



**Opp City Board  
of Education**

**FINANCIAL STATEMENTS**

**September 30, 2024**





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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2024, and the respective changes in financial position 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.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Board elected to change its method of accounting for tax receivables due from the Covington County Revenue Commissioner. Our opinion is not modified with respect to that matter.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

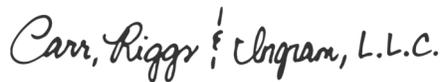
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11, schedules of the employer's proportionate share of the net pension liability, net OPEB liability, schedules of employer contributions and related note disclosures, on pages 50 – 55, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2025 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 the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

Enterprise, Alabama  
May 19, 2025

# 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, 2024. 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:

- General fund revenues and other sources exceeded expenditures and other uses by \$1,840,035 resulting in a fund balance of \$5,571,346 available as of fiscal year end, September 30, 2024.
- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the fiscal 2024 year by \$3,123,239.

## 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 and deferred outflows less liabilities and deferred inflows, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board

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

(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 fund financial statements – the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* – are reported using an accounting method called modified basis of accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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. A statement of revenues, expenditures and changes in fund balance – budget to actual is presented for the general fund and each major special revenue fund that has a legally adopted annual budget.

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 schedules of the employer's proportionate share of the net pension liability, net OPEB liability, schedules of employer contributions and related note disclosures.

### **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>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets	\$ 8,328,755	\$ 5,917,816
Restricted assets	1,185,500	1,297,067
Capital assets, net of depreciation	22,463,333	20,923,338
<b>Total assets</b>	<b>31,977,588</b>	<b>28,138,221</b>
Deferred Outflows of Resources		
Deferred loss on refunding of debt	343,608	371,251
Deferred outflows related to pension	5,101,697	6,531,294
Deferred outflows related to OPEB	3,077,566	3,659,870
<b>Total deferred outflows of resources</b>	<b>8,522,871</b>	<b>10,562,415</b>
<b>Liabilities</b>		
Current liabilities	1,932,032	1,812,650
Noncurrent liabilities	27,475,774	27,454,381
<b>Total liabilities</b>	<b>29,407,806</b>	<b>29,267,031</b>
Deferred Inflows of Resources		
Deferred inflows related to pension	251,000	488,000
Deferred inflows related to OPEB	7,042,203	8,705,928
Deferred inflows related to property taxes	676,211	3,977
<b>Total deferred inflows of resources</b>	<b>7,969,414</b>	<b>9,197,905</b>
<b>Net Position</b>		
Net investment in capital assets	15,200,405	13,094,522
Restricted	1,185,500	1,297,067
Unrestricted (deficit)	(13,262,666)	(14,155,889)
<b>Total net position (deficit)</b>	<b>\$ 3,123,239</b>	<b>\$ 235,700</b>

The Board's assets and deferred outflows exceeded liabilities and deferred inflows by \$3,123,239 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.

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, 2024.

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

**Summary of Changes in Net Position From Operating Results**

<i>Years ended September 30,</i>	<b>2024</b>	<b>2023</b>
Program Revenues		
Charges for services	\$ 1,896,448	\$ 1,593,299
Operating grants and contributions	15,480,130	14,632,445
Capital grants	1,782,362	1,153,930
General Revenues		
Local property taxes	986,779	886,638
Sales and use taxes	2,281,400	2,277,936
Miscellaneous taxes	37,169	41,110
Grants and contributions not restricted for specific programs	680	360
Investment earnings	281,196	162,031
Miscellaneous	595,845	684,722
<b>Total revenues</b>	<b>23,342,009</b>	<b>21,432,471</b>
Expenses		
Instructional services	10,575,864	9,470,179
Instructional support services	3,033,783	2,852,931
Operation and maintenance services	1,790,004	1,571,255
Food services	1,532,544	1,294,591
Student transportation services	763,442	680,032
General administration services	1,506,956	1,092,157
Other expenses	1,002,905	933,437
Interest and fiscal charges	248,972	260,870
<b>Total expenses</b>	<b>20,454,470</b>	<b>18,155,452</b>
Change in net position	2,887,539	3,277,019
Net position (deficit), beginning of year	235,700	(3,041,319)
<b>Net position (deficit), end of year</b>	<b>\$ 3,123,239</b>	<b>\$ 235,700</b>

**Revenue Analysis**

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

- Operating grants and contributions make up 81% of program revenues and 66% 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.

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

### Expense Analysis

- Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense of the Board (52%). 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 67% 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 salaries and benefits for preschool teachers and aides. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

### Performance of School Board Funds

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

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 15 and 17. The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of \$7,490,169.

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

**General Fund** – The general fund is the primary operating fund of the Board. The beginning fund balance on October 1, 2023 was \$3,731,311. The fund balance at the end of the fiscal year was \$5,571,346. Each school system is required to have a one month general fund operating balance. Opp City Board of Education met this requirement for FY 2024.

**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, 2024, the ending fund balance was \$604,724.

**Child Nutrition Program Fund** – As of January 1, 2024, Opp City Schools elected to participate in the Community Eligibility Provision (CEP) for its school nutrition program. The Community Eligibility Provision (CEP) is a non-pricing meal service option for schools and school districts in low-income areas. Breakfast and lunch are served at no cost to all enrolled students without collecting household application. CEP runs on a four-year cycle. At the end of the fourth year, Opp City Schools must redetermine their eligibility and funding formula.

### **Budgetary Highlights of Major Funds**

The Board's original 2024 fiscal year budget was adopted on September 14, 2023. The original budget was based on guaranteed state and federal revenues, estimated local revenues and necessary and planned expenditures. The budget was amended on March 21, 2024 and May 21, 2024. The amendments were necessary to budget federal carryover funds, new allocations and make necessary adjustments. The final budget was reasonable based on the financial activity of the Board.

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

### **Capital Asset and Debt Administration**

**Capital Assets** – At September 30, 2024, the Board had approximately \$22,463,333 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. The Board expended available resources to acquire \$2,426,866 in capital asset additions during the year. These additions are reduced by the current year's depreciation expense of \$559,320 and disposals of \$627,440 in capital assets with a net book value of \$327,551 that were taken out of service during the year.

**Long-Term Debt** – At year-end, the Board had \$7,113,365 in warrants and notes payable. Of this amount, \$6,395,000 for the new Opp Elementary School, \$375,000 for a QSCB loan, and \$343,365 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.

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

### Factors Bearing on the Board's Future

**Student Enrollment** – The Board's current enrollment of 1,268.15 (2024-2025 school year) is based on the Average Daily Membership (ADM) calculated on the attendance for the first 20 days after Labor Day. Alabama's 2024 education budget was funded at \$9.35 billion, a historical level for the state. The district anticipates state foundation funding for K-12 to be comparable to the current years funding. In addition to the K-12 program, the district operates three Pre-K program classrooms serving 48 students. Funding for this program is provided through the Alabama Department of Early Childhood Development and local funds.

**County and District Sales Tax** – In 2024, the Board received a total of \$1.97 million in county sales tax. County-wide sales tax revenue was consistent with the prior fiscal year. The district sales tax remained consistent with the prior year at \$302K. 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.

**Local Funding** – 10 Mil 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 mils of district ad valorem tax. The State Department of Education reduces the Board's appropriation by this required local support. The assessed value of the property in Opp City remains steady resulting in a level funding match. Opp City Schools collects 12 mils of ad valorem tax through district and county levees. The district's 5 Mil special ad valorem tax has been in place over 80 years. Within the next year, the voters will be asked to renew this tax.

**Medical and Retirement Costs** - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is \$800 per month per employee for fiscal year 2024. The Board is anticipating an increase in this cost in FY26 after remaining stable for 10 years. Employer contributions to the Teachers Retirement System (TRS) were 12.59% and 11.59% for Tier I and Tier II employees respectively for fiscal year 2024. The board must use local funds to pay the salary related benefit costs not paid by state and federal funds.

**Major Projects** -. The Board's Additions and Renovation project at Opp High School was nearly complete in September 2024. The \$2.3 million dollar project redesigned the entrance to the school and increased accessibility, safety and security for students, faculty and guests. This project was funded by the Public School and College Authority of Alabama bond issue and the board's capital purchase funds. The Board is currently working with the McKee & Associates in Montgomery, Alabama to solicit sealed bids for renovations and HVAC replacement at Opp High School. The preliminary estimated cost of the project is \$6.8 million.

**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 \$1.2 million. At the end of 2024, the Board had 4.1 months of operating reserve or \$4.9 million dollars.

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

### **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 Emily Edgar, 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, 2024</u>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,515,275
Investments	1,887,704
Receivables, net	885,603
Inventories	40,173
Restricted assets	
Cash and cash equivalents	1,185,500
Capital assets, not being depreciated	3,072,864
Capital assets, net of accumulated depreciation	19,390,469
<b>Total assets</b>	<b>31,977,588</b>
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunding of debt	343,608
Deferred outflows related to pension	5,101,697
Deferred outflows related to OPEB	3,077,566
<b>Total deferred outflows of resources</b>	<b>8,522,871</b>
<b>Liabilities</b>	
Salaries and benefits payable	1,342,946
Unearned grant revenue	4,929
Non-current liabilities	
Net pension liability	18,183,000
Net OPEB liability	2,270,395
Current portion of long-term debt	584,157
Noncurrent portion of long-term debt	7,022,379
<b>Total liabilities</b>	<b>29,407,806</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	251,000
Deferred inflows related to OPEB	7,042,203
Deferred inflows related to property taxes	676,211
<b>Total deferred inflows of resources</b>	<b>7,969,414</b>
<b>Net Position</b>	
Net investment in capital assets	15,200,405
Restricted for	
Capital improvements	604,724
Debt service	580,776
Unrestricted (deficit)	(13,262,666)
<b>Total net position</b>	<b>\$ 3,123,239</b>

*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, 2024*

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<u>Functions / Programs</u>		<u>Expenses</u>
Instructional services	\$	10,575,864
Instructional support services		3,033,783
Operation and maintenance services		1,790,004
Student transportation services		763,442
Food services		1,532,544
General administrative services		1,506,956
Interest and fiscal charges		248,972
Other expenses		1,002,905
<u>Total governmental activities</u>	\$	<u>20,454,470</u>

*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
\$ 206,488	\$ 10,262,463	\$ 1,553,880	\$ 1,446,967
247,952	2,083,967	-	(701,864)
26,315	897,345	145,091	(721,253)
49,977	591,271	83,391	(38,803)
1,156,541	173,394	-	(202,609)
683	931,252	-	(575,021)
-	-	-	(248,972)
208,492	540,438	-	(253,975)
<u>\$ 1,896,448</u>	<u>\$ 15,480,130</u>	<u>\$ 1,782,362</u>	<u>(1,295,530)</u>

General Revenues

Taxes:

Property taxes, levied for general purposes 986,779

Local sales tax 2,281,400

Other taxes 37,169

Grants not restricted for specific programs 680

Investment earnings 281,196

Miscellaneous 595,845

Total general revenues 4,183,069

Change in net position 2,887,539

Net position, beginning of year 235,700

Net position, end of year \$ 3,123,239

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

<i>September 30, 2024</i>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,801,075	\$ -	\$ 714,200	\$ 5,515,275
Investments	1,887,704	-	-	1,887,704
Receivables, net	739,202	-	146,401	885,603
Inventories	-	-	40,173	40,173
Restricted assets				
Cash and cash equivalents	-	604,724	580,776	1,185,500
<b>Total assets</b>	<b>\$ 7,427,981</b>	<b>\$ 604,724</b>	<b>\$ 1,481,550</b>	<b>\$ 9,514,255</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Salaries and benefits payable	\$ 1,180,424	\$ -	\$ 162,522	\$ 1,342,946
Unearned grant revenue	-	-	4,929	4,929
<b>Total liabilities</b>	<b>1,180,424</b>	<b>-</b>	<b>167,451</b>	<b>1,347,875</b>
<b>Deferred inflows of resources</b>				
Deferred inflows related to property taxes	676,211	-	-	676,211
<b>Fund balances</b>				
Non-spendable	-	-	40,173	40,173
Restricted	-	604,724	580,776	1,185,500
Assigned	-	-	693,150	693,150
Unassigned	5,571,346	-	-	5,571,346
<b>Total fund balances</b>	<b>5,571,346</b>	<b>604,724</b>	<b>1,314,099</b>	<b>7,490,169</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,427,981</b>	<b>\$ 604,724</b>	<b>\$ 1,481,550</b>	<b>\$ 9,514,255</b>

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

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

*September 30, 2024*

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Total fund balances - governmental funds	\$	7,490,169
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Governmental capital assets not being depreciated	\$	3,072,864	
Governmental capital assets being depreciated		28,585,663	
Less accumulated depreciation		(9,195,194)	22,463,333

Deferred inflows and outflows related to pensions and OPEB are applicable to future periods and, therefore, are not reported in governmental funds.

Deferred outflows related to pension	\$	5,101,697	
Deferred inflows related to pension		(251,000)	
Deferred outflows related to OPEB		3,077,566	
Deferred inflows related to OPEB		(7,042,203)	886,060

In the advance refunding of debt, the difference between the net carrying amount of the old debt and its reacquisition price is treated as an other financing source or use in the governmental fund statements, whereas this amount is deferred and amortized over the life of the old or new debt, whichever is shorter, and reported as a deferred outflow or inflow on the statement of net position.

343,608

Long-term liabilities, including debt, net pension liability, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension liability	\$	(18,183,000)	
Net OPEB liability		(2,270,395)	
Current portion of long-term debt		(584,157)	
Non-current portion of long-term debt		(7,022,379)	(28,059,931)

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Net position of governmental activities	\$	3,123,239
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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, 2024</i>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State revenues	\$ 13,059,356	\$ 349,822	\$ 1,432,539	\$ 14,841,717
Federal revenues	680	-	3,448,183	3,448,863
Local revenues	3,503,119	-	1,442,463	4,945,582
Other revenues	69,217	-	36,627	105,844
<b>Total revenues</b>	<b>16,632,372</b>	<b>349,822</b>	<b>6,359,812</b>	<b>23,342,006</b>
<b>Expenditures</b>				
Current				
Instructional services	8,101,959	7,969	1,634,037	9,743,965
Instructional support services	2,165,257	-	679,499	2,844,756
Operation and maintenance	1,470,529	138,706	136,279	1,745,514
Student transportation services	669,258	-	31,076	700,334
Food services	4,770	-	1,578,756	1,583,526
General administrative services	957,895	-	209,578	1,167,473
Other expenditures	532,972	-	427,939	960,911
Capital outlay	510,649	328,243	1,587,974	2,426,866
Debt service:				
Principal	47,287	22,318	480,273	549,878
Interest	1,367	3,289	260,326	264,982
<b>Total expenditures</b>	<b>14,461,943</b>	<b>500,525</b>	<b>7,025,737</b>	<b>21,988,205</b>
Excess (deficiency) of revenues over (under) expenditures	2,170,429	(150,703)	(665,925)	1,353,801
<b>Other Financing Sources (Uses)</b>				
Indirect cost	144,243	-	-	144,243
Transfers in	26,012	-	1,048,285	1,074,297
Transfers out	(500,649)	-	(573,648)	(1,074,297)
<b>Net other financing sources (uses)</b>	<b>(330,394)</b>	<b>-</b>	<b>474,637</b>	<b>144,243</b>
Net change in fund balances	1,840,035	(150,703)	(191,288)	1,498,044
Fund balances, beginning of year	3,731,311	755,427	1,505,387	5,992,125
<b>Fund balances, end of year</b>	<b>\$ 5,571,346</b>	<b>\$ 604,724</b>	<b>\$ 1,314,099</b>	<b>\$ 7,490,169</b>

*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 the Statement of Activities**

*For the year ended September 30, 2024*

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Net change in fund balances - total governmental funds \$ 1,498,044

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their useful  
lives as depreciation expense. This is the amount by which capital outlays  
exceeds depreciation expense in the current period. 1,867,546

Governmental funds report the entire net sales price (proceeds) from the sale  
or disposal of an asset as revenue because it provides current financial  
resources. In contrast, the Statement of Activities reports only the gain or loss  
on sale or disposal of the asset. Thus, the change in net position differs from  
the change in fund balance by the net undepreciated cost of the disposed asset. (327,551)

Changes to the net pension liability, OPEB liability, and the related deferred  
outflows and inflows of resources are reported as expenses in the statement of  
activities, but do not require the use of current financial resources, and,  
therefore, are not reported as an expenditure in governmental funds.

Change in pension expense	\$ (1,838,597)	
Change in OPEB expense	1,122,209	(716,388)

For governmental funds, the issuance of long-term debt provides current  
financial resources and the repayment of long-term debt consumes current  
financial resources. Neither transaction, however, has any effect on net  
position in the government-wide statement of net position. Also, governmental  
funds report the effect of premiums, discounts, and similar items when debt is  
first issued whereas these amounts are deferred and amortized in the  
statement of activities. These amounts are the net effect of these differences in  
the treatment of long-term debt and related items.

Principal payments	549,878
Amortization of deferred gain on refunding of debt	3,977
Amortization of bond premium	39,676
Amortization of deferred loss on refunding of debt	(27,643)

Change in net position of governmental activities \$ 2,887,539

*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**

<i>For the year ended September 30, 2024</i>	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
State revenues	\$ 11,149,328	\$ 13,039,558	\$ 13,059,356	\$ 19,798
Federal revenues	-	400	680	280
Local revenues	3,036,225	3,246,350	3,503,119	256,769
Other revenues	43,800	83,800	69,217	(14,583)
<b>Total revenues</b>	<b>14,229,353</b>	<b>16,370,108</b>	<b>16,632,372</b>	<b>262,264</b>
<b>Expenditures</b>				
Instructional services	7,713,794	8,016,628	7,969,880	46,748
Instructional support services	2,002,866	2,351,724	2,141,092	210,632
Operation and maintenance	1,965,126	1,727,314	1,470,529	256,785
Student transportation services	642,464	641,059	672,305	(31,246)
Food services	-	4,871	4,770	101
General administrative services	893,794	996,132	957,895	38,237
Capital outlay	200,000	1,776,045	510,649	1,265,396
Principal retirement	47,287	47,287	47,287	-
Interest and fiscal charges	1,367	1,367	1,367	-
Other expenditures	489,053	531,004	530,470	534
<b>Total expenditures</b>	<b>13,955,751</b>	<b>16,093,431</b>	<b>14,306,244</b>	<b>1,787,187</b>
Excess of revenues over expenditures	273,602	276,677	2,326,128	2,049,451
<b>Other Financing Sources (Uses)</b>				
Indirect cost	141,721	153,071	144,243	(8,828)
Transfers in	-	-	26,012	26,012
Transfers out	(481,269)	(481,269)	(500,649)	(19,380)
<b>Net other financing sources (uses)</b>	<b>(339,548)</b>	<b>(328,198)</b>	<b>(330,394)</b>	<b>(2,196)</b>
Net change in fund balance	(65,946)	(51,521)	1,995,734	2,047,255
Fund balance at beginning of the year	3,731,311	3,731,311	3,731,311	-
<b>Fund balance at end of year</b>	<b>\$ 3,665,365</b>	<b>\$ 3,679,790</b>	<b>\$ 5,727,045</b>	<b>\$ 2,047,255</b>
<b>Reconciliation of GAAP to budgetary basis</b>				
GAAP basis expenditures	\$ 13,955,751	\$ 16,093,431	\$ 14,461,943	\$ 1,631,488
Non-budgeted accrued salaries and fringe benefits				
Instructional services	-	-	(132,079)	132,079
Instructional support services	-	-	(24,165)	24,165
Student transportation services	-	-	3,047	(3,047)
Other expenditures	-	-	(2,502)	2,502
<b>Budgetary basis expenditures</b>	<b>\$ 13,955,751</b>	<b>\$ 16,093,431</b>	<b>\$ 14,306,244</b>	<b>\$ 1,787,187</b>

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

## 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, 2024, 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. The effects of interfund activity have been eliminated from the government-wide financial statements. 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*.

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

## Opp City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government-Wide and Fund Financial Statements (continued)***

Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the Board on a formula basis.

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

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

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

1. IDEA – Part B
2. Preschool Ages 3 – 5 Part B
3. Vocational Education – Basic Grant
4. Title I Part A
5. Title I Part A School Improvement
6. Title II Part A Teachers Training
7. Title IV Part A Safe & Drug-free
8. Title VI Rural & Low Income Program
9. ARP ESSER III
10. SLC E-Rate Refund
11. Local School Activity Funds
12. 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.

#### ***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.

## 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 (continued)***

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 and timing requirements have been satisfied.

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

#### ***Budgetary Information***

##### ***Budgetary Basis of Accounting***

Annual budgets are adopted for all governmental funds. The level of budgetary control is based upon the function of expenditure. 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 2024 fiscal year was September 15, 2023. The Board approved and submitted its original 2024 annual budget on September 14, 2023.

The 2024 budget was amended in March and May 2024 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgetary Information (continued)***

*Budgetary Basis of Accounting (continued)*

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. Similarly, unbudgeted capital asset acquisitions that are not financed are reported as expenditures in the fund financial statements but are not reported as expenditures for budgetary purposes.

***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.

*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 reported in the government-wide financial statements and fund financial statements 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 and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of purchased food and commodities. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**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)***

*Inventories and Prepaid Items (continued)*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Restricted Assets*

Restricted assets at September 30, 2024, 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 \$580,776 and \$604,724, 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 asset lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

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

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has three items reported in this category, deferred loss on refunding of debt, deferred outflows related to pension and deferred outflows related to OPEB. A deferred loss on refunding of debt results from

## 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)*

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 differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, deferred inflows related to pension, deferred inflows related to OPEB, and unearned property taxes. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years. Unearned property taxes is the result of property taxes being levied in a different fiscal year than when the revenue becomes available to the Board.

##### *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.

## 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)*

##### *Compensated Absences (continued)*

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

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

##### *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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

##### *Pension Plan*

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

##### *Other Postemployment Benefits (OPEB) Liability*

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Other Postemployment Benefits (OPEB) Liability (continued)*

member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

*Categories and Classification of Net Position and Fund Equity*

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

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

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

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

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

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

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

The provisions GASBC Section 1800, Classification and Terminology, specifies the following classifications:

**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)***

*Categories and Classification of Fund Equity (continued)*

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

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

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

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

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

The Board’s reported governmental fund balance at September 30, 2024, is comprised of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Inventories	\$ -	\$ -	\$ 40,173	\$ 40,173
<b>Restricted:</b>				
Debt service	-	-	580,776	580,776
Capital improvements	-	604,724	-	604,724
<b>Assigned:</b>				
Subsequent years' budget	-	-	693,150	693,150
Unassigned	5,571,346	-	-	5,571,346
	<b>\$ 5,571,346</b>	<b>\$ 604,724</b>	<b>\$ 1,314,099</b>	<b>\$ 7,490,169</b>

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenues and Expenditures/Expenses***

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

***Economic Dependency***

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

***Use of Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 19, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recently Issued and Implemented Accounting Pronouncements***

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Board adopted GASB 100 for the year ended September 30, 2024 and elected a change in accounting principle regarding their recording of a property taxes. See note 2 for additional information.

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

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

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.

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

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (continued)***

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.

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

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

***Accounts Receivable***

Receivables as of September 30, 2024, consist of the following:

	General Fund	Other Non-major Funds	Total
Covington County Revenue Commissioner	\$ 676,211	\$ -	\$ 676,211
State Department of Education			
School Lunch Program	-	128,491	128,491
Headstart	-	9,148	9,148
TEAMS	17,809	-	17,809
Title II Part A	-	225	225
Special Education	45,182	-	45,182
IDEA - Part B	-	8,537	8,537
<b>Total receivables</b>	<b>\$ 739,202</b>	<b>\$ 146,401</b>	<b>\$ 885,603</b>

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

In previous years, the estimated taxes were not recorded as a receivable and deferred inflow of resources on the accompanying balance sheet at time of assessment, which is an acceptable practice. In the current year, management elected to start recording these estimated amounts due to the state issuing a levy against the property prior to September 30, 2024, which is also an acceptable method of accounting that better aligns with similar school boards in the State of Alabama. This change in accounting principal had no impact on income or net position.

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

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 728,615	\$ 39,310	\$ -	\$ 767,925
Construction in progress	679,996	1,624,943	-	2,304,939
Capital assets, not being depreciated	1,408,611	1,664,253	-	3,072,864
Capital assets, being depreciated				
Buildings	16,964,248	115,189	-	17,079,437
Building improvements	8,866,955	418,276	615,907	8,669,324
Furniture and equipment	2,619,287	229,148	11,533	2,836,902
Capital assets, being depreciated	28,450,490	762,613	627,440	28,585,663
Less accumulated depreciation for				
Buildings	5,597,923	247,729	-	5,845,652
Building improvements	1,492,452	141,296	288,356	1,345,392
Furniture and equipment	1,845,388	170,295	11,533	2,004,150
Total accumulated depreciation	8,935,763	559,320	299,889	9,195,194
Total capital assets being depreciated, net	19,514,727	203,293	327,551	19,390,469
Capital assets, net	\$ 20,923,338	\$ 1,867,546	\$ 327,551	\$ 22,463,333

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

*For the year ended September 30, 2024*

Instructional services	\$ 347,626
Instructional support services	47,140
Operation and maintenance services	37,820
Student transportation services	85,579
Food services	33,571
General and administrative services	7,584
Total depreciation expense - governmental activities	\$ 559,320

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities***

*Bonds Payable*

*Series 2009-QSCB Capital Outlay Pool Warrant*

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

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

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

Fiscal Year Ending September 30,	Principal	Interest
2025	\$ -	\$ 6,994
2026	375,000	1,748
	<u>\$ 375,000</u>	<u>\$ 8,742</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).

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*Bonds Payable (continued)*

*Series 2012-A Pool Refunding Bonds (continued)*

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, 2024, was \$3,977.

Pledged revenues recognized for the year ended September 30, 2024, were \$24,783 while total debt service was \$24,783. The Series 2012-A bonds were paid off during the year ended September 30, 2024.

*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.

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 a 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, 2024, was \$27,643 and was reported as part of interest expense. The balance of deferred loss on refunding of debt is \$343,608 at September 30, 2024 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)***

*Bonds Payable (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,	Principal	Interest
2025	\$ 395,000	\$ 231,183
2026	410,000	220,228
2027	415,000	211,461
2028	430,000	198,400
2029	445,000	180,900
2030 – 2034	2,525,000	615,500
2035 – 2037	1,775,000	108,300
	<b>\$ 6,395,000</b>	<b>\$ 1,765,972</b>

Pledged revenues recognized for the year ended September 30, 2024, were \$803,008 while total debt service was \$625,432. A premium was recorded on the debt issuance in the amount of \$821,340. Premium amortization for the year ended September 30, 2024, was \$39,676.

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

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

***Direct Borrowings***

Southern Independent Bank – A note payable in semi-annual installments of \$5,264 beginning on November 18, 2016, including interest at 3.35%. All unpaid principal is due at maturity on May 18, 2026. Secured by equipment.	\$ 20,192
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.	12,964
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.	37,171
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.	200,552
CCB Community Bank – A note payable in semi-annual installments of \$24,327 beginning on June 16, 2021, including interest at 1.25%. All unpaid principal is due at maturity on December 16, 2025. Secured by a CD valued at \$294,452 as of September 30, 2023.	72,486
Total notes payable	343,365
Less: current maturities	149,481
Notes payable, net of current maturities	\$ 193,884

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

Fiscal Year Ending September 30,	Principal	Interest
2025	\$ 149,481	\$ 8,171
2026	124,685	4,416
2027	69,199	1,498
	\$ 343,365	\$ 14,085

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

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*Changes In Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2024, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2009-D Warrants	\$ 375,000	\$ -	\$ -	\$ 375,000	\$ -
2012-A Pool Refunding Bonds	24,416	-	(24,416)	-	-
2016 G.O. Refunding Bonds	6,775,000	-	(380,000)	6,395,000	395,000
Unamortized bond premiums	532,847	-	(39,676)	493,171	39,676
Direct borrowings	488,827	-	(145,462)	343,365	149,481
	<u>\$ 8,196,090</u>	<u>\$ -</u>	<u>\$ (589,554)</u>	<u>\$ 7,606,536</u>	<u>\$ 584,157</u>

***Net Investment In Capital Assets***

The elements of this calculation are as follows:

Capital assets (net)	\$ 22,463,333
Outstanding debt related to capital assets	(7,606,536)
Deferred loss on refunding of debt	343,608
<b>Net investment in capital assets</b>	<b>\$ 15,200,405</b>

***Interfund Receivables, Payables and Transfers***

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental
General	\$ -	\$ 500,649
Nonmajor governmental	26,012	547,636
	<u>\$ 26,012</u>	<u>\$ 1,048,285</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 in the amount of \$320,873 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 \$145,800;

**Note 3: EMPLOYEE RETIREMENT PLAN**

***Plan Description***

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

***Plan Membership and Benefits***

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019.

**Note 3: EMPLOYEE RETIREMENT PLAN (Continued)**

***Plan Membership and Benefits (continued)***

A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

***Contributions***

Covered Tier 1 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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% 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 \$1,183,697 for the year ended September 30, 2024.

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

At September 30, 2024, the Board reported a liability of \$18,183,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. 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.

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

**Note 3: EMPLOYEE RETIREMENT PLAN (Continued)**

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

At September 30, 2023, the System's proportion was 0.113947%, which was an increase of 0.001099% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized pension expense of \$3,022,294. At September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,626,000	\$ 245,000
Changes of assumptions	512,000	-
Net difference between projected and actual earnings on pension plan investments	1,247,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	533,000	6,000
Employer contributions subsequent to the measurement date	1,183,697	-
<b>Total</b>	<b>\$ 5,101,697</b>	<b>\$ 251,000</b>

\$1,183,697 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Years ending September 30,*

2025	\$	1,275,000
2026		864,000
2027		1,542,000
2028		(14,000)

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.45%

\* Net of pension plan investment expenses

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

**Note 3: EMPLOYEE RETIREMENT PLAN (Continued)**

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, 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, 2020. The Board of Control accepted and approved these changes in September 2021, which became effective at the beginning of fiscal year 2021. Mortality rates for TRS were based on the Pub-2010 Teacher Tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

<b>Group</b>	<b>Membership Table</b>	<b>Set Forward (+) / Set Back (-)</b>	<b>Adjustment to Rates</b>
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages <63, 96% ages > 67, Phasing down 63-67  Female: 112% ages < 69, 98% > ages 74, Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

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	15.00%	2.80%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	2.50%
<b>Total</b>	<b>100.00%</b>	

\* Includes assumed rate of inflation of 2.00%

**Note 3: EMPLOYEE RETIREMENT PLAN (Continued)**

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

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made 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.

The following table presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's net pension liability	\$ 23,755,000	\$ 18,183,000	\$ 13,498,000

***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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor’s 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 (Self-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 Annual Comprehensive 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

## Opp City Board of Education Notes to Financial Statements

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

#### *Plan Description (continued)*

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

#### *Funding Requirements*

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. 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. Total employer contributions to the OPEB plan from the Board were \$161,733 for the year ended September 30, 2024.

#### *Plan Membership and Benefits*

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

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

***Plan Membership and Benefits (continued)***

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 retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC 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 UHC 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.

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

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

***Net OPEB Liability, Significant Assumptions, and Discount Rate***

At September 30, 2024, the Board reported a liability of \$2,270,395 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Board's proportion of the net OPEB liability was based on a projection of the Board's share of contributions to the OPEB plan relative to the total contributions of all participating PEEHIP employers. At September 30, 2023, the Board's proportion was 0.11811743%, which was an decrease of 0.01452252% from its proportion measured as of September 30, 2022.

The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases <sup>1</sup>	3.25% - 5.00%
Long-term investment rate of return <sup>2</sup>	7.00%
Municipal Bond Index rate at the measurement date	4.53%
Municipal Bond Index rate at the prior measurement date	4.40%
Projected year for fiduciary net position (FNP) to be depleted	N/A
Single equivalent interest rate the measurement date	7.00%
Single equivalent interest rate the prior measurement date	7.00%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	**
Ultimate trend rate	
Pre-Medicare eligible	4.50% in 2033 FYE
Medicare eligible	4.50% in 2033 FYE

<sup>1</sup> Includes 2.75% wage inflation.

<sup>2</sup> Compounded annually, net of investment expense, and including inflation.

\*\*Initial Medicare claims are set based on scheduled increases through plan year 2025

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

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

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

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

<b>Group</b>	<b>Membership Table</b>	<b>Set Forward (+) / Set Back (-)</b>	<b>Adjustment to Rates</b>
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2, Female: +2	Male: 108% ages <63, 96% ages > 67, Phasing down 63-67  Female: 112% ages < 69, 98% > ages 74, Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

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, 2022 valuation.

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

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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

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

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

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%
<b>Total</b>	<b>100.00%</b>	

\*Geometric mean, includes 2.5% inflation

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. 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. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023, and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefits for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. 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 are projected through 2121.

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

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

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

For the year ended September 30, 2024, the System recognized OPEB expense (benefit) of (\$960,476), with no special funding situations. At September 30, 2024, 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	\$ 44,394	\$ 3,582,616
Changes of assumptions	1,912,729	2,246,034
Net difference between projected and actual earnings on OPEB plan investments	77,552	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	881,158	1,213,553
Employer contributions subsequent to the measurement date	161,733	-
<b>Total</b>	<b>\$ 3,077,566</b>	<b>\$ 7,042,203</b>

\$161,733 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 ending September 30, 2025.

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

*Years ending September 30,*

2025	\$ (1,378,628)
2026	(705,102)
2027	(639,148)
2028	(839,699)
2029	(535,579)
Thereafter	(28,214)

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

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

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB liability	\$ 1,720,935	\$ 2,270,395	\$ 2,937,550

The following table presents the Board’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 2,802,798	\$ 2,270,395	\$ 1,817,250

***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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at [www.rsa-al.gov](http://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, 2024.

The Board had the following active construction projects as of September 30, 2024:

Projects	Estimated Cost of Project	Costs Incurred as of September 30, 2024	Remaining commitment
Opp High School Renovations	\$ 2,301,816	\$ 2,238,499	\$ 63,317
New LED Signs for Schools	83,469	41,735	41,734
Opp Elementary School - HVAC	48,900	24,706	24,194
Opp High School - Athletic Facility	450,000	-	450,000
<b>Total</b>	<b>\$ 2,884,185</b>	<b>\$ 2,304,940</b>	<b>\$ 579,245</b>

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

<i>As of and for the year ended September 30,</i>	<b>2024</b>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	<b>0.113947%</b>	0.112848%	0.109604%	0.106774%	0.101693%	0.104479%	0.102252%	0.100991%	0.100873%	0.100606%
Employer's proportionate share of the collective net pension liability	<b>\$ 18,183,000</b>	\$ 17,537,000	\$ 10,325,000	\$ 13,208,000	\$ 11,244,000	\$ 10,388,000	\$ 10,050,000	\$ 10,933,000	\$ 10,557,000	\$ 9,140,000
Employer's covered payroll during the measurement period*	<b>\$ 9,394,016</b>	\$ 8,701,572	\$ 7,940,968	\$ 7,553,584	\$ 7,218,478	\$ 7,087,070	\$ 6,755,633	\$ 6,434,760	\$ 6,394,118	\$ 6,382,911
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	<b>193.56%</b>	201.54%	130.02%	174.86%	155.77%	146.58%	148.76%	169.91%	165.10%	143.19%
Plan fiduciary net position as a percentage of the total pension liability	<b>63.57%</b>	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

\*Employer's covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For FY 2024, the measurement period is October 1, 2022 through September 30, 2023.

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

<i>For the year ended September 30,</i>	<b>2024</b>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contribution	<b>\$ 1,183,697</b>	\$ 1,148,294	\$ 1,052,431	\$ 958,625	\$ 926,999	\$ 892,065	\$ 847,378	\$ 808,400	\$ 766,403	\$ 751,313
Contributions in relation to the actuarially determined contribution	<b>1,183,697</b>	1,148,294	1,052,431	958,625	926,999	892,065	847,378	808,400	766,403	751,313
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	<b>\$ 9,687,391</b>	\$ 9,394,016	\$ 8,701,572	\$ 7,940,968	\$ 7,553,584	\$ 7,218,478	\$ 7,087,070	\$ 6,755,633	\$ 6,434,760	\$ 6,394,118
Contributions as a percentage of covered payroll	<b>12.22%</b>	12.22%	12.09%	12.07%	12.27%	12.36%	11.96%	11.97%	11.91%	11.75%

**Note to Schedule**

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

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

<i>As of and for the year ended September 30,</i>	<b>2024</b>	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	<b>0.118117%</b>	0.132640%	0.119541%	0.116456%	0.131718%	0.127227%	0.120578%
Employer's proportionate share of the collective net OPEB liability	<b>\$ 2,270,395</b>	\$ 2,311,183	\$ 6,176,460	\$ 7,557,832	\$ 4,969,414	\$ 10,456,439	\$ 8,955,845
Employer's covered-employee payroll during the measurement period*	<b>\$ 9,394,016</b>	\$ 8,701,572	\$ 7,940,968	\$ 7,553,584	\$ 7,218,478	\$ 7,087,070	\$ 6,755,633
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	<b>24.17%</b>	26.56%	77.78%	100.06%	68.84%	147.54%	132.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	<b>49.42%</b>	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

\*Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For FY 2024, the measurement period is October 1, 2022 through September 30, 2023.

**Note to Schedule**

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

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

<i>For the year ended September 30,</i>	<b>2024</b>	2023	2022	2021	2020	2019	2018
Actuarially required contribution	\$ <b>161,733</b>	\$ 183,583	\$ 254,198	\$ 208,152	\$ 230,334	\$ 375,878	\$ 314,920
Contributions in relation to the actuarially determined contribution	<b>161,733</b>	183,583	254,198	208,152	230,334	375,878	314,920
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ <b>9,687,391</b>	\$ 9,394,016	\$ 8,701,572	\$ 7,940,968	\$ 7,553,584	\$ 7,218,478	\$ 7,087,070
Contributions as a percentage of covered-employee payroll	<b>1.67%</b>	1.95%	2.92%	2.62%	3.05%	5.21%	4.44%

**Notes to Schedule**

**Note 1:** GASB Codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

## Opp City Board of Education Notes to Required Supplementary Information

### PENSION

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

#### Method and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the schedule of employer contributions for the Teacher's Retirement System are calculated three years prior to the end of the fiscal year in which contributions are reported (September 30, 2021 for the fiscal year 2024 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26.9 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 percent to 5.00 percent, including inflation
Investment rate of return	7.45 percent, net of pension plan investment expense, including inflation

### OPEB

#### Changes in Actuarial Assumptions

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

#### Recent Plan Changes

The September 30, 2022 valuation reflects the impact of Act 2022-222.

Beginning in plan year 2021, the Medicare Advantage (MAPD) plan premium rates exclude the Affordable Care Act (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 Affordable Care Act maximum annual out-of-pocket amounts.

## Opp City Board of Education Notes to Required Supplementary Information

### Methods and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, 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	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare cost trend rates	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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



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**INDEPENDENT AUDITOR’S 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, 2024, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated May 19, 2025.

**Report on 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

May 19, 2025



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

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**INDEPENDENT AUDITOR’S 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**

***Opinion on Each Major Federal Program***

We have audited the Opp City Board of Education's (the “Board”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Board’s major federal programs for the year ended September 30, 2024. The Board’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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

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

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

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

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

Enterprise, Alabama

May 19, 2025

**Opp City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2024**

**Section I - Summary of Auditor's Results**

***Financial Statements***

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

***Federal Awards***

1. Type of auditor's report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	Yes
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
4. Identification of major programs	

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
	Education Stabilization Fund
84.425U	COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP Esser)
	Child Nutrition Cluster
10.555	National School Lunch Program
10.555	COVID-19 – National School Lunch Program
10.553	School Breakfast Program

5. Dollar threshold used to distinguish between type A and type B programs?	\$ 750,000
6. Auditee qualified as low-risk under 2CFR 200.520?	No

**Opp City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2024**

**Section II - Financial Statements Findings**

No such findings in the current year.

**Section III – Federal Award Findings and Questioned Costs**

**Item 2024-001 Special Tests and Provisions – Wage Rate Requirements (Repeat)**

**Education Stabilization Fund (ESF) ALN# 84.425U**

**U.S. Department of Education Passed through the State Department of Education**

**Grant period beginning during fiscal year ended September 30, 2021 (84.425U)**

**Criteria** – Grantees should have controls in place to ensure that contractors and subcontractors are notified of the requirement to pay prevailing wage rates to all laborers and mechanics employed on construction contracts in excess of \$2,000 financed by federal assistance funds and to submit weekly certified payrolls for each week in which contract work is performed. 2 CFR 200.303 requires the non-Federal entity to “(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award.” 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

**Condition** – Adequate controls were not in place to ensure that contractors and subcontractors provided timely certified payrolls throughout the construction projects.

**Cause** –There was a lack of sufficient controls over the communication of this requirement to ensure the accuracy and completeness of the certified payrolls being provided to the Board.

**Effect** – Lack of supporting documentation could lead to disallowed costs. However, our audit disclosed no instances of unallowable costs.

**Questioned Costs** – \$27,406.

**Recommendation** – We recommend the strengthening of controls to ensure certified payrolls are received for each week in which construction work is performed.

**Management’s Response** – The Board will strengthen the controls in place to provide assurance that all certified payrolls are received each week in which construction work is performed.

**OPP CITY SCHOOLS**  
*Office of the Superintendent*

Mr. Michael D. Smithart, Superintendent

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*"We build the future"*

Aylisa Beach, Opp Middle School 2001

**Corrective Action Plan**

The Opp City Board of Education (the Board) respectfully submits the following corrective action plan for the year ended September 30, 2024.

Carr, Riggs & Ingram, LLC  
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Enterprise, AL 36330

The finding from the September 30, 2024 schedule of findings and questioned costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No such findings in the current year.

**FINDINGS – FEDERAL AWARDS PROGRAM AUDITS**

Item 2024-001 – Special Tests and Provisions – Wage Rate Requirements (Repeat)

*Recommendation:* 2 CFR 200.303 requires the non-Federal entity to “(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award.” 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). We recommend the strengthening of controls to ensure the prevailing wage rate clauses are included in the contracts and that certified payrolls are received for each week in which construction work is performed. The Chief School Financial Officer, Linda Harper, should review documentation for inclusion of the prevailing wage rate clauses in construction contracts as part of the bid process prior to expenditures being made. She should also review all invoices received from contractors and subcontractors to ensure that the certified payroll information is received for all weeks for which construction work is performed.

*Action Taken:* Management has reviewed the requirements of 2 CFR Section 200.303 and 2 CFR 200.326 relating to wage rate requirements and agrees with the recommendation. Management has already communicated with all current contractors and subcontractors regarding the wage rate requirements for contracts in progress and has implemented additional procedures for future projects effective October 1, 2024. These additional procedures include the Chief School Financial Officer (CSFO), Linda Harper, reviewing all proposed construction contracts for inclusion of the prevailing wage rate clause as part of the bid process prior to expenditures being made. The CSFO will also review all invoices received from contractors and subcontractors to ensure that the certified payroll information is received for all weeks for which construction work is performed.

**Opp City Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2024**

Item 2023-001 – Special Tests and Provisions – Wage Rate Requirements – This finding was partially corrected. Wage rate requirements were added to the contracts during the current fiscal year.

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

*For the year ended September 30, 2024*

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Social Security Administration</b>				
Passed through State Department of Education Social Security - Disability Insurance***	96.001	180	\$ -	\$ 680
<b>U.S. Department of Education</b>				
Passed through State Department of Education Education Stabilization Fund COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP Esser)	84.425U	180	-	1,158,501
Subtotal for 84.425			-	1,158,501
Special Education Cluster				
Special Education - Grants to States**	84.027	180	-	405,094
Special Education - Preschool Grants**	84.173	180	-	19,551
Subtotal Special Education Cluster			-	424,645
Title I Grants to Local Educational Agencies	84.010	180	-	526,764
Supporting Effective Instruction State Grants	84.367	180	-	35,354
Career and Technical Education – Basic Grants to States	84.048	180	-	25,826
Student Support and Academic Enrichment Program	84.424	180	-	43,809
Rural Education Achievement Program	84.358B	180	-	31,342
Total U.S. Department of Education			-	2,246,241

(Continued)

*See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.*

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

*For the year ended September 30, 2024*

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
National School Lunch Program*	10.555	180	-	845,976
National School Lunch Program*(N)	10.555	180	-	59,914
COVID-19 - National School Lunch Program*	10.555	180	-	37,674
Subtotal for 10.555			-	943,564
School Breakfast Program*	10.553	180	-	181,433
Subtotal Child Nutrition Cluster			-	1,124,997
Total U.S. Department of Agriculture			-	1,124,997
<b>Total Expenditures of Federal Awards</b>			\$ -	<b>\$ 3,371,918</b>

\* Child Nutrition Cluster

\*\* Special Education Cluster

\*\*\* Disability Insurance / SSI Cluster

(N) USDA Donated Food – Non-cash transactions.

*See independent auditor's 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: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation***

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

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

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

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

#### **Note 2: INDIRECT COST RATE**

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

#### **Note 3: LOANS AND LOAN GUARANTEES**

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ended September 30, 2024.

#### **Note 4: SUBRECIPIENTS**

The Board did not provide federal funds to subrecipients for fiscal year ending September 30, 2024.

## Opp City Board of Education

### Notes to Schedule of Expenditures of Federal Awards

#### **Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

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

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.

#### **Note 6: FEDERAL PASS-THROUGH FUNDS**

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

#### **Note 7: SCHOOL-WIDE PROGRAM**

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

#### **Note 8: DONATED FOOD PROGRAM**

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$59,914 for fiscal year 2024.

#### **Note 9: CONTINGENCIES**

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of May 19, 2025, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.