 18, 2026. Secured by equipment.	$	48,038
Southern Independent Bank – A note payable in semi-annual installments of $4,466 beginning on July 25, 2016, including interest at 3.35%. All unpaid principal is due at maturity on January 25, 2026. Secured by equipment.		36,988
Southern Independent Bank – A note payable in semi-annual installments of $9,630 beginning on November 11, 2016, including interest at 3.35%. All unpaid principal is due at maturity on May 11, 2026. Secured by equipment.		88,112
Southern Independent Bank – A note payable in semi-annual installments of $35,137 beginning on January 8, 2021, including interest at 2.85%. All unpaid principal is due at maturity on July 8, 2027. Secured by equipment.		384,548
CCB Community Bank – A note payable in semi-annual installments of $24,327 beginning on June 16, 2021, including interest at 1.25%. All unpaid principal is due at maturity on December 16, 2025. Secured by a CD valued at $293,974 as of September 30, 2021.		212,157
Total notes payable		769,843
Less: current maturities		138,823
Notes payable, net of current maturities	$	631,020

Annual debt-service requirements to maturity for notes payable are as follows:

Fiscal Year Ending September 30,		Principal		Interest
2022	$	138,823	$	18,829
2023		142,278		15,374
2024		145,800		11,851
2025		149,481		8,171
2026		124,685		4,416
2027 – 2028		68,776		1,498
	$	769,843	$	60,139

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2009-D Warrants	$ 375,000	$ -	$ -	$ 375,000	$ -
2012-A Pool Refunding Bonds	226,190	-	(86,981)	139,209	91,475
2016 G.O. Refunding Bonds	7,855,000	-	(350,000)	7,505,000	360,000
Unamortized bond premiums	651,875	-	(39,676)	612,199	-
Direct borrowings	647,615	235,000	(112,772)	769,843	138,823
	$ 9,755,680	$ 235,000	$ (589,429)	$ 9,401,251	$ 590,298

Net Investment In Capital Assets

The elements of this calculation are as follows:

Capital assets (net)	$ 17,401,911
Outstanding debt related to capital assets	(8,997,415)
Net investment in capital assets	$ 8,404,496

Interfund Receivables, Payables and Transfers

Transfers Out	Transfers In Nonmajor Governmental
General	$ 617,124
Nonmajor governmental	423,401
	$ 1,040,525

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers (continued)

Operating transfers consist primarily of the following:

- Transfers from the general fund ($340,364) and the capital projects funds ($291,577) to the debt service fund to cover scheduled debt service payments;
- A transfer from the general fund to the CNP fund for the CNP pass through funds which are mandated by the state in the amount of $184,155;
- Transfer of the state classroom instructional funds from the general fund to the local schools in the amount of $60,000.

Note 3: EMPLOYEE RETIREMENT PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Plan Membership and Benefits

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. 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 TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 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 TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Plan Membership and Benefits (continued)

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 June 30 are paid to a qualified beneficiary.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS 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 TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, 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 $958,625 for the year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pensions

At September 30, 2021, the Board reported a liability of $13,208,000 for its proportionate share of the collective net pension liability. The collective 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 of September 30, 2019. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the System's proportion was 0.106774%, which was an increase of 0.005081% from its proportion measured as of September 30, 2019.

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pensions (continued)

For the year ended September 30, 2021, the Board recognized pension expense of $1,465,999. At September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 654,000	$ 229,000
Changes of assumptions	137,000	-
Net difference between projected and actual earnings on pension plan investments	981,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	554,000	174,000
Employer contributions subsequent to the measurement date	958,625	-
Total	$ 3,284,625	$ 403,000

$958,625 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

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

Year Ended September 30,	
2022	$ 416,000
2023	587,000
2024	570,000
2025	350,000

The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pensions (continued)

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, were based on the results of an investigation of the economic and demographic experience for the TRS 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.

Mortality rates for TRS were based on the White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females 78 and older.

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%
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	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%

The discount rate used to measure the total pension liability was 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 at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

The following table presents the Board's proportionate share of the 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-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's net pension liability	$ 17,622,000	$ 13,208,000	$ 9,473,000

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. 67 Report for the TRS prepared as of September 30, 2020. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate 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/.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Plan Description (continued)

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Funding Requirements

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Funding Requirements (continued)

For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

Plan Membership and Benefits

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member’s primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees’ Insurance Board (SEIB).

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Plan Membership and Benefits (continued)

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Net OPEB Liability, Significant Assumptions, and Discount Rate

At September 30, 2021, the Board reported a liability of $7,557,832 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Board's proportion was 0.116456%, which was a decrease of 0.015262% from its proportion measured as of September 30, 2019.

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases[1]	3.25% - 5.00%
Long-term investment rate of return[2]	7.25%
Municipal Bond Index rate at the measurement date	2.25%
Municipal Bond Index rate at the prior measurement date	3.00%
Projected year for fiduciary net position (FNP) to be depleted	2040
Single equivalent interest rate the measurement date	3.05%
Single equivalent interest rate the prior measurement date	5.50%
Healthcare cost trend rate	
Pre-Medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate	
Pre-Medicare eligible	4.75% in 2027
Medicare eligible	4.75% in 2024

[1] Includes 3.00% wage inflation.

[2] Compounded annually, net of investment expense, and includes inflation.

**Initial Medicare claims are set based on scheduled increases through plan year 2022

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	30.00%	4.40%
U.S. large stocks	38.00%	8.00%
U.S. mid stocks	8.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefits for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

For the year ended September 30, 2021, the System recognized OPEB expense of ($235,478), with no special funding situations. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 191,661	$ 2,717,222
Changes of assumptions	2,639,892	1,403,420
Net difference between projected and actual earnings on OPEB plan investments	-	319
Changes in proportion and differences between employer contributions and proportionate share of contributions	540,704	1,160,434
Employer contributions subsequent to the measurement date	208,152	-
Total	$ 3,580,409	$ 5,281,395

$208,152 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB (continued)

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

Year ended September 30,		
2022	$	(625,124)
2023		(613,611)
2024		(429,945)
2025		(527,947)
2026		135,146
Thereafter		152,343

Sensitivity to Changes in the Healthcare Cost Trend Rates and Discount Rates

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% decreasing to 3.75% for pre-Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, Known decreasing to 5.75% for Medicare eligible)
Net OPEB liability	$ 5,974,491	$ 7,557,832	$ 9,618,805

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Net OPEB liability	$ 9,270,073	$ 7,557,832	$ 6,197,942

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 5: RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to $3.5 million per occurrence. The SIF purchases commercial insurance for claims, which in the aggregate exceed $3.5 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (ARMS), a public entity risk pool. ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for vehicle liability and fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Board is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Board, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Board or results of activities.

The Board has an approved agreement with Covington County Bank for a line of credit with a maximum amount available of $350,000. No formal account has been opened under this agreement and no amounts have been borrowed as of September 30, 2021.

The Board had two active construction projects as of September 30, 2021 with estimated commitments totaling $2,600,000. Approximately, $95,000 has been expended under these contracts as of September 30, 2021, the remainder of which will be funded with grant funds.

Opp City Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of Alabama
Last Seven Fiscal Years

As of and for the year ended September 30,	**2021**	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	**0.106774%**	0.101693%	0.104479%	0.102252%	0.100991%	0.100873%	0.100606%
Employer's proportionate share of the collective net pension liability	**$ 13,208,000**	$ 11,244,000	$ 10,388,000	$ 10,050,000	$ 10,933,000	$ 10,557,000	$ 9,140,000
Employer's covered payroll during the measurement period*	**$ 7,553,584**	$ 7,218,478	$ 7,087,070	$ 6,755,633	$ 6,434,760	$ 6,394,118	$ 6,382,911
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	**174.86%**	155.77%	146.58%	148.76%	169.91%	165.10%	143.19%
Plan fiduciary net position as a percentage of the total pension liability	**67.72%**	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

*Employer's covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For FY 2021, the measurement period is October 1, 2019 through September 30, 2020.

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

Opp City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Teachers' Retirement System of Alabama
Last Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	**$ 958,625**	$ 926,999	$ 892,065	$ 847,378	$ 808,400	$ 766,403	$ 751,313
Contributions in relation to the actuarially determined contribution	**958,625**	926,999	892,065	847,378	808,400	766,403	751,313
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	**$ 7,940,968**	$ 7,553,584	$ 7,218,478	$ 7,087,070	$ 6,755,633	$ 6,434,760	$ 6,394,118
Contributions as a percentage of covered payroll	**12.07%**	12.27%	12.36%	11.96%	11.97%	11.91%	11.75%

Note to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which informaiton is available.

Opp City Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
Last Four Fiscal Years

As of and for the year ended September 30,	**2021**	2020	2019	2018
Employer's proportion of the collective net OPEB liability	**0.116456%**	0.131718%	0.127227%	0.120578%
Employer's proportionate share of the collective net OPEB	**$ 7,557,832**	$ 4,969,414	$ 10,456,439	$ 8,955,845
Employer's covered-employee payroll during the measurement period*	**$ 7,553,584**	$ 7,218,478	$ 7,087,070	$ 6,755,633
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	**100.06%**	68.84%	147.54%	132.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	**19.80%**	28.14%	14.81%	15.37%

*Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For FY 2021, the measurement period is October 1, 2019 through September 30, 2020.

Note to Schedule

Note 1: GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

Note 2: For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

Opp City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Alabama Retired Education Employees' Health Care Trust
Last Four Fiscal Years

	2021	2020	2019	2018
Contractually Required Contribution	**$ 208,152**	$ 230,334	$ 375,878	$ 314,920
Contributions in relation to the actuarially determined contribution	**208,152**	230,334	375,878	314,920
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Employer's covered-employee payroll	**$ 7,940,968**	$ 7,553,584	$ 7,218,478	$ 7,087,070
Contributions as a percentage of covered-employee payroll	**2.62%**	3.05%	5.21%	4.44%

Notes to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

Note 1: PLAN CHANGES IN BENEFIT TERMS

Teachers' Retirement System of Alabama

There have been no changes in benefits since the prior valuation.

Alabama Retired Education Employees' Health Care Trust

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan. The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

Note 2: CHANGES OF ASSUMPTIONS

Teachers' Retirement System of Alabama

The discount rate used was 7.70%, as compared to 7.75% at the prior measurement date.

Alabama Retired Education Employees' Health Care Trust

The discount rate used was 3.05%, as compared to 5.50% at the prior measurement date.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Teachers' Retirement System of Alabama

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.7 years
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

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES (Continued)

Alabama Retired Education Employees' Health Care Trust

The actuarially determined contribution rates in the schedule of employer contributions were calculated as of September 30, 2016, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

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

Members of the Board
Opp City Board of Education
Opp, 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Opp City Board of Education (the "Board") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 24, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
March 24, 2022

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

Members of the Board
Opp City Board of Education
Opp, Alabama

Report on Compliance for Each Major Federal Program

We have audited Opp City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Board's major federal programs for the year ended September 30, 2021. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
March 24, 2022

Section I - Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
c. Noncompliance material to financial statements noted?	No

Federal Awards

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

4. Identification of major programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.555	National School Lunch Program
10.553	School Breakfast Program
10.559	Summer Food Service Program for Children
10.559	Summer Food Service Program for Children (N)
	Education Stabilization Fund
84.425C	CARES Act GEER
84.425D	CARES Act ESSER I & II
84.425U	CARES Act ESSER III

(N) USDA Donated Food – No actual cash transactions.

5. Dollar threshold used to distinguish between type A and type B programs?	$ 750,000
6. Auditee qualified as low-risk under 2CFR 200.520?	Yes

Section II - Financial Statements Findings

No such findings in the current year.

Section III - Federal Award Findings and Questioned Costs

No such findings or questioned costs in the current year.

For the year ended September 30, 2021

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Social Security Administration				
Passed through State Department of Education				
Social Security - Disability Insurance***	96.001	180	$ -	$ 300
U.S. Department of Treasury				
Passed through State Department of Education				
COVID-19 - Coronavirus Relief Fund	21.019	180	-	399,061
U.S. Department of Education				
Passed through State Department of Education				
COVID-19 - Education Stabilization Fund - CARES Act GEER	84.425C	180	-	81,805
COVID-19 - Education Stabilization Fund - CARES Act ESSER I & II	84.425D	180	-	505,732
COVID-19 - Education Stabilization Fund - CARES Act ESSER III	84.425U	180	-	67,585
Subtotal for 84.425			-	655,122
Special Education Cluster				
Special Education - Grants to States**	84.027	180	-	314,580
Special Education - Preschool Grants**	84.173	180	-	19,785
Subtotal Special Education Cluster			-	334,365
Title I Grants to Local Educational Agencies	84.010	180	-	597,010
Supporting Effective Instruction State Grant	84.367	180	-	71,845
Career and Technical Education – Basic Grants to States	84.048	180	-	26,616
Safe and Drug Free Schools and Communities	84.424A	180	-	78,347
Title VIB - Rural Education	84.358B	180	-	25,021
Total U.S. Department of Education			-	1,788,326
U.S. Department of Agriculture				
Passed through State Department of Education				
National School Lunch Program*	10.555	180	-	165,222
COVID-19 - National School Lunch Program*	10.555	180	-	30,330
Subtotal for 10.555			-	195,552

(Continued)

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
School Breakfast Program*	10.553	180	-	29,676
Summer Food Service Program for Children*	10.559	180	-	823,479
Summer Food Service Program for Children*(N)	10.559	180	-	37,186
Subtotal for 10.559			-	860,665
Subtotal Child Nutrition Cluster			-	1,085,893
State Administrative Expenses for Child Nutrition	10.560	180	-	2,995
Total U.S. Department of Agriculture			-	1,088,888
Total federal awards			$ -	$ 3,276,575

* Child Nutrition Cluster
** Special Education Cluster
*** Disability Insurance / SSI Cluster
(N) USDA Donated Food – No actual cash transactions.

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of the Opp City Board of Education (the "Board") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Board, it is not intended to and does not represent the financial position of the Board.

Child Nutrition Cluster - Includes awards that assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourage the domestic consumption of nutritious agricultural commodities.

Special Education Cluster - Includes awards that ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents or guardians are protected; assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities.

Disability Insurance/SSI Cluster - Includes awards that provide benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. These awards provide payments to financially needy individuals who are aged, blind, or disabled.

Note 2: INDIRECT COST RATE

The Board has not elected to use the 10% de minimis cost rate.

Note 3: LOANS AND LOAN GUARANTEES

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ended September 30, 2021.

Note 4: SUBRECIPIENTS

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2021.

Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal, state and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports and the SEFA.

Note 6: FEDERAL PASS-THROUGH FUNDS

The Board is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

Note 7: SCHOOL-WIDE PROGRAM

The Board utilizes its funding under Title I to operate a "school-wide program". School-wide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to a targeted group of students.

Note 8: DONATED FOOD PROGRAM

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was $37,186 for fiscal year 2021.

Note 9: CONTINGENCIES

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of March 24, 2022, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.