



**Opp City Board
of Education**

FINANCIAL STATEMENTS

For The Year Ended September 30, 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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, 2020, 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, 2020, 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 51 – 54, 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 5, 2021, 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 5, 2021

Opp City Board of Education Management's Discussion and Analysis (MD&A)

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, 2020. 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 \$153,233 resulting in a fund balance of \$2,150,852 available as of fiscal year end, September 30, 2020.
- The liabilities of the Board exceeded its assets at the close of the fiscal 2020 year by \$7.61 million. This deficit condition is a result of implementing GASB Statements 68 and 75 which required governmental entities to recognize liabilities for defined benefit pension and OPEB plans in the Statement of Net Position. The total of these liabilities was approximately \$16,200,000. Detailed information can be found in Note 2.

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.

Opp City Board of Education Management's Discussion and Analysis (MD&A)

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.

**Opp City Board of Education
Management's Discussion and Analysis (MD&A)**

Net Position - Governmental Activities

<i>September 30,</i>	2020	2019
Assets		
Current assets	\$ 4,379,941	\$ 4,074,419
Restricted assets	1,158,922	968,935
Capital assets, net of depreciation	17,349,767	17,652,022
Total assets	22,888,630	22,695,376
Deferred Outflows of Resources		
Deferred loss on refunding of debt	454,180	481,823
Deferred outflows related to pension	2,027,999	1,973,065
Deferred outflows related to OPEB	1,333,872	1,032,273
Total deferred outflows of resources	3,816,051	3,487,161
Liabilities		
Current liabilities	1,691,400	1,528,879
Noncurrent liabilities	25,442,183	30,628,464
Total liabilities	27,133,583	32,157,343
Deferred Inflows of Resources		
Deferred inflows related to pension	603,000	1,100,000
Deferred inflows related to OPEB	6,066,906	824,931
Deferred gain on refunding	32,063	41,425
Unearned property taxes	479,231	420,097
Total deferred inflows of resources	7,181,200	2,386,453
Net Position		
Net investment in capital assets	8,016,204	7,801,529
Restricted	1,158,922	968,935
Unrestricted (deficit)	(16,785,228)	(17,131,723)
Total net position (deficit)	\$ (7,610,102)	\$ (8,361,259)

The Board's liabilities and deferred inflows exceeded assets and deferred outflows by \$7,610,102 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 decrease in Total Net Position from fiscal years 2015 to 2018 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

**Opp City Board of Education
Management's Discussion and Analysis (MD&A)**

provide Other Post-Employment 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, 2020.

Summary of Changes in Net Position From Operating Results

<i>Years ended September 30,</i>	2020	2019
Program Revenues		
Charges for services	\$ 1,120,178	\$ 1,320,153
Operating grants and contributions	10,415,573	10,153,674
Capital grants	466,340	427,846
General Revenues		
Local property taxes	731,630	704,613
Sales and use taxes	1,727,387	1,707,324
Miscellaneous taxes	51,433	55,814
Grants and contributions not restricted for specific programs	480	840
Investment earnings	63,876	97,161
Miscellaneous	403,522	518,779
Total revenues	14,980,419	14,986,204
Expenses		
Instructional services	7,510,885	7,839,699
Instructional support services	2,058,709	2,180,859
Operation and maintenance services	1,332,550	1,312,159
Food services	857,002	1,092,058
Student transportation services	587,753	642,639
General administration services	864,015	860,125
Other expenses	707,276	576,744
Interest and fiscal charges	311,072	324,390
Total expenses	14,229,262	14,828,673
Change in net position	751,157	157,531
Net position (deficit) – beginning	(8,361,259)	(8,518,790)
Net Position (deficit) – ending	\$ (7,610,102)	\$ (8,361,259)

Opp City Board of Education Management's Discussion and Analysis (MD&A)

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

- Operating grants and contributions make up 87% of program revenues and 70% 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 (53%). 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.

Opp City Board of Education Management's Discussion and Analysis (MD&A)

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 \$3,895,143.

General Fund – The general fund is the primary operating fund of the Board. The beginning fund balance on October 1, 2019 was \$1,997,619. The fund balance at the end of the fiscal year was \$2,150,852.

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, 2020, the ending PSF fund balance was \$722,318.

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. On average, 58% of our students receive free and reduce priced meals. The summer feeding program continued in 2020. Anyone under the age of 18 is eligible to participate for free.

Budgetary Highlights of Major Funds

The Board's original 2020 fiscal year budget was adopted on September 12, 2019. The original budget was based on guaranteed state and federal revenues, estimated local revenues and necessary and planned expenditures. The budget was amended two times during the year, March 17, 2020 and May 19, 2020. Amendment #1 was necessary to budget federal carryover funds, new allocations and make necessary adjustments. Amendment #2 was the final amendment to the budget. The amendment included expenses not reflected in the original or amended budget, stipends for summer professional development, summer food service, summer school expense and temporary summer maintenance expense. 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.

Opp City Board of Education Management's Discussion and Analysis (MD&A)

Capital Asset and Debt Administration

Capital Assets – At September 30, 2020, the Board had approximately \$17,349,767 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 \$451,580 during fiscal year 2020. The Board expended available resources to acquire \$149,325 in capital asset additions during the year. There was \$5,400 in assets that were taken out of service during the year.

Long-Term Debt – At year-end, the Board had \$9,103,805 in warrants and notes payable. Of this amount, \$226,190 was owed on the Opp High School roof project, \$7,855,000 for the new Opp Elementary School, \$375,000 for a QSCB loan, and \$647,615 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 1,252.65 (2019-2020 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 served 36 students in fiscal year 2020. Funding for this program is provided through the Alabama Department of Early Childhood Development.

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. Locally, Opp City Schools collects 12 mills of ad valorem tax through district and county levees. Overall, the financial stability of the Board will allow administrators and teachers to serve students effectively amid the challenges related to the national pandemic.

Looking forward, the Educational Trust Fund Budget for fiscal year 2022 is projected to include increased funding for schools. The proposed funding for FY22 could include funding for more school nurses, a teacher pay increase, remote learning and expanded student remediation. Additionally, the Board will receive \$1.9 million from the 2020-167 Series 2020 bond funds. These funds will be used for upcoming capital projects.

County and District Sales Tax – In 2020, the Board received a total of \$1.4 million in county sales tax. The county-wide sales tax revenue reflects slow but steady growth. The district sales tax revenue increased slightly over the prior year to \$250K. 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.

Opp City Board of Education Management's Discussion and Analysis (MD&A)

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 fiscal year 2020. Employer contributions to the Teachers Retirement System (TRS) will decrease to 12.36 percent for Tier I employees and 11.22 for Tier II employees in 2021. 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 \$965 thousand dollars. At the end of 2020, the Board had 3.0 months of operating reserve or \$2.9 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

<u>September 30, 2020</u>	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,923,324
Investments	1,789,770
Receivables	610,667
Inventories	56,180
Restricted assets:	
Cash and cash equivalents	1,158,922
Capital assets, not being depreciated	657,241
Capital assets, net of depreciation	16,692,526
Total assets	22,888,630
Deferred Outflows of Resources	
Deferred loss on refunding of debt	454,180
Deferred outflows related to pension	2,027,999
Deferred outflows related to OPEB	1,333,872
Total deferred outflows of resources	3,816,051
Liabilities	
Salaries and benefits payable	905,253
Unearned grant revenue	259,236
Long-term liabilities	
Net pension liability	11,244,000
Net OPEB liability	4,969,414
Due and payable within one year	526,911
Due and payable after one year	9,228,769
Total liabilities	27,133,583
Deferred Inflows of Resources	
Deferred inflows related to pension	603,000
Deferred inflows related to OPEB	6,066,906
Deferred gain on refunding of debt	32,063
Unearned property taxes	479,231
Total deferred inflows of resources	7,181,200
Net Position	
Net investment in capital assets	8,016,204
Restricted for capital improvements	722,318
Restricted for debt service	436,604
Unrestricted (deficit)	(16,785,228)
Total net position (deficit)	\$ (7,610,102)

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, 2020

<u>Functions / Programs</u>	<u>Expenses</u>
Instructional services	\$ 7,510,885
Instructional support services	2,058,709
Operation and maintenance services	1,332,550
Student transportation services	587,753
Food services	857,002
General administrative services	864,015
Interest and fiscal charges	311,072
Other expenses	707,276
<hr/>	<hr/>
Total governmental activities	\$ 14,229,262

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

Program Revenues			Net (Expenses)
Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes In Net Position Governmental Activities
\$ 103,084	\$ 6,697,937	\$ 312,932	\$ (396,932)
93,997	1,643,345	-	(321,367)
28,551	768,748	61,822	(473,429)
17,416	473,300	91,586	(5,451)
607,741	119,061	-	(130,200)
142	469,345	-	(394,528)
-	-	-	(311,072)
269,247	243,837	-	(194,192)
<u>\$ 1,120,178</u>	<u>\$ 10,415,573</u>	<u>\$ 466,340</u>	<u>(2,227,171)</u>

General Revenues

Taxes:

Property taxes for general purposes 731,630

Local sales tax 1,727,387

Other taxes 51,433

Grants not restricted for specific programs 480

Investment earnings 63,876

Miscellaneous 403,522

Total general revenues 2,978,328

Change in net position 751,157

Net position (deficit) - beginning (8,361,259)

Net position (deficit) - ending \$ (7,610,102)

**Opp City Board of Education
Balance Sheet – Governmental Funds**

<i>September 30, 2020</i>	General Fund	CARES ACT Coronavirus Relief Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,137,850	\$ 253,760	\$ -	\$ 531,714	\$ 1,923,324
Investments	1,789,770	-	-	-	1,789,770
Receivables	496,906	-	-	113,761	610,667
Inventories	-	-	-	56,180	56,180
Restricted assets:					
Cash and cash equivalents	-	-	722,318	436,604	1,158,922
Total assets	\$ 3,424,526	\$ 253,760	\$ 722,318	\$ 1,138,259	\$ 5,538,863
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Salaries and benefits payable	\$ 794,443	\$ -	\$ -	\$ 110,810	\$ 905,253
Unearned grant revenue	-	253,760	-	5,476	259,236
Total liabilities	794,443	253,760	-	116,286	1,164,489
Deferred Inflows of Resources					
Unearned property taxes	479,231	-	-	-	479,231
Fund balances					
Non-spendable	-	-	-	56,180	56,180
Restricted	-	-	722,318	436,604	1,158,922
Assigned	-	-	-	529,189	529,189
Unassigned	2,150,852	-	-	-	2,150,852
Total fund balances	2,150,852	-	722,318	1,021,973	3,895,143
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,424,526	\$ 253,760	\$ 722,318	\$ 1,138,259	\$ 5,538,863

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

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

For the year ended September 30, 2020

Amounts reported for governmental activities in the Statement of Net Position on page 12 are different because:

Total fund balance - governmental funds	\$	3,895,143
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets	\$ 24,975,765	
Accumulated depreciation	(7,625,998)	17,349,767

Deferred inflows and outflows related to pensions and OPEB represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.

Deferred outflows related to pension	2,027,999	
Deferred inflows related to pension	(603,000)	
Deferred outflows related to OPEB	1,333,872	
Deferred inflows related to OPEB	(6,066,906)	(3,308,035)

Gains and losses on refunding of debt are reported as deferred inflows and outflows of resources and are not available to pay for current period expenditures and therefore, are not reported as assets or liabilities in the governmental funds.

422,117

Long-term liabilities, including bonds payable, bond discounts, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Net pension liability	(11,244,000)	
Net OPEB liability	(4,969,414)	
Current portion of long-term debt	(526,911)	
Non-current portion of long-term debt	(9,228,769)	(25,969,094)

Total net position - governmental activities	\$	(7,610,102)
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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

<i>For the year ended September 30, 2020</i>	General Fund	CARES ACT Coronavirus Relief Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State revenues	\$ 9,026,977	\$ -	\$ 247,415	\$ 218,925	\$ 9,493,317
Federal revenues	480	-	-	1,843,007	1,843,487
Local revenues	2,423,567	-	-	1,004,440	3,428,007
Other revenues	76,646	-	-	59,420	136,066
Total revenues	11,527,670	-	247,415	3,125,792	14,900,877
Expenditures					
Instructional services	6,352,221	-	-	994,501	7,346,722
Instructional support services	1,652,717	-	-	420,096	2,072,813
Operation and maintenance	1,267,919	-	19,655	38,960	1,326,534
Student transportation services	522,398	-	-	8,003	530,401
Food services	-	-	-	898,567	898,567
General administrative services	710,004	-	-	149,595	859,599
Capital outlay	65,572	-	36,370	47,382	149,324
Debt service:					
Principal	-	-	20,839	474,696	495,535
Interest	-	-	7,490	324,977	332,467
Other expenditures	276,541	-	-	447,043	723,584
Total expenditures	10,847,372	-	84,354	3,803,820	14,735,546
Excess (deficiency) of revenues over (under) expenditures	680,298	-	163,061	(678,028)	165,331
Other Financing Sources (Uses)					
Indirect cost	48,784	-	-	-	48,784
Other financing sources	-	-	-	9,600	9,600
Insurance loss recoveries	70,184	-	-	-	70,184
Transfers in	-	-	-	919,229	919,229
Transfers out	(646,033)	-	-	(273,196)	(919,229)
Net other financing sources (uses)	(527,065)	-	-	655,633	128,568
Net change in fund balances	153,233	-	163,061	(22,395)	293,899
Fund balances - beginning	1,997,619	-	559,257	1,044,368	3,601,244
Fund balances - ending	\$ 2,150,852	\$ -	\$ 722,318	\$ 1,021,973	\$ 3,895,143

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, 2020

Amounts reported for governmental activities in the Statement of Activities on page 13 are different because:

Net change in fund balances - governmental funds	\$ 293,899
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Capital outlays to purchase or build capital assets are reported in governmental funds 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 period.

Capital outlays	\$ 149,325	
Depreciation expense	(451,580)	(302,255)

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.

Amortization of deferred loss on refunding of debt, deferred gain on refunding of debt, and bond premium	21,395	
Current year increase in pension expense	(304,065)	
Current year decrease in OPEB expense	546,648	263,978

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Principal payments on long-term debt	495,535
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Change in net position of governmental activities	\$ 751,157
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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

	Budgeted Amounts	
<i>For the year ended September 30, 2020</i>	Original	Final
Revenues		
State revenues	\$ 8,828,787	\$ 9,096,918
Federal revenues	800	800
Local revenues	2,437,515	2,431,515
Other revenues	40,200	40,200
Total revenue	11,307,302	11,569,433
Expenditures		
Instructional services	6,504,011	6,456,776
Instructional support services	1,632,439	1,704,661
Operation and maintenance	1,306,186	1,436,508
Student transportation services	513,817	516,381
Food services	35,000	15,000
General administrative services	695,709	702,209
Capital outlay	-	22,500
Other expenditures	259,982	259,982
Total expenditures	10,947,144	11,114,017
Excess (deficiency) of revenues over expenditures	360,158	455,416
Other Financing Sources (Uses)		
Indirect cost	49,223	49,223
Transfers out	(578,942)	(578,942)
Insurance loss recoveries	-	70,000
Net other financing sources (uses)	(529,719)	(459,719)
Net change in fund balance	(169,561)	(4,303)
Fund balance - beginning	1,997,619	1,997,619
Fund Balance - ending	\$ 1,828,058	\$ 1,993,316

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

Actual (Budgetary Basis)	Variance with Final Budget
\$ 9,026,977	\$ (69,941)
480	(320)
2,423,567	(7,948)
76,646	36,446
<u>11,527,670</u>	<u>(41,763)</u>
6,444,978	11,798
1,650,136	54,525
1,267,919	168,589
525,990	(9,609)
-	15,000
710,004	(7,795)
65,572	(43,072)
275,104	(15,122)
<u>10,939,703</u>	<u>174,314</u>
<u>587,967</u>	<u>132,551</u>
48,784	(439)
(646,033)	(67,091)
70,184	184
<u>(527,065)</u>	<u>(67,346)</u>
60,902	65,205
<u>1,997,619</u>	<u>-</u>
<u>\$ 2,058,521</u>	<u>\$ 65,205</u>

Opp City Board of Education Notes to 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, 2020 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.

Opp City Board of Education Notes to Financial Statements

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.

CARES Act Coronavirus Relief Fund – This fund accounts for the funds received from the United States Department of Treasury to be used for costs associated with the Coronavirus pandemic.

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. SLC E-Rate Refund
10. Local School Activity Funds
11. Food and Nutrition Fund

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.

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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.

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 2020 fiscal year was September 15, 2019. The Board approved and submitted its original 2020 annual budget on September 12, 2019.

**Opp City Board of Education
Notes to Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (continued)

Budgetary basis of accounting (continued)

The 2020 budget was amended in March 2020 and May 2020 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 generally accepted accounting principles (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 expenditures on the financial statements. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements.

Adjustments to convert the results of operations of the general fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows:

	Total Expenditures
Budget basis	\$ 10,939,703
Non-budgeted accrued salaries and fringe benefits	
Instructional services	(92,757)
Instructional support services	2,581
Student transportation services	(3,592)
Other expenditures	1,437
GAAP basis	\$ 10,847,372

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.

Opp City Board of Education Notes to Financial Statements

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, 2020 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 \$436,604 and \$722,318, respectively.

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.

**Opp City Board of Education
Notes to Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (continued)

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. Deferred outflows related to pension and OPEB result from pension and 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 contributions and proportionate share of contributions, and differences between actual and expected experience.

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 four items that qualify for reporting in this category, deferred gain on refunding of debt, unearned property taxes, deferred inflows related to pension, and deferred inflows related to OPEB. A deferred gain on

Opp City Board of Education Notes to Financial Statements

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)

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. 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.

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.

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.

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

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.

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 Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Postemployment Benefits Other Than Pensions (OPEB)

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.

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balances

Net position are reported on the government-wide financial statements and are 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 and deferred inflows or outflows of resources attributable to the acquisition, construction, or improvement of those assets.

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 balances are reported in the fund financial statements in accordance with GASB 54. The intent of GASB 54 is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the Board's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used or specific purposes. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

Unassigned - All other spendable amounts.

**Opp City Board of Education
Notes to Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balances (continued)

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ -	\$ -	\$ 56,180	\$ 56,180
Restricted:				
Debt service	-	-	436,604	436,604
Capital improvements	-	722,318	-	722,318
Assigned:				
Subsequent years' budget	-	-	529,189	529,189
Unassigned	2,150,852	-	-	2,150,852
	\$ 2,150,852	\$ 722,318	\$ 1,021,973	\$ 3,895,143

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position - governmental activities* as reported in the government-wide statement of net position. The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *Total net change in fund balances - governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of 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 5, 2021 and determined there were no events that occurred that required disclosure.

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the Board's financial statements.

Pronouncements Issued But Not yet Effective

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

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 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 GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 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 GASB 89 are effective for reporting periods beginning after December 15, 2020.

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 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. 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.

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 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. GASB 91 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.

In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. The objectives of this statement are to enhance the 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. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) 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, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 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 GASB 94 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. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, 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. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (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. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of GASB 97 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

Opp City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB 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 that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 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.

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at September 30, 2020 consist of the following:

	General	Other Non-major	Total
State Department of Education			
School Lunch Program	\$ -	\$ 62,232	\$ 62,232
Special Education	17,675	-	17,675
IDEA - Part B	-	1,064	1,064
Title II - Part A	-	6,016	6,016
CARES Act - ESSER	-	13,325	13,325
CARES Act - GEER	-	6,357	6,357
CARES Act - Coronavirus Relief Fund	-	24,767	24,767
Covington County Revenue Commissioner	479,231	-	479,231
Total receivables	\$ 496,906	\$ 113,761	\$ 610,667

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

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 657,241	\$ -	\$ -	\$ 657,241
Construction in progress	357,834	-	357,834	-
Total capital assets, not being depreciated	1,015,075	-	357,834	657,241
Other capital assets:				
Buildings	16,368,793	405,016	-	16,773,809
Building improvements	5,107,312	54,761	-	5,162,073
Furniture and equipment	2,340,660	47,382	5,400	2,382,642
Total other capital assets at historical cost	23,816,765	507,159	5,400	24,318,524

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	4,652,707	240,903	-	4,893,610
Building improvements	1,150,209	83,160	-	1,233,369
Furniture and equipment	1,376,902	127,517	5,400	1,499,019
Total accumulated depreciation	7,179,818	451,580	5,400	7,625,998
Total other capital assets, net	16,636,947	55,579	-	16,692,526
Total governmental activities capital assets, net	\$ 17,652,022	\$ 55,579	\$ 357,834	\$ 17,349,767

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

For the year ended September 30, 2020

Instructional services	\$ 285,786
Instructional support services	16,996
Operation and maintenance services	28,816
Student transportation services	85,579
Food services	33,175
General and administrative services	1,228
Total depreciation expense - governmental activities	\$ 451,580

Long-Term Debt and Liabilities

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.

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Series 2009-QSCB Capital Outlay Pool Warrant (continued)

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
2021	\$ -	\$ 6,994
2022	-	6,994
2023	-	6,994
2024	-	6,994
2025	-	6,994
2026	375,000	1,748
	<u>\$ 375,000</u>	<u>\$ 36,718</u>

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. 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, 2020 was \$9,362.

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Series 2012-A Pool Refunding Bonds (Continued)

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
2021	\$ 86,981	\$ 8,647
2022	91,475	4,185
2023	23,318	1,315
2024	24,416	366
	<u>\$ 226,190</u>	<u>\$ 14,513</u>

Pledged revenues recognized for the year ended September 30, 2020 were \$95,729 while total debt service was \$95,729.

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.

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, 2020 was \$27,643 and was reported as part of interest expense. The balance of deferred loss on refunding of debt is \$454,180 at September 30, 2020 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.

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

2016 Board of Education Warrants (Continued)

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

Fiscal Year Ending September 30, 2020	Principal	Interest
2021	\$ 350,000	\$ 278,432
2022	360,000	269,532
2023	370,000	258,582
2024	380,000	245,432
2025	395,000	231,183
2026 – 2030	2,165,000	973,689
2031 – 2035	2,630,000	512,400
2036 – 2037	1,205,000	48,700
	\$ 7,855,000	\$ 2,817,950

Pledged revenues recognized for the year ended September 30, 2020 were \$580,974 while total debt service was \$630,382. A premium was recorded on the debt issuance in the amount of \$821,340. Premium amortization for the year ended September 30, 2020 was \$39,676.

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.	\$ 56,713
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.	44,472
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.	103,980
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.	442,450
Total notes payable	647,615
Less: current maturities	89,930
Notes payable, net of current maturities	\$ 557,685

**Opp City Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Direct Borrowings (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest
2021	\$ 89,930	\$ 19,067
2022	92,713	16,285
2023	95,581	13,416
2024	98,513	10,484
2025	101,589	7,408
2026 – 2028	169,289	5,761
	<u>\$ 647,615</u>	<u>\$ 72,421</u>

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, 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 Refunding	309,027	-	(82,837)	226,190	86,981
2016 G.O. Refunding Bonds	8,200,000	-	(345,000)	7,855,000	350,000
Unamortized bond premiums	691,551	-	(39,676)	651,875	-
Direct borrowings	715,313	-	(67,698)	647,615	89,930
	<u>\$ 10,290,891</u>	<u>\$ -</u>	<u>\$ (535,211)</u>	<u>\$ 9,755,680</u>	<u>\$ 526,911</u>

Interfund Receivables, Payables and Transfers

Transfers Out	Transfers In Nonmajor Governmental
General	\$ 646,033
Nonmajor governmental	273,196
	<u>\$ 919,229</u>

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 (\$378,386) and the capital projects funds (\$250,049) 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 \$174,789;
- Transfer of the state classroom instructional funds from the general fund to the local schools in the amount of \$58,800.

Note 3: EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

Plan description. The Teachers' Retirement System of Alabama, 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.

Benefits provided. 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. 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.

Opp City Board of Education Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

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, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% 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 \$926,999 for the year ended September 30, 2020.

Pension liabilities, pension expense, and deferred outflows & inflows of resources related to pensions. At September 30, 2020, the Board reported a liability of \$11,244,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the System's proportion was 0.101693%, which was a decrease of 0.002786% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized pension expense of \$1,231,065. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Opp City Board of Education
Notes to Financial Statements**

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 166,000	\$ 373,000
Changes of assumptions	346,000	-
Net difference between projected and actual earnings on pension plan investments	392,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,000	230,000
Employer contributions subsequent to the measurement date	926,999	-
Total	\$ 2,027,999	\$ 603,000

\$926,999 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, 2021.

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,

2021		\$ 40,000
2022		54,000
2023		217,000
2024		198,000
2025		(11,000)
Thereafter		-

Actuarial assumptions. The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018, 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

Opp City Board of Education Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 were based on the results of an investigation of the economic and demographic experience for the 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%

Discount rate. 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.

**Opp City Board of Education
Notes to Financial Statements**

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the 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 Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 15,265,000	\$ 11,244,000	\$ 7,842,000

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, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. 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.

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

Opp City Board of Education Notes to Financial Statements

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

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.

Benefits provided. 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).

Opp City Board of Education Notes to Financial Statements

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

Effective January 1, 2017, 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 MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees 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.

Contributions. 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.

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.

**Opp City Board of Education
Notes to Financial Statements**

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2020, the Board reported a liability of \$4,969,414 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the Board's proportion was 0.131718%, which was an increase of 0.004491% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the System recognized OPEB expense of \$316,315, with no special funding situations. At September 30, 2020, 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	\$ 164,542	\$ 3,810,332
Changes of assumptions	237,568	2,058,361
Net difference between projected and actual earnings on OPEB plan investments	10,251	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	691,177	198,213
Employer contributions subsequent to the measurement date	230,334	-
Total	\$ 1,333,872	\$ 6,066,906

\$230,334 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, 2021.

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, 2020	
2021	\$ (1,028,082)
2022	(1,028,082)
2023	(1,015,060)
2024	(813,517)
2025	(916,813)
Thereafter	(161,814)

Opp City Board of Education Notes to Financial Statements

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases ¹	3.25% - 5.00%
Long-term investment rate of return ²	7.25%
Municipal Bond Index rate at the measurement date	3.00%
Municipal Bond Index rate at the prior measurement date	4.18%
Projected year for fiduciary net position (FNP) to be depleted	2055
Single equivalent interest rate the measurement date	5.50%
Single equivalent interest rate the prior measurement date	4.44%
Healthcare cost trend rate	
Pre-Medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate	
Pre-Medicare eligible	4.75% in 2026
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

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, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated claims costs, and updated participation assumptions were used in this report.

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

Opp City Board of Education Notes to Financial Statements

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

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

Discount Rate. 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, 2019 was 5.50%.

The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. 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, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. 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 2117. The long term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

**Opp City Board of Education
Notes to Financial Statements**

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

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend 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	\$ 3,984,576	\$ 4,969,414	\$ 6,209,773

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, 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 (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 6,006,689	\$ 4,969,414	\$ 4,122,303

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, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. 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.

Opp City Board of Education Notes to Financial Statements

Note 5: RISK MANAGEMENT (Continued)

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, 2020.

The Board had no open construction commitments at September 30, 2020.

**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**

<i>As of September 30,</i>	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.101693%	0.104479%	0.102252%	0.100991%	0.100873%	0.100606%
Employer's proportionate share of the collective net pension liability	\$ 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*	\$ 7,218,478	\$ 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	155.77%	146.58%	148.76%	169.91%	165.10%	143.19%
Plan fiduciary net position as a percentage of the total pension liability	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 2020, the measurement period is October 1, 2018 through September 30, 2019.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

See Independent Auditors' Report.

**Opp City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Teachers' Retirement System of Alabama**

<i>For the years ended September 30,</i>	2020	2019	2018	2017	2016	2015
Contractually Required Contribution**	\$ 926,999	\$ 892,065	\$ 847,378	\$ 808,400	\$ 766,403	\$ 751,313
Contributions in relation to the actuarially determined contribution	926,999	892,065	847,378	808,400	766,403	751,313
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll*	\$ 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	12.27%	12.36%	11.96%	11.97%	11.91%	11.75%

*Employer's covered payroll is the total payroll on which contributions to the pension plan are based for those employees who are participating in the pension plan.

**The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the TRS, this would not include amounts paid to TRS for the Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid to TRS for the Employer's portion of the Normal Cost and Accrued Liability.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes 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**

<i>As of September 30,</i>	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.131718%	0.127227%	0.120578%
Employer's proportionate share of the collective net OPEB liability	\$ 4,969,414	\$ 10,456,439	\$ 8,955,845
Employer's covered-employee payroll during the measurement period*	\$ 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	68.84%	147.54%	132.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

*Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For FY 2020, the measurement period is October 1, 2018 through September 30, 2019.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**Opp City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Alabama Retired Education Employees' Health Care Trust**

<i>For the year ended September 30,</i>	2020	2019	2018
Contractually Required Contribution	\$ 230,334	\$ 375,878	\$ 314,920
Contributions in relation to the actuarially determined contribution	230,334	375,878	314,920
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 7,553,584	\$ 7,218,478	\$ 7,087,070
Contributions as a percentage of covered-employee payroll	3.05%	5.21%	4.44%

NOTE: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Changes in actuarial assumptions. In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience. In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes. 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.

Method and assumptions used in calculations of actuarially determined contributions. 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	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Opp City Board of Education Schedule of Expenditures of Federal Awards

For the year ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Passed Through to Subrecipients	Expenditures
Social Security Administration				
Passed through State Department of Education Social Security - Disability Insurance***	96.001	180	\$ -	\$ 480
U.S. Department of Treasury				
Passed through State Department of Education COVID-19 - Coronavirus Relief Fund	21.019	180	-	32,331
U.S. Department of Education				
Passed through State Department of Education COVID-19 - Education Stabilization Fund - CARES Act GEER	84.425C	180	-	6,357
COVID-19 - Education Stabilization Fund - CARES Act ESSER	84.425D	180	-	153,564
Subtotal for 84.425				- 159,921
Special Education Cluster				
Special Education - Grants to States**	84.027	180	-	303,962
Special Education - Preschool Grants**	84.173	180	-	18,418
Subtotal Special Education Cluster				- 322,380
Title I Grants to Local Educational Agencies	84.010	180	-	606,373
Supporting Effective Instruction State Grant	84.367	180	-	69,596
Career and Technical Education – Basic Grants to States	84.048	180	-	24,170
Safe and Drug Free Schools and Communities	84.424A	180	-	53,392
Title VIB - Rural Education	84.358B	180	-	25,866
Total U.S. Department of Education				- 1,261,698
U.S. Department of Agriculture				
Passed through State Department of Education Child Nutrition Cluster				
National School Lunch Program*	10.555	180	-	229,392
National School Lunch Program*(N)	10.555	180	-	47,110
Subtotal for 10.555				- 276,502

-Continued-

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

**Opp City Board of Education
Schedule of Expenditures of Federal Awards – Continued**

For the year ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Passed Through to Subrecipients	Expenditures
School Breakfast Program*	10.553	180	-	63,313
Summer Food Service Program for Children*	10.559	180	-	161,706
Summer Food Service Program for Children*(N)	10.559	180	-	4,506
Subtotal for 10.559			-	166,212
Subtotal Child Nutrition Cluster			-	506,027
Child Nutrition Discretionary Grants	10.579	180	-	38,387
State Administrative Expenses for Child Nutrition	10.560	180	-	2,401
Total U.S. Department of Agriculture			-	546,815
Total federal awards			\$ -	\$ 1,841,324

* 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.

Opp City Board of Education Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed in the schedule of expenditures of federal awards (the SEFA). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Board has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are separately identified in the SEFA and are the following:

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.

Opp City Board of Education

Notes to Schedule of Expenditures of Federal Awards

Note 2: INDIRECT COST RATE

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

Note 3: 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 4: FEDERAL AND STATE 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 or state pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

Note 5: 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 6: 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 \$51,616 for fiscal year 2020.

Opp City Board of Education
Notes to Schedule of Expenditures of Federal Awards

Note 7: 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 5, 2021, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 8: SUBRECIPIENTS

The Board did not provide federal or state funds to subrecipients for the fiscal year ending September 30, 2020.

Note 9: 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, 2020.

**Opp City Board of Education
Schedule of Findings and Questioned Costs**

For the year ended September 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified ___ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies identified that are not considered to be material weakness(es)? ___ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Part 200.516(a)? ___ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.555	National School Lunch Program
10.555	National School Lunch Program (N)
10.553	School Breakfast Program
10.559	Summer Food Service Program for Children

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

Dollar threshold used to distinguish between type A and type B programs? \$ 750,000

Auditee qualified as low-risk auditee? X yes ___ no

**Opp City Board of Education
Schedule of Findings and Questioned Costs**

Section II - Financial Statements Findings

No such findings in the current year.

Section III - Federal Award Findings and Questioned Costs

No such findings in the current year.

**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, 2020, 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 5, 2021.

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 5, 2021

**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 program for the year ended September 30, 2020. The Board's major federal program is 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 program for the year ended September 30, 2020.

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 5, 2021