

Report on the

# Geneva County Board of Education

Geneva County, Alabama

October 1, 2020 through September 30, 2021

Filed: June 10, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Geneva County Board of Education, Geneva County, Alabama, for the period October 1, 2020 through September 30, 2021, by Examiners Jasmine C. Jones, David Quick and Courtney Rabon. I, Jasmine C. Jones, served as Examiner-in Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Jasmine C. Jones'.

Jasmine C. Jones  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Geneva County Board of Education  
October 1, 2020 through September 30, 2021**

The Geneva County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Geneva County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Geneva County public schools, preschool through high school, with the exception of schools administered by the Geneva City Board of Education.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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, as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2021.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

**EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Rebecca Ott Birdsong; and Chief School Financial Officer Jennifer Faulk. Representing the Department of Examiners of Public Accounts were: Lynn Otto, Audit Manager; and Courtney Rabon, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Geneva County Board of Education,  
Superintendent and Chief School Financial Officer  
Geneva, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Geneva County Board of Education, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Geneva County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### *Opinions*

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

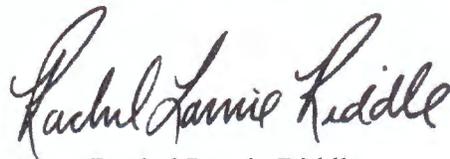
#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Geneva County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purpose of additional analysis 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the 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 20, 2022, on our consideration of the Geneva County Board of Education'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 Geneva County Board of Education'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 Geneva County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2022

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# **GENEVA COUNTY BOARD OF EDUCATION**

## **Management Discussion and Analysis (MD&A)**

### **For the Year Ended September 30, 2021**

#### **Introduction**

The Management's Discussion and Analysis (MD&A) of Geneva County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2021. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Geneva County Board of Education'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* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

#### **Financial Highlights**

The Board's Net Position increased by \$2,041,670.79 in FY 2021. Refer to Table 2 for specific details of each category.

General Fund expenditures and uses of funds exceeded revenues and sources of funds by \$523,199.52 resulting in a \$3,045,259.53 ending fund balance of which \$1,522,704.05 is available for FY 2022 operating expenditures.

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

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

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

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

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

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

## Financial Analysis of the Board as a Whole

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

The following table reflects a Summary of Net Position compared to the prior year. For more detailed information see the Statement of Net Position (Exhibit #1).

**Table 1**  
**Summary of Net Position**  
**As of September 30<sup>th</sup>**

	<u>FY2021</u>	<u>FY2020</u>
Current and other assets	\$ 9,542,339.66	\$ 8,230,951.54
Capital assets	\$ 19,059,437.78	\$ 18,259,614.55
<b>Total assets</b>	<u>\$ 28,601,777.44</u>	<u>\$ 26,490,566.09</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 13,069,241.38</u>	<u>\$ 7,301,162.58</u>
Current and other liabilities	\$ 2,836,421.18	\$ 1,913,719.59
Long-term liabilities	\$ 43,755,683.25	\$ 38,989,014.46
<b>Total liabilities</b>	<u>\$ 46,592,104.43</u>	<u>\$ 40,902,734.05</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 15,139,975.59</u>	<u>\$ 14,991,726.61</u>
Net position:		
Net Investment in capital assets	\$ 14,438,362.53	\$ 13,267,324.09
Restricted for:		
Child Nutrition Program	\$ 1,550,418.61	\$ 602,494.99
Capital Projects	\$ 165,837.86	\$ 316,567.39
Debt service		
Other Purposes	\$ 1,522,555.48	\$ 3,877.45
Unrestricted	<u>\$ (37,738,235.68)</u>	<u>\$ (36,292,995.91)</u>
<b>Total net position</b>	<u><b>\$ (20,061,061.20)</b></u>	<u><b>\$ (22,102,731.99)</b></u>

The Board's total net position was (\$20,061,061.20) at the close of the 2021 fiscal year. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements - are (\$37,738,235.68) at the end of the year. The total net position increased \$2,041,670.79 from the end of the 2020 fiscal year.

The Board's total revenues and expenditures are reflected in the following table:

**Table 2**  
**Changes in Net Position**

	<u>FY2021</u>	<u>FY2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 5,568,223.21	\$ 2,789,486.20
Operating grants and Contributions	\$ 23,686,003.56	\$ 22,097,276.02
Capital grants and contributions	\$ 926,334.98	\$ 892,937.00
Total Program Revenues	<u>\$ 30,180,561.75</u>	<u>\$ 25,779,699.22</u>
General revenues:		
Taxes:		
Property taxes	\$ 1,513,243.58	\$ 1,460,424.67
Sales taxes	\$ 1,501,299.33	\$ 1,333,290.05
Miscellaneous taxes	\$ 16,311.50	\$ 16,108.77
Investment Income	\$ 35,134.33	\$ 109,358.25
Miscellaneous	\$ 705,733.12	\$ 604,976.05
Total General Revenues	<u>\$ 3,771,721.86</u>	<u>\$ 3,524,157.79</u>
Total Revenues	<u><b>\$ 33,952,283.61</b></u>	<u><b>\$ 29,303,857.01</b></u>
<b>Expenses</b>		
Instructional services	\$ 17,006,340.44	\$ 14,985,717.83
Instructional support services	\$ 3,814,061.45	\$ 3,960,873.64
Operation & maintenance services	\$ 2,734,377.17	\$ 2,188,987.22
Student transportation services	\$ 1,773,557.65	\$ 1,669,126.45
Food services	\$ 750,058.82	\$ 1,918,335.95
General administrative services	\$ 1,544,473.24	\$ 1,540,443.15
Interest & Fiscal charges	\$ 272,019.76	\$ 126,136.56
Other expenses	\$ 4,015,724.29	\$ 1,544,371.43
Total Expenses	<u><b>\$ 31,910,612.82</b></u>	<u><b>\$ 27,933,992.23</b></u>
Excess (deficiency) of revenues over expenses	\$ 2,041,670.79	\$ 1,369,864.78
Change in net position	\$ 2,041,670.79	\$ 1,369,864.78
Net position, beginning	\$ (22,102,731.99)	\$ (23,472,596.77)
<b>Net position, ending</b>	<u><b>\$ (20,061,061.20)</b></u>	<u><b>\$ (22,102,731.99)</b></u>

Program revenues, specifically operating grants, capital grants and contributions, and charges for services, are the largest component of total revenues at 88.89%.

- o Operating grants and contributions, which account for 69.76% of total revenues, include state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- o Capital grants and contributions, which account for 2.73% of total revenues, include state capital outlay funds and state funds to replace buses.
- o Charges for services, which account for 16.40% of total revenues, include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues are primarily property taxes and sales taxes. Total general revenues make up 11.11% of total revenues and are used to provide \$1,730,051.07 for expenses not covered by program revenues (See Table 3).

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board at 53.29%.

- 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.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services includes salaries and benefits for cooks, 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.
- Interest & Fiscal charges include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for preschool teachers and aides, extended day personnel, and community education programs. 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.

The total cost of services was \$31,910,612.82. The net cost of services was offset by various program revenues (charges for services, operating grants and contributions, and capital grants and contributions) of \$30,180,561.75. The net cost of governmental activities was a negative (\$1,730,051.07). This means that the local funds portion of revenue, \$3,771,721.86, and unrestricted fund balances were used to pay for those amounts not covered from various program revenues.

**Table 3  
Net Cost of Services**

	FY 2021		FY 2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 17,006,340.44	\$ (2,105,846.50)	\$ 14,985,717.83	\$ (1,023,716.03)
Instructional Support	\$ 3,814,061.45	\$ (319,734.94)	\$ 3,960,873.64	\$ (389,103.15)
Operation and Maintenance	\$ 2,734,377.17	\$ 394,592.22	\$ 2,188,987.22	\$ (121,462.26)
Transportation	\$ 1,773,557.65	\$ (63,847.41)	\$ 1,669,126.45	\$ 230,278.98
Food Services	\$ 750,058.82	\$ 284,005.21	\$ 1,918,335.95	\$ (234,892.71)
General Administrative & Central Support	\$ 1,544,473.24	\$ (423,774.04)	\$ 1,540,443.15	\$ (372,750.70)
Other	\$ 4,015,724.29	\$ 776,574.15	\$ 1,544,371.43	\$ (116,510.58)
Interest and Fiscal Charges on Long-Term Debt	\$ 272,019.76	\$ (272,019.76)	\$ 126,136.56	\$ (126,136.56)
	<b>\$ 31,910,612.82</b>	<b>\$ (1,730,051.07)</b>	<b>\$ 27,933,992.23</b>	<b>\$ (2,154,293.01)</b>

**Financial Analysis of the Board's Funds**

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong 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 a combined ending fund balance of \$5,356,667.88. The General Fund's fund balance at year end is \$3,045,259.53, of which \$1,522,704.05 is available for spending on future operations and the balance restricted for other purposes.

**General Fund** - The general fund is the primary operating fund of the Board in providing educational services to students from kindergarten through grade 12, including pupil transportation. The general fund balance decreased by \$523,199.52 this year.

Table 4 reflects a summary of General Fund Revenues for FY 2021 and FY 2020.

**Table 4  
General Fund Revenues**

	<u>FY 2021</u>	<u>FY 2020</u>
State	\$ 19,322,700.50	\$ 19,078,661.48
Federal	\$ 134,261.09	\$ 170,806.48
Local	\$ 3,270,259.34	\$ 3,118,101.20
Other	\$ 81,282.94	\$ 51,227.57
<b>Total</b>	<b>\$ 22,808,503.87</b>	<b>\$ 22,418,796.73</b>

General fund revenues increased by \$389,707.14 from the previous year. The primary increase resulted from the increased state funding. To participate in the state funded Foundation Program each school system must provide a minimum equivalent of 10-mills of ad valorem tax – which was \$1,384,110.00 for Geneva County in FY 2021. The 10-mill match is local revenue that is required to be coded as state revenues.

Table 5 reflects a comparison of General Fund expenditures for FY 2021 and FY 2020.

**Table 5  
General Fund Expenditures**

	<u>FY 2021</u>	<u>FY 2020</u>
Instruction	\$ 13,904,254.19	\$ 12,372,154.53
Instructional Support	\$ 3,306,682.19	\$ 3,408,099.89
Operation and Maintenance	\$ 1,853,442.35	\$ 1,837,856.44
Transportation	\$ 1,598,772.27	\$ 1,514,830.28
Food Service	\$ 418.04	\$ 79.58
General Administration & Central Support	\$ 1,206,168.22	\$ 1,233,566.61
Other	\$ 649,093.18	\$ 627,454.27
Capital Outlay	\$ 983,022.19	\$ 865,407.95
	<b>\$ 23,501,852.63</b>	<b>\$ 21,859,449.55</b>

General Fund expenditures increased by \$1,642,403.08 from the prior year. The increase was primarily from personnel expenditures.

General Fund expenditures and uses of funds exceeded revenues and sources of funds by \$523,199.52 resulting in an ending fund balance of \$3,045,259.53, of which \$1,522,704.05 is available for FY 2022 operating expenditures.

***Special Revenue Fund*** – The special revenue fund is a combined total of several funds which are considered major funds. This includes Title I funds, IDEA funds, and child nutrition funds. The net change to the fund balance was an increase of \$984,836.12, resulting in a fund balance of \$2,145,563.08 for future use.

***Other Governmental Funds*** – This is a combined total of several funds, none of which are considered major funds. This includes debt service funds, funds held for future construction projects, and many other small funds. The ending fund balance is \$165,845.27.

### **General Fund Budgetary Highlights**

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by September 15<sup>th</sup> of each year. The original fiscal year 2021 budget, adopted on September 10, 2020, was based on known sources at the time of adoption. The original budget reflected only guaranteed revenues and necessary expenditures since some of the state and federally funded programs had not been authorized at that point.

Amendments were necessary to: include many grants that were not available at the time of the original budget approval, to budget carryover funds in federal programs, to correct for revised allocations, to correct general ledger coding, and to amend the budgeted beginning balances to reflect the actual ending fund balances from the prior fiscal year. The original budget figures were amended on June 10, 2021.

A comparison of the general fund original budget to the final amended budget is reflected in the supplemental information in the report (Exhibit #11).

## **Capital Assets and Debt Administration**

**Capital Assets** - At September 30, 2021, the Board had approximately \$19.1 million (net of accumulated depreciation) invested in capital assets including land, buildings, school furniture, school buses, instructional equipment, computer hardware and software, maintenance vehicles, custodial equipment, and athletic equipment. Included in the category Equipment under Capital Leases are school buses and copy machines. Table 6 provides additional information on these assets. Additional information can also be found in Note 5 of Notes to the Financial Statements.

**Table 6**  
**Capital Assets (net of accumulated depreciation)**

	<u>FY 2021</u>	<u>FY 2020</u>
Land	\$ 345,889.96	\$ 345,889.96
Land Improvements	\$ 813,211.82	\$ 678,410.98
Construction in Progress	\$ 896,417.12	\$ 87,244.44
Buildings	\$ 22,046,094.37	\$ 21,767,208.93
Building Improvements	\$ 7,184,785.64	\$ 6,986,819.64
Vehicles	\$ 2,830,393.13	\$ 3,130,978.37
Equipment and Furniture	\$ 2,042,614.72	\$ 1,876,613.98
Equipment Under Capital Lease	\$ 303,613.40	\$ 303,613.40
Less Accumulated Depreciation	\$ (17,403,582.38)	\$ (16,917,165.15)
	<u>\$ 19,059,437.78</u>	<u>\$ 18,259,614.55</u>

**Long-Term Liabilities** - At year-end, the Board had \$43.8 million in warrants payable, notes payable, and other outstanding long-term liabilities. Additional information on the Board's long-term debt (including prior year amounts) is presented in the notes to the basic financial statements.

**Table 7**  
**Outstanding Long-Term Liabilities**

	Governmental Activities For the Year Ended September 30, 2021	
	<u>Current Liabilities</u>	<u>Non-Current Liabilities</u>
Notes Payable	\$ 133,384.53	\$ 688,375.23
Bonds and warrants payable	\$ 384,485.34	\$ 3,381,269.74
Capital Lease Contract Payable	\$ 33,560.41	\$ 0.00
Net Pension Liability	\$	\$ 23,109,000.00
Net OPEB Liability	\$	\$ 16,025,608.00
Total long-term liabilities	<u>\$ 551,430.28</u>	<u>\$ 43,204,252.97</u>

## **Economic Factors and Next Year's Budget**

The following are currently known Geneva County economic factors considered in going into the 2021-2022 fiscal year.

At the time these financial statements were prepared and audited, the Board was aware of several circumstances that could significantly affect the Board's financial health in the future.

**Student Enrollment** - The Board’s current enrollment, based on the Average Daily Membership (ADM) as of the first 20 days after Labor Day, for the 2022-2023 school year, is 2,600.65, an increase of 61.80 from the previous year. The increase in enrollment will have a positive impact on funding for the 2022 fiscal year. The calculated ADM for the past ten years is presented as follows:

**Table 8  
Average Daily Membership (ADM)**

<u>School Year</u>	<u>ADM</u>	<u>Increase/ (Decrease)</u>
2021-2022	2,600.65	61.80
2020-2021	2,538.85	(65.95)
2019-2020	2,604.80	(35.90)
2018-2019	2,640.70	1.75
2017-2018	2,638.95	(26.35)
2016-2017	2,665.30	(12.00)
2015-2016	2,677.30	(82.15)
2014-2015	2,759.45	1.00
2013-2014	2,758.45	39.95
2012-2013	2,718.50	(10.50)

**Medical and Retirement Costs** – Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP). PEEHIP employer costs remained at \$800 per employee per month in fiscal year 2022. Employer contributions to the Teachers Retirement System (TRS) are 12.43 percent for Tier 1 employees and 11.32 percent for Tier II employees for fiscal year 2022. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

**One Month’s Operating Reserve** – The Alabama School Fiscal Accountability Act, ACT Number 2006-196, became effective June 1, 2006 and requires in *PARA 16-13A-9 Reserve Funds: A local board of education shall develop a plan to establish and maintain a minimum reserve fund equal to one month’s operating expenses.* Geneva County Board of Education Policy 7.33 - Reserve Funds meets this requirement. Non-capital General Fund Expenditures and other financing uses for the Board are about \$22.7 million, which requires a reserve of about \$1.89 million. Since we have an ending fund balance of \$3.0 million, we meet this requirement. (See the Actual Amounts Budgetary Basis column on Exhibit # 11.)

**COVID-19** – The 2021-2022 school year created multiple challenges due to the pandemic but through the efforts of our employees we continue to face and overcome these challenges while keeping all schools open and in session. The State of Alabama has realized a growth in economic receipts even in the face of the COVID-19 pandemic. Strong economic revenue as well as full reserves at the local and statewide level significantly reduces the potential for any material funding disruptions as we move further into Fiscal Year 2022 and planning for the 2022-2023 school year.

## **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 **Jennifer Faulk, Chief School Financial Officer** or **Becky Birdsong, Superintendent** by calling **(334) 684-5690** during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central standard time.

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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2021**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 6,492,459.51
Ad Valorem Property Taxes Receivable	1,404,392.29
Receivables (Note 4)	1,547,258.89
Inventories	98,228.97
Capital Assets (Note 5):	
Nondepreciable	1,242,307.08
Depreciable, Net	17,817,130.70
Total Assets	<u>28,601,777.44</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	1,808,400.38
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	3,893,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	433,739.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	6,934,102.00
Total Deferred Outflows of Resources	<u>13,069,241.38</u>
<b><u>Liabilities</u></b>	
Payables	66,262.11
Unearned Revenue	128,209.24
Salaries and Benefits Payable	2,625,617.84
Accrued Interest Payable	16,331.99
Long-Term Liabilities (Note 9):	
Portion Payable Within One Year	551,430.28
Portion Payable After One Year	43,204,252.97
Total Liabilities	<u>46,592,104.43</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	1,365,582.59
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,558,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	11,216,393.00
Total Deferred Inflows of Resources	<u>\$ 15,139,975.59</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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	<b>Governmental Activities</b>
<hr/>	
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 14,438,362.53
Restricted for:	
Child Nutrition	1,550,418.61
Capital Projects	165,837.86
Other Purposes	1,522,555.48
Unrestricted	<u>(37,738,235.68)</u>
 Total Net Position	 <u><u>\$ (20,061,061.20)</u></u>

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**Statement of Activities**  
**For the Year Ended September 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction	\$ 17,006,340.44	\$ 325,435.58	\$ 14,163,377.08	\$ 411,681.28	\$ (2,105,846.50)
Instructional Support	3,814,061.45	77,800.15	3,416,526.36		(319,734.94)
Operation and Maintenance	2,734,377.17	200,365.99	2,599,682.70	328,920.70	394,592.22
Auxiliary Services:					
Student Transportation Services	1,773,557.65	62,334.44	1,461,642.80	185,733.00	(63,847.41)
Food Services	750,058.82	856,246.79	177,817.24		284,005.21
General Administrative and Central Support	1,544,473.24	19.32	1,120,679.88		(423,774.04)
Interest and Fiscal Charges	272,019.76				(272,019.76)
Other Expenses	4,015,724.29	4,046,020.94	746,277.50		776,574.15
Total Governmental Activities	<u>\$ 31,910,612.82</u>	<u>\$ 5,568,223.21</u>	<u>\$ 23,686,003.56</u>	<u>\$ 926,334.98</u>	<u>(1,730,051.07)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					1,513,243.58
Property Taxes for Specific Purposes					
Local Sales Tax					1,501,299.33
Alcohol Beverage Tax					1,498.22
Other Taxes					14,813.28
Grants and Contributions Not Restricted for Specific Programs					
Investment Earnings					35,134.33
Gain on Disposition of Capital Assets					5,675.00
Miscellaneous					700,058.12
Total General Revenues					<u>3,771,721.86</u>
Changes in Net Position					2,041,670.79
Net Position - Beginning of Year					<u>(22,102,731.99)</u>
Net Position - End of Year					<u>\$ (20,061,061.20)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2021**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 4,610,766.46	\$ 1,715,847.78	\$ 165,845.27	\$ 6,492,459.51
Ad Valorem Property Taxes Receivable	1,404,392.29			1,404,392.29
Receivables (Note 4)	218,413.75	1,328,845.14		1,547,258.89
Interfund Receivables	892,701.56			892,701.56
Inventories		98,228.97		98,228.97
Total Assets	<u>7,126,274.06</u>	<u>3,142,921.89</u>	<u>165,845.27</u>	<u>10,435,041.22</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Payables	62,787.29	3,474.82		66,262.11
Interfund Payables		892,701.56		892,701.56
Unearned Revenues	116,815.59	11,393.65		128,209.24
Salaries and Benefits Payable	2,535,829.06	89,788.78		2,625,617.84
Total Liabilities	<u>2,715,431.94</u>	<u>997,358.81</u>		<u>3,712,790.75</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	1,365,582.59			1,365,582.59
Total Deferred Inflows of Resources	<u>1,365,582.59</u>			<u>1,365,582.59</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories		98,228.97		98,228.97
Restricted for:				
Child Nutrition Program		1,452,189.64		1,452,189.64
Capital Projects			165,837.86	165,837.86
Other Purposes	1,522,555.48			1,522,555.48
Assigned to:				
Local Schools		595,144.47		595,144.47
Other Purposes			7.41	7.41
Unassigned	1,522,704.05			1,522,704.05
Total Fund Balances	<u>3,045,259.53</u>	<u>2,145,563.08</u>	<u>165,845.27</u>	<u>5,356,667.88</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,126,274.06</u>	<u>\$ 3,142,921.89</u>	<u>\$ 165,845.27</u>	<u>\$ 10,435,041.22</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2021***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,356,667.88

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported as assets in the governmental funds.

The Cost of Capital Assets is	\$ 36,463,020.16	
Accumulated Depreciation is	<u>(17,403,582.38)</u>	19,059,437.78

Deferred Outflows and Inflows of Resources related to Pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds. 3,143,400.38

Deferred Outflows and Inflows of Resources related to Other Postemployment  
Benefits (OPEB) are applicable to future periods and, therefore, are not reported  
in the governmental funds. (3,848,552.00)

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

Current Portion of Long-Term Debt	\$ 551,430.28	
Noncurrent Portion of Long-Term Debt	<u>43,204,252.97</u>	(43,755,683.25)

Interest on long-term debt is not accrued in the governmental funds but rather is  
recognized as an expenditure when due.

Accrued Interest Payable		<u>(16,331.99)</u>
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Total Net Position - Governmental Activities (Exhibit 1) \$ (20,061,061.20)

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2021**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State	\$ 19,322,700.50	\$	\$ 924,451.98	\$ 20,247,152.48
Federal	134,261.09	8,148,660.68		8,282,921.77
Local	3,270,259.34	1,942,905.02	68,568.00	5,281,732.36
Other	81,282.94	33,715.13		114,998.07
Total Revenues	<u>22,808,503.87</u>	<u>10,125,280.83</u>	<u>993,019.98</u>	<u>33,926,804.68</u>
<b>Expenditures</b>				
Current:				
Instruction	13,904,254.19	2,861,855.64	11,342.46	16,777,452.29
Instructional Support	3,306,682.19	510,402.42		3,817,084.61
Operation and Maintenance	1,853,442.35	674,615.33	232,593.76	2,760,651.44
Auxiliary Services:				
Student Transportation Services	1,598,772.27	71,488.47		1,670,260.74
Food Services	418.04	658,325.41		658,743.45
General Administrative and Central Support	1,206,168.22	495,046.84	4,513.97	1,705,729.03
Other	649,093.18	3,603,587.19		4,252,680.37
Capital Outlay	983,022.19	263,697.31	390,832.20	1,637,551.70
Debt Service:				
Principal Retirement			552,634.21	552,634.21
Interest and Fiscal Charges			89,680.21	89,680.21
Total Expenditures	<u>23,501,852.63</u>	<u>9,139,018.61</u>	<u>1,281,596.81</u>	<u>33,922,468.05</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(693,348.76)</u>	<u>986,262.22</u>	<u>(288,576.83)</u>	<u>4,336.63</u>
<b>Other Financing Sources (Uses)</b>				
Indirect Cost	276,577.54			276,577.54
Long-Term Debt Issued			1,737,009.73	1,737,009.73
Transfers In	52,191.08	50,764.98	133,333.33	236,289.39
Other Financing Sources	19,803.93			19,803.93
Sale of Capital Assets	5,675.00			5,675.00
Transfers Out	(184,098.31)	(52,191.08)		(236,289.39)
Payments to Refunding Escrow Agent			(1,732,495.76)	(1,732,495.76)
Total Other Financing Sources (Uses)	<u>170,149.24</u>	<u>(1,426.10)</u>	<u>137,847.30</u>	<u>306,570.44</u>
Net Changes in Fund Balances	(523,199.52)	984,836.12	(150,729.53)	310,907.07
Fund Balances - Beginning of Year	<u>3,568,459.05</u>	<u>1,160,726.96</u>	<u>316,574.80</u>	<u>5,045,760.81</u>
Fund Balances - End of Year	<u>\$ 3,045,259.53</u>	<u>\$ 2,145,563.08</u>	<u>\$ 165,845.27</u>	<u>\$ 5,356,667.88</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***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, 2021***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 310,907.07

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the period.

Capital Outlays	\$ 1,637,551.70	
Depreciation Expense	<u>(837,728.47)</u>	799,823.23

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 552,634.21

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,732,495.76

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (1,737,009.73)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.

Proceeds from Sale of Capital Assets	\$ (5,675.00)	
Gain on Disposition of Capital Assets	<u>5,675.00</u>	

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable, Current Year Increase/(Decrease)	\$ 5,434.52	
Amortization of Loss on Refunding	176,905.03	
Pension Expense, Current Year Increase/(Decrease)	459,460.20	
OPEB Expense, Current Year Increase/(Decrease)	<u>(1,024,620.00)</u>	
		<u>382,820.25</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,041,670.79

The accompanying Notes to the Financial Statements are an integral part of this statement.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Geneva County Board of Education (the “Board”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 government’s accounting policies are described below.

#### **A. Reporting Entity**

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County with the exception of cities having a city board of education.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
  
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, COVID-19 Education Stabilization Fund, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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

#### *Governmental Fund Types*

- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

#### *C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

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 at the time liabilities are 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 grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements 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 to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

**1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit.

**2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of the initial year of the levy. Property is assessed for taxation 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. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and taxes from local governments.

**3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**4. Restricted Assets**

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash equivalents on the financial statements, are considered restricted assets because they are maintained separately, and their use is limited. The Fleet Renewal, Bonds and Warrants, and Qualified Zone Academy Bonds proceeds are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it become due.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**5. Capital Assets**

Capital assets, which include property, equipment, and Infrastructure assets (if applicable), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years
Equipment Under Capital Lease	\$ 5,000	5 – 20 years

**6. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

#### **9. Net Position/Fund Balances**

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

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **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** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories.

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general expenditures include inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
  
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board or designee will make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
  
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, restricted amounts will be reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

#### **10. Minimum Fund Balance Policy**

The Board has established a minimum fund balance policy. The Board's policy states that a General Fund reserve fund balance be maintained of an amount not less than one month's operating expenditures. Operating expenditures shall include all funds necessary to support the normal operations of the school district for one month. The Superintendent or Chief School Financial Officer shall inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or the budget amendment will prevent the establishment or maintenance of one month's operating balance. A one-month operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by twelve. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

#### **F. Postemployment Benefits Other than Pensions (OPEB)**

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

#### **Note 2 – Stewardship, Compliance, and Accountability**

##### **A. Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes and sales taxes in the General Fund are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Capital Projects Fund adopts project-length budgets. All other governmental funds adopt budgets on the modified accrual basis of accounting. All appropriations lapse at fiscal year-end.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

**B. Deficit Fund Balance/Net Position**

As of September 30, 2021, the government-wide financial statements reported a deficit net position of \$20,061,061.20. the deficit in net position is due to the implementation of GASB Statement 68, relating to Pensions, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

**Note 3 – Deposits**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover 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 depository 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. 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.

**Note 4 – Receivables**

On September 30, 2021, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
<u>Receivables:</u>			
Intergovernmental	\$218,413.75	\$1,323,710.23	\$1,542,123.98
Other		5,134.91	5,134.91
Total Receivables	\$218,413.75	\$1,328,845.14	\$1,547,258.89

## Notes to the Financial Statements

### For the Year Ended September 30, 2021

#### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 10/01/2020	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2021
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 345,889.96	\$	\$	\$ 345,889.96
Construction in Progress	87,244.44	896,417.12	(87,244.44)	896,417.12
Total Capital Assets, Not Being Depreciated	433,134.40	896,417.12	(87,244.44)	1,242,307.08
Capital Assets, Being Depreciated:				
Land Improvements	678,410.98	134,800.84		813,211.82
Buildings	21,767,208.93	278,885.44		22,046,094.37
Building Improvements	6,986,819.64	197,966.00		7,184,785.64
Equipment and Furniture	1,876,613.98	183,566.74	(17,566.00)	2,042,614.72
Vehicles	3,130,978.37	33,160.00	(333,745.24)	2,830,393.13
Equipment Under Capital Lease	303,613.40			303,613.40
Total Capital Assets, Being Depreciated	34,743,645.30	828,379.02	(351,311.24)	35,220,713.08
Less Accumulated Depreciation for:				
Land Improvements	(203,547.57)	(36,199.17)		(239,746.74)
Buildings	(10,473,279.04)	(364,835.79)		(10,838,114.83)
Building Improvements	(2,767,498.51)	(149,954.25)		(2,917,452.76)
Equipment and Furniture	(1,159,923.60)	(96,288.84)	17,566.00	(1,238,646.44)
Vehicles	(2,054,844.87)	(160,089.06)	333,745.24	(1,881,188.69)
Equipment Under Capital Lease	(258,071.56)	(30,361.36)		(288,432.92)
Total Accumulated Depreciation	(16,917,165.15)	(837,728.47)	351,311.24	(17,403,582.38)
Total Capital Assets, Being Depreciated, Net	17,826,480.15	(9,349.45)		17,817,130.70
Governmental Activities Capital Assets, Net	\$ 18,259,614.55	\$ 887,067.67	\$ (87,244.44)	\$ 19,059,437.78
(*) The Board completed construction projects during the fiscal year, therefore; \$87,244.44 was reclassified from Construction in Progress to Buildings.				

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$523,532.77
Instructional Support	39,651.00
Operation and Maintenance	16,895.86
Auxiliary Services:	
Transportation	180,461.47
Food Service	74,461.40
General Administration and Central Support	1,395.93
Other	1,330.04
Total Depreciation Expense – Governmental Activities	<u>\$837,728.47</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 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 operation of the 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*, Section 16-25-2, 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).

##### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members 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 Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable 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<sup>th</sup>, are paid to a qualified beneficiary.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### C. Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% 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 \$1,808,400.38 for the year ended September 30, 2021.

#### D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the Board reported a liability of \$23,109,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the Board's proportion was 0.186817%, which was a decrease of 0.025584% from its proportion measured as of September 30, 2019.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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For the year ended September 30, 2021, the Board recognized pension expense of \$2,119,000.00. At September 30, 2021 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,144,000.00	\$ 401,000.00
Changes of assumptions	240,000.00	
Net difference between projected and actual earnings on pension plan investments	1,716,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	793,000.00	2,157,000.00
Employer contributions subsequent to the measurement date	1,808,400.38	
Total	\$5,701,400.38	\$2,558,000.00

The \$1,808,400.38 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 ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2022	\$281,000.00
2023	\$578,000.00
2024	\$562,000.00
2025	\$ (86,000.00)
2026	\$ 0.00
Thereafter	\$ 0.00

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**E. Actuarial Assumptions**

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

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

(\*) Net of pension plan investment expense

The actuarial assumptions used for the purpose of determining the total pension liability were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015 and a discount rate of 7.70%, as adopted by the Board of Trustees on December 4, 2018.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

(\*) Includes assumed rate of inflation of 2.50%.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**G. Sensitivity of the Board's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	\$30,832	\$23,109	\$16,574
(Dollar amounts in thousands)			

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, 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 as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Alabama Retired Education Employees' Health Care Trust (the "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 (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through the PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "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*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB 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.

##### **B. Benefits Provided**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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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, eyeglasses, and contact lens prescriptions.

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

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

### **C. Contributions**

The *Code of Alabama 1975*, Section 16-25A-8 and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB 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 PEEHIB 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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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 PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

***D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At September 30, 2021, the Board reported a liability of \$16,025,608.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2020, the Board's proportion was 0.246933%, which was a decrease of 0.031688% from its proportion measured as of September 30, 2019.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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For the year ended September 30, 2021, the Board recognized OPEB income of \$588,635, with no special funding situations. At September 30, 2021, the Board 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	\$ 406,398	\$ 5,761,590
Changes of assumptions	5,597,619	2,975,809
Net difference between projected and actual earnings on OPEB plan investments		676
Changes in proportion and differences between employer contributions and proportionate share of contributions	930,085	2,478,318
Employer contributions subsequent to the measurement date	433,739	
Total	\$7,367,841	\$11,216,393

The \$433,739.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

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

Year Ending:	
September 30, 2022	\$(1,415,402)
2023	\$(1,390,990)
2024	\$ (979,831)
2025	\$(1,119,364)
2026	\$ 295,792
Thereafter	\$ 327,504

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### E. Actuarial Assumptions

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

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate the Measurement Date	3.05%
Single Equivalent Interest Rate the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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

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

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

**F. Discount Rate**

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

**G. Sensitivity of the Board's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates and in the Discount Rates**

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$12,668,295	\$16,025,608	\$20,395,688

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Board’s proportionate share of collective net OPEB liability	\$19,656,240	\$16,025,608	\$13,142,100

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s Fiduciary Net Position is in the Trust’s financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 8 – Lease Obligations**

**Capital Leases**

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$303,613.40 at September 30, 2021. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2021.

Fiscal Year Ending	Governmental Activities
September 30, 2022	\$33,848.71
Total Minimum Lease Payments	33,848.71
Less: Amount Representing Interest	(288.30)
Present Value of Net Minimum Lease Payments	\$33,560.41

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**Operating Leases**

The Board is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Board's capital assets. During fiscal year ended September 30, 2021, the Board paid a total of \$171,205.87 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for equipment that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2021:

Fiscal Year Ending	Total
September 30, 2022	\$20,704.37
2023	26,218.56
2024	7,908.32
Total Minimum Payments Required	<u>\$54,831.25</u>

**Note 9 – Long-Term Debt**

During fiscal year 2014, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2013-D in anticipation of their Public-School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction, and renovation of school facilities. In the event of default, whether due to failure to comply with terms and conditions of the Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms or (2) file suit to compel performance of the obligations of the Board under the bond agreement. The Series 2013-D Bonds were partially refunded in the current year by the Taxable Capital Improvement Pool Refunding Bonds, Series 2020-C.

During fiscal year 2014, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2014-A for the purpose of refunding the Series 2005-A Capital Improvement Pool Bonds. The Board's obligation is paid solely from the Board's portion of the Public School Funds received from the State of Alabama.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

In October 2013, the Board issued School Tax Warrants, Series 2013-A Qualified Zone Academy Project, for the purpose of rehabilitating or repairing county schools. The Board is required to make annual payments for 15 years. These warrants are issued as Qualified Zone Academy Bonds; therefore, they bear no interest. The Board pledged to repay the Series 2013-A School Tax Warrants from the proceeds of a special tax levied by the Geneva County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4. In addition, to the extent the pledged tax proceeds are insufficient for the payment of debt service, the Board may pay out of all other legally available revenues including other locally imposed taxes, but shall not, under any circumstances, be payable from state appropriations. In the event of default, (1) the lender may declare the principal and interest on the warrants be due immediately, (2) the lender shall have the rights and remedies available under applicable law with respect to the pledged property, including a perfected security interest in pledged property, or (3) the lender may cause the Board to enter into a written depository agreement, which is satisfactory in form and substance to the lender.

During fiscal year 2021, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Taxable Capital Improvement Pool Refunding Bonds, Series 2020-C for the purpose of refunding the Series 2013-D Capital Improvement Pool Bonds. The Board's obligation is paid solely from the Board's portion of the Public-School Funds received from the State of Alabama.

The Board has entered into numerous notes from direct borrowings for the purchase of buses and equipment.

The following is a summary of long-term debt obligations for the Board for the year ended September 30, 2021:

	Debt Outstanding 10/01/2020	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2021	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Warrants Payable:</b>					
Bonds and Warrants Payable	\$ 3,974,176.55	\$1,737,009.73	\$(1,945,431.20)	\$ 3,765,755.08	\$384,485.34
Total Bonds and Warrants Payable	<u>3,974,176.55</u>	<u>1,737,009.73</u>	<u>(1,945,431.20)</u>	<u>3,765,755.08</u>	<u>384,485.34</u>
<b>Other Liabilities:</b>					
Capital Leases Payable	66,366.42		(32,806.01)	33,560.41	33,560.41
Notes from Direct Borrowings	951,747.49		(129,987.73)	821,759.76	133,384.53
Net Pension Liability	23,485,000.00		(376,000.00)	23,109,000.00	
Net OPEB Liability	10,511,724.00	5,513,884.00		16,025,608.00	
Total Other Liabilities	<u>35,014,837.91</u>	<u>5,513,884.00</u>	<u>(538,793.74)</u>	<u>39,989,928.17</u>	<u>166,944.94</u>
Total Governmental Activities Long-Term Liabilities	<u>\$38,989,014.46</u>	<u>\$7,250,893.73</u>	<u>\$(2,484,224.94)</u>	<u>\$43,755,683.25</u>	<u>\$551,430.28</u>

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

Payments on the Taxable Capital Improvement Pool Refunding Bonds, Series 2020-C, the Capital Improvement Pool Bonds, Series 2014-A and the Capital Improvement Pool Refunding Bonds, Series 2013-D, are made with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. The School Tax Warrants (QZAB), Series 2013-A, are made with pledged tax proceeds. The notes from direct borrowing are paid with local school funds and fleet renewal funds. The obligations under capital leases are paid with local school funds, fleet renewal funds, and local revenues of the Board.

The Board's outstanding note from direct borrowing, originally issued at \$628,521.50, is secured by seven 2021 Thomas school buses. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the unpaid principal immediately due and payable, (2) may use any and all remedies you have under state or federal law or in any Loan Document, (3) make a claim for any and all insurance benefits or refunds that may be available, (4) may set-off any amount due and payable under the terms of the Loan against any right the Board has to receive money from you, and (5) may repossess the property so long as the repossession does not involve a breach of the peace.

The Board's outstanding note from direct borrowing, originally issued at \$447,330.00 is secured by six 2015 Blue Bird school buses. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the unpaid principal immediately due and payable, (2) may proceed with appropriate court actions to enforce the Board's performance of agreement, and (3) require payment by the Board for all legal fees and costs related to the default.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Capital Improvement Pool Bonds Series 2014-A		Capital Improvement Pool Bonds Series 2013-D		School Tax Warrants Series 2013-A	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2022	\$ 55,049.85	\$10,501.60	\$168,926.95	\$28,589.06	\$133,333.33	\$
2023	57,837.18	7,679.43	174,068.21	23,521.24	133,333.33	
2024	60,751.21	4,714.72	179,209.46	18,299.20	133,333.33	
2025	63,918.64	1,597.97	185,085.18	12,698.90	133,333.33	
2026			190,961.28	6,683.62	133,333.33	
2027-2031					266,666.71	
2032-2033						
<b>Total</b>	<b>\$237,556.88</b>	<b>\$24,493.72</b>	<b>\$898,251.08</b>	<b>\$89,792.02</b>	<b>\$933,333.36</b>	<b>\$</b>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

Taxable Capital Improvement Pool Bonds Series 2020-C		Notes from Direct Borrowing		Capital Leases Payable		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	Principal	Interest	
\$ 27,175.21	\$ 30,474.68	\$133,384.54	\$20,742.38	\$33,560.41	\$288.30	\$ 642,026.31
27,175.21	30,351.58	136,870.30	17,256.62			608,093.10
27,175.21	30,171.68	101,959.21	14,013.20			569,627.22
27,909.67	29,938.40	91,615.76	11,638.48			557,736.33
27,909.67	29,648.70	86,555.63	9,268.73			484,360.96
1,092,883.93	103,419.83	271,374.32	18,580.74			1,752,925.53
466,384.86	10,408.00					476,792.86
<b>\$1,696,613.76</b>	<b>\$264,412.87</b>	<b>\$821,759.76</b>	<b>\$91,500.15</b>	<b>\$33,560.41</b>	<b>\$288.30</b>	<b>\$5,091,562.31</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### *Pledged Revenues*

The Board issued Series 2013-D and Series 2014-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for refunding the Series 2005-A Capital Improvements Pool Bonds and for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$1,250,093.70 are pledged to repay the principal and interest on the bonds at September 30, 2021. Pledged funds in the amount of \$280,409.07 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2021. This amount represents 87 percent of the pledged funds received by the Board. The Series 2013-D, and the Series 2014-A bonds will mature in the fiscal years 2026 and 2025, respectively.

The Board issued Series 2013-A School Tax Warrants (QZAB) for the purpose of rehabilitating or repairing school facilities. The Board pledged to repay the Series 2013-A School Tax Warrants from the proceeds of a special tax levied by the Geneva County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 100 percent of the proceeds. Future revenues of \$933,333.36 are pledged to repay the principal on the warrants at September 30, 2021. Proceeds of the special tax in the amount of \$1,423,152.86 were received by the Board during the fiscal year ended September 30, 2021, of which \$133,333.33 were used to pay principal on the warrants. The Series 2013-A tax warrants will mature in fiscal year 2028.

The Board issued Series 2020-C Taxable Capital Improvement Pool Refunding Bonds which are pledged to be repaid from its allocation of public school funds received from the State of Alabama. The proceeds are to be used for refunding a portion of the Series 2013-D Capital Improvements Pool Bonds and for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$1,961,026.63 are pledged to repay the principal and interest on the bonds at September 30, 2021. Pledged funds in the amount of \$40,395.97 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2021. This amount represents 13 percent of the pledged funds received by the Board. The Series 2020-C bonds will mature in the fiscal years 2033.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

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**Defeased Debt**

On October 22, 2020, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$147,280,000 in Capital Improvement Pool Refunding Bonds, Series 2020-C (“Series 2020-C”) to advance refund the outstanding Capital Improvement Pool Bonds, Series 2013-A, Series 2013-B, Series 2013-D (“Series 2013-D”), and Capital Outlay Pool Bonds, Series 2015-C which were scheduled to mature in fiscal years 2033, 2035, 2033 and 2035, respectively. The net proceeds of \$146,897,263.70 after a payment of \$382,736.30 in underwriting fees and other issuance costs were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2013-A, Series 2013-B, Series 2013-D, and Series 2015-C bonds. As a result, the bonds that were refunded are considered to be defeased and the liability for this debt has been removed.

The Board had a 14.6893% participation in the Series 2013-D. This resulted in the Board being obligated for \$1,737,009.73 of the total principal of \$147,280,000. The Board’s portion of the net proceeds deposited in an irrevocable trust with an escrow agent was \$1,732,495.76. The liabilities removed for the Series 2013-D was \$1,555,590.73.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$176,905.03. This difference was expensed during the current year. As a result of the advance refunding, the Board increased its total debt service requirements by \$216,935.55, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$219,362.99.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### *Note 10 – 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) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). 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 determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2021***

**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2021 were as follows:

	Interfund Receivables General Fund	Totals
<u>Interfund Payables:</u>		
Special Revenue Fund	\$892,701.56	\$892,701.56
Totals	<u>\$892,701.56</u>	<u>\$892,701.56</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2021, were as follows:

	Transfers In			
	General Fund	Special Revenue Fund	Other Governmental Fund	Totals
<u>Transfers Out:</u>				
General Fund	\$	\$50,764.98	\$133,333.33	\$184,098.31
Special Revenue Fund	52,191.08			52,191.08
Totals	<u>\$52,191.08</u>	<u>\$50,764.98</u>	<u>\$133,333.33</u>	<u>\$236,289.39</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

**Note 12 – Related Parties**

The daughter-in-law of one of the members of the Board is the Chief School Financial Officer. For this reason, the board member abstains from voting on issues concerning the Chief School Financial Officer.

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*Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the collective net pension liability	0.186817%	0.212401%	0.202468%	0.199861%	0.197106%	0.197312%	0.192446%
Employer's proportionate share of the collective net pension liability	\$ 23,109	\$ 23,485	\$ 20,131	\$ 19,643	\$ 21,339	\$ 20,650	\$ 17,483
Employer's covered payroll during the measurement period (*)	\$ 14,556	\$ 14,016	\$ 13,906	\$ 13,312	\$ 12,577	\$ 12,866	\$ 12,279
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	158.76%	167.56%	144.76%	147.56%	169.67%	160.50%	142.38%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)  
For fiscal year 2021, the measurement period is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 1,808	\$ 1,760	\$ 1,847	\$ 1,625	\$ 1,565	\$ 1,477	\$ 1,456
Contributions in relation to the contractually required contribution	\$ 1,808	\$ 1,760	\$ 1,847	\$ 1,625	\$ 1,565	\$ 1,477	\$ 1,456
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 15,058	\$ 14,556	\$ 14,016	\$ 13,906	\$ 13,312	\$ 12,577	\$ 12,866
Contributions as a percentage of covered payroll	12.01%	12.09%	13.18%	11.69%	11.76%	11.74%	11.32%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability  
Alabama Retired Education Employees' Health Care Trust  
For the Year Ended September 30, 2021  
(Dollar amounts in thousands)***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the collective net OPEB liability	0.246933%	0.278621%	0.268631%	0.260263%
Employer's proportionate share of the collective net OPEB liability	\$ 16,025	\$ 10,512	\$ 22,078	\$ 19,331
Employer's covered-employee payroll during the measurement period (*)	\$ 14,556	\$ 14,016	\$ 13,906	\$ 13,312
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	110.09%	75.00%	158.77%	145.21%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 434	\$ 487	\$ 792	\$ 660	\$ 619
Contributions in relation to the contractually required contribution	\$ 434	\$ 487	\$ 792	\$ 660	\$ 619
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 15,058	\$ 14,556	\$ 14,016	\$ 13,906	\$ 13,312
Contributions as a percentage of covered-employee payroll	2.88%	3.35%	5.65%	4.75%	4.65%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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**Changes in Actuarial Assumptions**

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

**Recent Plan Changes**

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (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 United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Health Plan is changed each year to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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***Method and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the Schedule of Employer’s Contributions – Other Postemployment Benefits (OPEB) are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00% (beginning in 2019)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation
(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.	

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2021**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
State	\$ 18,867,075.00	\$ 19,166,781.00	\$ 19,322,700.50	\$	\$ 19,322,700.50
Federal	1,500.00	1,500.00	134,261.09		134,261.09
Local	2,732,120.00	2,732,120.00	3,259,017.09	(1)	3,270,259.34
Other	42,000.00	42,000.00	81,282.94		81,282.94
Total Revenues	21,642,695.00	21,942,401.00	22,797,261.62		22,808,503.87
<b>Expenditures</b>					
Current:					
Instruction	12,390,170.25	12,629,642.25	13,090,346.87	(2)	13,904,254.19
Instructional Support	3,274,528.22	3,321,361.22	3,272,360.15	(2)	3,306,682.19
Operation and Maintenance	1,773,332.88	1,773,332.88	1,853,654.51	(2)	1,853,442.35
Auxiliary Services:					
Student Transportation	1,603,004.00	1,612,988.00	1,567,283.45	(2)	1,598,772.27
Food Service			418.04		418.04
General Administration and Central Support	1,212,717.42	1,212,717.42	1,209,468.01	(2)	1,206,168.22
Other	639,549.22	639,549.22	635,269.46	(2)	649,093.18
Capital Outlay	790,110.00	992,258.06	983,022.19		983,022.19
Total Expenditures	21,683,411.99	22,181,849.05	22,611,822.68		23,501,852.63
Excess (Deficiency) of Revenues Over Expenditures	(40,716.99)	(239,448.05)	185,438.94		(693,348.76)
<b>Other Financing Sources (Uses)</b>					
Indirect Cost	140,066.98	651,947.60	276,577.54		276,577.54
Transfers In			52,191.08		52,191.08
Other Financing Sources			19,803.93		19,803.93
Sale of Capital Assets			5,675.00		5,675.00
Transfers Out	(782,403.82)	(114,765.33)	(184,098.31)		(184,098.31)
Total Other Financing Sources (Uses)	(642,336.84)	537,182.27	170,149.24		170,149.24
Net Change in Fund Balances	(683,053.83)	297,734.22	355,588.18		(523,199.52)
Fund Balances - Beginning of Year	4,854,321.08	5,055,369.38	5,055,369.38	(3)	3,568,459.05
Fund Balances - End of Year	\$ 4,171,267.25	\$ 5,353,103.60	\$ 5,410,957.56		\$ 3,045,259.53

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2021***

**Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exceptions:

(1) The Board budgets sales tax and motor vehicle ad valorem tax as it is collected, rather than on the modified accrual basis (GAAP).	\$ 11,242.25
(2) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).	<u>(890,029.95)</u>
Net Change in Fund Balance - Budget to GAAP	<u>\$ (878,787.70)</u>
(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.	

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2021***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Federal	\$ 6,363,524.00	\$ 11,879,855.11	\$ 8,148,660.68	\$	\$ 8,148,660.68
Local	1,238,320.00	627,790.00	1,942,905.02		1,942,905.02
Other	25,500.00	25,500.00	33,715.13		33,715.13
Total Revenues	<u>7,627,344.00</u>	<u>12,533,145.11</u>	<u>10,125,280.83</u>		<u>10,125,280.83</u>
<b>Expenditures</b>					
Current:					
Instruction	2,716,244.38	4,667,834.47	2,861,855.64		2,861,855.64
Instructional Support	815,113.43	949,030.65	510,402.42		510,402.42
Operation and Maintenance	623,081.95	1,803,462.77	674,615.33		674,615.33
Auxiliary Services:					
Student Transportation	57,833.59	52,163.45	71,488.47		71,488.47
Food Service	1,653,374.50	133,756.81	635,187.55	(1) (23,137.86)	658,325.41
General Administration and Central Support	352,669.65	1,030,757.07	495,046.84		495,046.84
Other	1,126,488.15	3,004,954.25	3,597,458.40	(1) (6,128.79)	3,603,587.19
Capital Outlay	127,383.09	215,579.17	263,697.31		263,697.31
Debt Service:					
Principal Retirement	500.00	500.00			
Interest and Fiscal Charges	270.00	270.00			
Total Expenditures	<u>7,472,958.74</u>	<u>11,858,308.64</u>	<u>9,109,751.96</u>	<u>(29,266.65)</u>	<u>9,139,018.61</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>154,385.26</u>	<u>674,836.47</u>	<u>1,015,528.87</u>	<u>(29,266.65)</u>	<u>986,262.22</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	717,638.49	200,441.00	50,764.98		50,764.98
Transfers Out		(150,441.00)	(52,191.08)		(52,191.08)
Total Other Financing Sources (Uses)	<u>717,638.49</u>	<u>50,000.00</u>	<u>(1,426.10)</u>		<u>(1,426.10)</u>
Net Change in Fund Balances	872,023.75	724,836.47	1,014,102.77	(29,266.65)	984,836.12
Fund Balances - Beginning of Year	<u>800,500.00</u>	<u>1,220,922.84</u>	<u>1,221,249.09</u>	<u>(60,522.13)</u>	<u>1,160,726.96</u>
Fund Balances - End of Year	<u>\$ 1,672,523.75</u>	<u>\$ 1,945,759.31</u>	<u>\$ 2,235,351.86</u>	<u>\$ (89,788.78)</u>	<u>\$ 2,145,563.08</u>

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*Schedule of Revenues, Expenditures and Changes in Fund Balances*  
*Budget and Actual - Special Revenue Fund*  
*For the Year Ended September 30, 2021*

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**Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exceptions:

- |  |                       |
|--|-----------------------|
| (1) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).  | \$ (29,266.65)        |
| Net Change in Fund Balance - Budget to GAAP  | <u>\$ (29,266.65)</u> |
| (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above. |                       |

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*Supplementary Information*

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	N/A	\$ 207,881.78
National School Lunch Program:			
Cash Assistance	10.555	N/A	348,301.35
COVID 19 - Cash Assistance	10.555	N/A	38,426.33
Non-Cash Assistance - Commodities	10.555	N/A	31,041.85
Sub-Total National School Lunch Program			417,769.53
Summer Food Service Program for Children:			
Cash Assistance	10.559	N/A	2,717,018.28
Non-Cash Assistance - Commodities	10.559	N/A	73,925.86
COVID-19 - Summer Food Service Program for Children	10.559	N/A	10,431.53
Sub-Total Summer Food Service Program for Children			2,801,375.67
Child Nutrition Discretionary Grants limited Availability	10.579	N/A	17,196.08
Sub-Total Child Nutrition Cluster			3,444,223.06
Child and Adult Care Food Program:			
Cash Assistance	10.558	N/A	647,483.73
COVID-19 - Child and Adult Care Food Program	10.558	N/A	13,010.46
Sub-Total Child and Adult Care Food Program			660,494.19
Fresh Fruit and Vegetable Program	10.582	N/A	98,240.01
Total U. S. Department of Agriculture			4,202,957.26
<b><u>U. S. Department of the Treasury</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	209,377.55
<b><u>U. S. Department of Education</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Title I Grants to Local Educational Agencies	84.010	S010A170001	1,335,164.38
Migrant Education - State Grant Program	84.011	S011A170001	84,865.00
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	511,223.17
Special Education - Preschool Grants	84.173	N/A	7,348.44
Sub-Total Special Education Cluster			518,571.61
Career and Technical Education - Basic Grants to States	84.048	N/A	54,638.00
Rural Education	84.358	S358B170001	217,077.96
English Language Acquisition State Grants	84.365	S365A170001	14,137.23
Supporting Effective Instruction State Grants	84.367	S367A170002	111,795.17
Sub-Total U. S. Department of Education Forward			2,336,249.35
Sub-Total Forward			\$ 6,748,584.16

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 6,748,584.16
Sub-Total U. S. Department of Education Brought Forward			2,336,249.35
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C	N/A	155,869.27
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	N/A	1,096,607.09
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	N/A	281,321.25
Sub-Total COVID-19 Education Stabilization Fund			<u>1,533,797.61</u>
Total U. S. Department of Education			<u>3,870,046.96</u>
<b><u>Social Security Administration</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N/A	<u>540.00</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,282,921.77</u></u>

N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2021***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Geneva County Board of Education under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the 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)*. Because the Schedule presents only a selected portion of the operations of the Geneva County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Geneva County Board of Education.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

The Geneva County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

**Note 4 – Transferability**

As allowed by federal regulations, the Board expended \$92,441.00 from the Student Support and Academic Enrichment Program (84.424A) and \$58,000.00 from the Supporting Effective Instruction State Grants (84.367) to Rural Education (84.358). These amounts are reflected in the expenditures of Rural Education (84.358).

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2020 through September 30, 2021***

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**Board Members** **Term Expires**

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Hon. Derek Warren	Chairperson	2022
Hon. David Schutz	Vice-Chairperson	2024
Hon. Jonathan Eubanks	Member	2026
Hon. Mary Langford	Member	2022
Hon. Lisa Baine	Member	2026
Hon. Martha Windham	Former Chairperson	2020

**Administrative Personnel**

Hon. Rebecca Ott Birdsong	Superintendent	2024
Jennifer Faulk	Chief School Financial Officer	Indefinite

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***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***

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**Independent Auditor's Report**

Members of the Geneva County Board of Education,  
Superintendent and Chief School Financial Officer  
Geneva, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Geneva County Board of Education, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Geneva County Board of Education's basic financial statements, and have issued our report thereon dated May 20, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Geneva County Board of Education'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 Geneva County Board of Education's internal control. Accordingly, we do not express an opinion of the effectiveness of the Geneva County Board of Education's internal control.

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

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

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***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***

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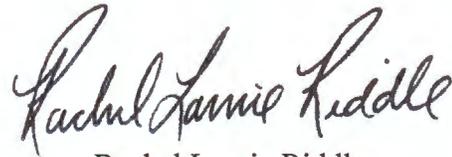
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Geneva County Board of Education'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Geneva County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2022

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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***Independent Auditor's Report***

Members of the Geneva County Board of Education,  
Superintendent and Chief School Financial Officer  
Geneva, Alabama

***Report on Compliance for Each Major Federal Program***

We have audited the Geneva County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Geneva County Board of Education's major federal program for the year ended September 30, 2021. The Geneva County Board of Education's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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

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

***Report on Internal Control Over Compliance***

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

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

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

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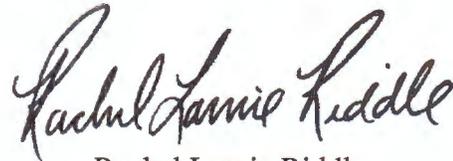
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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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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.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2022

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2021***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Programs or Clusters
21.019	COVID-19 Coronavirus Relief Fund
84.425	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2021***

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**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

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

No matters were reportable.