

**EUFAULA CITY BOARD OF EDUCATION**  
**BASIC FINANCIAL STATEMENTS**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**EUFAULA CITY BOARD OF EDUCATION  
SEPTEMBER 30, 2021  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Eufaula City Board of Education,  
Superintendent and Chief School Financial Officer

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

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Eufaula City Board of Education (the "School Board"), component unit of the City of Eufaula, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 School Board'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 School Board's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 Eufaula City Board of Education as of September 30, 2021, and the respective changes in financial position and the respective

budgetary comparisons for the General Fund and Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the Employer's Contributions- Pension, and the Schedule of Employer's Contributions- Other Postemployment Benefits (OPEB) 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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)*, and is not a required part of the basic financial statements.

The accompanying 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 my opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2022, on my consideration of the School Board's internal control over financial reporting and on my 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 my 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 School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

*Donald M. Hartzog CPA, LLC*

June 29, 2022

**Eufaula City Board of Education  
Management's Discussion and Analysis (MD&A)  
September 30, 2021**

The Management's Discussion and Analysis (MD&A) of Eufaula City 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 notes to the financial statements and the financial statements to enhance their understanding of the Eufaula City 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 and is included in this report.

### **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. The Board only uses governmental funds, which 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 Basic Financial Statements - 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) in addition to the MD&A. The implementation of GASB 68 and GASB 75 requires four additional exhibits to be reflected – the Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of the Employer's Contributions related to the pension and the Schedule of Proportionate Share of Collective Net OPEB Liability and Schedule of Contributions related to OPEB.

## Financial Analysis of the Board as a Whole

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1: Summary of Net Position**  
**Eufaula City Board of Education**

	Net Assets			
	Governmental Activities September 30, 2020	Percent of Total	Governmental Activities September 30, 2021	Percent of Total
Current and other assets	\$ 14,579,220.15	40.72%	\$ 18,307,892.17	39.84%
Capital assets	\$ 21,221,964.12	59.28%	\$ 27,641,603.85	60.16%
Total assets	<u>\$ 35,801,184.27</u>	100.00%	<u>\$ 45,949,496.02</u>	100.00%
Employer pension contribution	\$ 1,934,120.04	28.47%	\$ 2,014,248.21	13.97%
Proportionate share of collective deferred outflows related to net pension liability	\$ 2,014,000.00	29.65%	\$ 4,718,000.00	32.73%
Employer OPEB Contribution	\$ 494,774.00	7.28%	\$ 425,821.00	2.95%
Proportionate share of collective deferred outflows related to net other postemployment benefits	\$ 2,350,695.00	34.60%	\$ 7,255,597.00	50.34%
Total deferred outflows of resources	<u>\$ 6,793,589.04</u>	100.00%	<u>\$ 14,413,666.21</u>	100.00%
Current and other liabilities	\$ 2,275,506.28	5.45%	\$ 3,124,949.87	5.95%
Long-term liabilities	\$ 39,475,556.75	94.55%	\$ 49,424,652.05	94.05%
Total liabilities	<u>\$ 41,751,063.03</u>	100.00%	<u>\$ 52,549,601.92</u>	100.00%
Proportionate share of collective deferred inflows related to net pension liability	\$ 1,182,000.00	8.32%	\$ 772,000.00	6.43%
Proportionate share of collective deferred inflows related to net OPEB liability	\$ 13,019,892.00	91.68%	\$ 11,235,726.00	93.57%
Total deferred inflows of resources	<u>\$ 14,201,892.00</u>	8.32%	<u>\$ 12,007,726.00</u>	6.43%
Net position:				
Invested in capital assets, net of related debt	\$ 15,914,020.87	-119.13%	\$ 22,279,109.51	-531.19%
Restricted	\$ 1,440,773.76	-10.79%	\$ 1,504,781.30	-35.88%
Unrestricted	\$ (30,712,976.35)	229.92%	\$ (27,978,056.50)	667.07%
Total net assets	<u>\$ (13,358,181.72)</u>	100.00%	<u>\$ (4,194,165.69)</u>	100.00%

The majority of the Board's net assets are 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. Restricted net assets – net assets that are reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use those net assets for day-to-day operations – are \$ 1,504,781 at the end of the year.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities*. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net assets as of September 30, 2021 in comparison to that reported as of September 30, 2020.

**Table 2: Summary of Changes in Net Position from Operating Results  
Eufaula City Board of Education**

	Change in Net Position			
	Governmental Activities September 30, 2019	Percent of Total	Governmental Activities September 30, 2021	Percent of Total
Revenues				
Program revenues:				
Charges for services	\$ 1,973,257.90	4.17%	\$ 2,155,729.97	3.69%
Operating grants and contributions	\$ 37,486,669.23	79.25%	\$ 46,164,978.53	79.01%
Capital grants and contributions	\$ 1,690,679.00	3.57%	\$ 3,362,894.99	5.76%
General revenues:				
Property taxes	\$ 2,783,152.77	5.88%	\$ 3,221,239.48	5.51%
Local sales tax	\$ 1,900,128.63	4.02%	\$ 2,157,120.59	3.69%
Alcohol beverage tax				
Other taxes	\$ 256,063.64	0.54%	\$ 266,725.17	0.46%
City council appropriations/payments	\$ 540,000.00	1.14%	\$ 540,000.00	0.92%
Investment earnings	\$ 152,359.85	0.32%	\$ 151,618.79	0.26%
Gain on Disposition of Capital Assets		0.00%		0.00%
Other general revenues	\$ 518,929.16	1.10%	\$ 409,054.16	0.70%
Total revenues	<u>\$ 47,301,240.18</u>	<u>100.00%</u>	<u>\$ 58,429,361.68</u>	<u>100.00%</u>
Expenses				
Instructional services	\$ 15,762,195.93	36.14%	\$ 17,806,168.26	36.14%
Instructional support services	\$ 4,501,630.17	10.32%	\$ 6,247,319.23	12.68%
Operation & maintenance services	\$ 2,951,925.26	6.77%	\$ 2,874,102.79	5.83%
Unallocated depreciation				
Student transportation services	\$ 704,291.79	1.61%	\$ 786,808.60	1.60%
Food services	\$ 1,526,591.37	3.50%	\$ 548,408.99	1.11%
General administrative services	\$ 1,932,937.84	4.43%	\$ 2,310,189.07	4.69%
Interest & Fiscal Charges	\$ 134,070.94	0.31%	\$ 131,237.22	0.27%
Debt service				
Other expenses	\$ 16,102,579.01	36.92%	\$ 18,561,111.49	37.68%
Total expenses	<u>\$ 43,616,222.31</u>	<u>100.00%</u>	<u>\$ 49,265,345.65</u>	<u>100.00%</u>
Change in net position	\$ 3,685,017.87		\$ 9,164,016.03	
Net position, beginning (*restated)	<u>\$ (17,043,199.59)</u>		<u>\$ (13,358,181.72)</u>	
Net position, ending	<u>\$ (13,358,181.72)</u>		<u>\$ (4,194,165.69)</u>	



Program revenues, specifically operating grants and contributions, are the largest component of total revenues (88%).

- Operating grants and contributions contribute 89% of program revenues and 79% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide \$6,745,758 for expenses not covered by program revenues.

Instructional services and instructional support services expenses, primarily salaries and benefits for classroom teachers and paraprofessionals, are the largest expense function of the Board (49%).

- In addition to teacher salaries and benefits, instructional services include teacher paraprofessionals, 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, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Virtual education expenses are included in the other category. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the Pre-K through 12 instructional programs.

The Board's net assets increased \$ 9,164,016 during the current fiscal year.

Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2021 was \$ 49.3 million. It is important to note that not all of these costs were borne by the taxpayers of Eufaula City Schools. Some of the cost was paid by users who benefited from services provided during the year, such as school lunches and summer school. State and federal governments subsidized certain programs with grants and contributions. Other general sources provided additional revenues.

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

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

**Governmental Funds** - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. 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 combined ending fund balances of \$15.10 million.

- Approximately \$12.04 million of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on future operations and a non-spendable fund balance of \$ 10,107 totaling \$12.05 million.
- The Special Revenue Funds have an unassigned/assigned fund balance of \$446,789 and non-spendable and restricted fund balances of \$559,750 for a total fund balance of \$1,006,539.
- The Capital Projects Funds have an assigned fund balance of \$633,993, which is available as of the end of the fiscal year for spending on future capital outlays and a restricted fund balance of \$1,409,584 for local capital projects and fleet renewal, totaling \$2.04 million.

**General Fund** - The general fund is the primary operating fund of the Board. The \$2,559,085 net increase in general fund balance as a result of operations this year was primarily from an increase in revenues and a reduction of expenditures.

**Special Revenue Fund**- The Special Revenue Fund accounts for most of the federal funds that flow through the Alabama Department of Education as well as local schools' accounts. There was an increase in this fund of \$173,864 for the year.

**Capital Projects Fund** - The Capital Projects Fund is used to account for state and local financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. See section entitled "Capital Assets and Debt Administration."

**Debt Service Fund**-The Debt Service Fund is used to account for funds set aside to make interest and principal payments on the Board's outstanding warrants. See section entitled "Capital Assets and Debt Administration."

Overall, the Board had an increase of \$ 2,755,469 in the total fund balance.

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

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 requires such budget to be submitted by September 15<sup>th</sup> of each year. The original 2021 fiscal year budget was adopted by the Board in September 2020. The original budget figures were amended when revenues or expenditures exceeded 10%. Following are budget amendments approved by the Board on June 15, 2021:

- To budget for additional grants/funds received after the original budget was submitted.
- To shift expenditures within various funds.
- To budget for revised or additional state and federal allocations.
- To adjust beginning balances to reflect the actual ending fund balances from the prior fiscal year.
- To budget for Carryover of some federal funds.
- To amend program applications to match the current budget.
- Revise Capital Projects to be in line with the Capital Plan.
- Increase or decrease expenditures based on needs.

## Capital Assets and Debt Administration

**Capital Assets** - The Board's investment in capital assets for its governmental activities for the year ended September 30, 2021, amounted to \$27.64 million, net of accumulated depreciation. The Board's investment in capital assets includes, land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, and construction in progress, and is shown in *Table 3*.

**Table 3: Capital Assets (net of depreciation)  
Eufaula City Board of Education**

	Governmental Activities September 30 (in millions)	
	2020	2021
Land and land improvements	\$ 1.97	\$ 1.90
Buildings & Improvements	17.13	19.47
Construction in Progress	0.78	5.02
Vehicles	0.71	0.68
Equipment	0.63	0.57
Net Capital Assets (restated)	<u>\$ 21.22</u>	<u>\$ 27.64</u>

Net capital assets increased by \$6.4 million for the 2021 fiscal year.

**Long-Term Debt** - At year-end, the Board had long-term debt totaling \$ 49,424,652, which includes Warrants Payable, Net Pension and OPEB Liability, Unamortized Premiums on Warrants, and Compensated Absences.

	<u>2020</u>	<u>2021</u>
Warrents Payable	5,110,000.00	5,000,000.00
Unamortized Premium	47,845.91	45,969.59
Net Pension Liability	23,540,000.00	27,734,000.00
Net OPEB Liability	10,572,729.00	16,239,968.00
Compensated Absences	54,884.50	290,170.76
Note from Direct Borrowing	150,097.34	114,543.70
Total Long-Term Debt	<u>39,475,556.75</u>	<u>49,424,652.05</u>

Further information on long-term debt is located in the Notes to the Financial Statements.

## Economic Factors and Next Year's Budget

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

- The average annual unemployment decreased 2.10% in 2021, with the highest being in June 2021 at 6.7% and the lowest in November 2021 at 4.2%.
- Eufaula City School's share of the county-wide sales tax decreased minimally by .007 % for the 2021-2022 fiscal year.

- The partnership between Eufaula City Schools and K12 offering a virtual education opportunity to students continues to grow.
- The COVID-19 pandemic is not expected to have a significant financial impact on the Board's FY22 operations. However, revenues from federal, state, and local sources could be significantly impacted in FY23.

**Student Enrollment** - The latest student enrollment figure as of the official enrollment report in the 2021-2022 school year of 6373 (excludes the Pre-K program) indicates an increase in enrollment for total ECS and virtual students combined. However, ECS student enrollment excluding the virtual school continues to decrease for the district.

Enrollment	Fiscal Year
2267 + 4106 virtual (6373)	2022-2023 (counted 10/22/21)
2381 + 3943 virtual (6324)	2021-2022 (counted 10/2020)
2549 + 3024 virtual (5573)	2020-2021 (counted 10/2019)
2495 + 2798 virtual (5293)	2019-2020
2661 + 1798 virtual (4459)	2018-2019
2790 + 1004 virtual (3796)	2017-2018
2667 + 15 virtual (2682)	2016-2017
2738	2015-2016
2689	2014-2015
2625	2013-2014

**Medical and Retirement Costs** – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs will remain steady per employee for a total of \$800 per employee per month in fiscal year 2022. The employer contribution rate to the Teachers Retirement System (TRS) will increase to 12.43% in fiscal year 2022 down from 12.36% percent for fiscal year 2021.

## 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 Mr. Patrick J. Brannan, Superintendent, at the Eufaula City Board of Education, 333 State Docks Road, Eufaula, AL 36027, or by calling (334) 687-1100 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central standard time.

## **BASIC FINANCIAL STATEMENTS**

**EUFAULA CITY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2021**

**ASSETS**

Cash and Cash Equivalents	\$	11,892,122.37	
Investments- Certificates of Deposit		13,855.76	
Intergovernmental Receivable		6,115,605.29	
Sales Tax Receivable		177,183.34	
Other Receivables		20,506.31	
Inventories		88,122.85	
Other Assets		496.25	
Capital Assets:			
Nondepreciable		6,004,144.48	
Depreciable- Net of Depreciation		21,637,459.37	
<b>TOTAL ASSETS</b>			\$ <u>45,949,496.02</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Employer Pension Contribution	\$	2,014,248.21	
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability		4,718,000.00	
Employer OPEB Contribution		425,821.00	
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits		7,255,597.00	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>			<u>14,413,666.21</u>

**LIABILITIES**

Accounts Payable	\$	976,356.90	
Intergovernmental Payable		73,239.51	
Salaries and Benefits Payable		1,986,005.72	
Unearned Revenue		23,963.72	
Accrued Interest Payable		65,384.02	
Long Term Liabilities:			
Portion Due or Payable Within One Year		304,602.05	
Portion Due or Payable After One Year		49,120,050.00	
<b>TOTAL LIABILITIES</b>			<u>52,549,601.92</u>

**DEFERRED INFLOWS OF RESOURCES**

Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	\$	772,000.00	
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability		11,235,726.00	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			<u>12,007,726.00</u>

**NET POSITION**

Net Investment in Capital Assets	\$	22,279,109.51	
Restricted For:			
Capital Projects and Bus Fleet Renewal		945,031.48	
Child Nutrition		559,749.82	
Unrestricted		(27,978,056.50)	
<b>TOTAL NET POSITION</b>			\$ <u>(4,194,165.69)</u>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position- Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Services	\$ 17,806,168.26	\$ 209,649.52	\$ 15,621,275.08	\$ 3,138,245.05	\$ 1,163,001.39
Instructional Support Services	6,247,319.23	64,188.70	5,046,395.59	0.00	(1,136,734.94)
Operation & Maintenance Services	2,874,102.79	27,282.23	6,791,259.11	133,646.19	4,078,084.74
Student Transportation Services	786,808.60	81,100.46	612,823.99	85,128.00	(7,756.15)
Food Services	548,408.99	414,604.88	202,058.74	0.00	68,254.63
General Administrative Services	2,310,189.07	15,526.04	1,314,367.69	5,875.75	(974,419.59)
Interest & Fiscal Charges	131,237.22	0.00	0.00	0.00	(131,237.22)
Other Expenses	18,561,111.49	1,343,378.14	16,576,798.33	0.00	(640,935.02)
Total	\$ <u>49,265,345.65</u>	\$ <u>2,155,729.97</u>	\$ <u>46,164,978.53</u>	\$ <u>3,362,894.99</u>	\$ <u>2,418,257.84</u>

General Revenues:

Taxes	
Property Taxes for General Purposes	3,221,239.48
Local Sales Tax	2,157,120.59
Other Taxes	266,725.17
City Council Appropriations	540,000.00
Investment Earnings	151,618.79
Miscellaneous	409,054.16
Total General Revenues	<u>6,745,758.19</u>
Changes in Net Position	9,164,016.03
Net Position- Beginning (Restated)	(13,358,181.72)
Net Position- Ending	\$ <u>(4,194,165.69)</u>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2021**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,743,476.93	\$ 1,083,535.47	\$ 2,065,109.97	\$ 11,892,122.37
Investments- Certificates of Deposit	0.00	13,855.76	0.00	13,855.76
Intergovernmental Receivable	237,838.63	5,877,766.66	0.00	6,115,605.29
Sales Tax Receivable	177,183.34	0.00	0.00	177,183.34
Other Receivables	18,987.66	1,518.65	0.00	20,506.31
Due from Other Funds	5,207,492.01	0.00	0.00	5,207,492.01
Inventories	9,611.10	78,511.75	0.00	88,122.85
Other Assets	496.25	0.00	0.00	496.25
<b>TOTAL ASSETS</b>	<b>\$ 14,395,085.92</b>	<b>\$ 7,055,188.29</b>	<b>\$ 2,065,109.97</b>	<b>\$ 23,515,384.18</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 555,576.89	\$ 399,247.29	\$ 21,532.72	\$ 976,356.90
Intergovernmental Payable	0.00	73,239.51	0.00	73,239.51
Unearned Revenues	0.00	23,963.72	0.00	23,963.72
Due to Other Funds	0.00	5,207,492.01	0.00	5,207,492.01
Salaries and Benefits Payable	1,662,477.87	323,527.85	0.00	1,986,005.72
Estimated Liability for Compensated Absences	129,709.75	21,179.05	0.00	150,888.80
<b>Total Liabilities</b>	<b>2,347,764.51</b>	<b>6,048,649.43</b>	<b>21,532.72</b>	<b>8,417,946.66</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	9,611.10	78,511.75	0.00	88,122.85
Prepaid Items	496.25	0.00	0.00	496.25
Restricted:				
Capital Projects and Fleet Renewal	0.00	0.00	945,031.48	945,031.48
Child Nutrition	0.00	481,238.07	0.00	481,238.07
Debt Service	0.00	0.00	464,552.60	464,552.60
Assigned:				
Local Schools	0.00	587,597.11	0.00	587,597.11
Local Capital Projects	0.00	0.00	633,993.17	633,993.17
Unassigned	12,037,214.06	(140,808.07)	0.00	11,896,405.99
<b>Total Fund Balances</b>	<b>12,047,321.41</b>	<b>1,006,538.86</b>	<b>2,043,577.25</b>	<b>15,097,437.52</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,395,085.92</b>	<b>\$ 7,055,188.29</b>	<b>\$ 2,065,109.97</b>	<b>\$ 23,515,384.18</b>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.



**EUFAULA CITY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

**Total Fund Balance- Governmental Funds** \$ 15,097,437.52

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

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

The cost of capital assets is	\$ 54,981,942.10	
Accumulated depreciations is	<u>(27,340,338.25)</u>	
		27,641,603.85

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		5,960,248.21
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Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(3,554,308.00)
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Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		(65,384.02)
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Long term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the funds.

Current portion of long term warrants	\$ (116,876.32)	
Non current portion of long term warrants	(4,929,093.27)	
Current portion of note payable	(36,836.93)	
Non current portion of note payable	(77,706.77)	
Net pension liability	(27,734,000.00)	
Net OPEB Liability	(16,239,968.00)	
Non current portion of compensated absences	<u>(139,281.96)</u>	
		<u>(49,273,763.25)</u>

**Total Net Position- Governmental Activities** \$ (4,194,165.69)

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
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 Sources	\$ 35,878,132.62	\$ 0.00	\$ 3,358,165.99	\$ 39,236,298.61
Federal Sources	88,179.90	11,880,325.07	0.00	11,968,504.97
Local Sources	6,523,744.19	567,353.95	67,232.12	7,158,330.26
Other Sources	53,090.14	13,137.70	0.00	66,227.84
<b>Total Revenues</b>	<u>42,543,146.85</u>	<u>12,460,816.72</u>	<u>3,425,398.11</u>	<u>58,429,361.68</u>
<b>EXPENDITURES</b>				
Instructional Services	12,543,356.66	4,374,194.18	5,337.20	16,922,888.04
Instructional Support Services	4,690,124.25	1,475,013.29	0.00	6,165,137.54
Operation & Maintenance Services	2,552,759.22	94,138.25	156,265.45	2,803,162.92
Student Transportation Services	605,420.89	86,567.27	0.00	691,988.16
Food Services	0.00	482,443.45	0.00	482,443.45
General Administrative Expenses	1,955,074.78	576,163.36	7,184.00	2,538,422.14
Other Expenditures	16,242,497.94	2,555,850.80	0.00	18,798,348.74
Capital Outlay	1,093,144.59	3,069,913.00	3,326,324.81	7,489,382.40
Debt Service:				
Principal Retirement	0.00	0.00	145,553.64	145,553.64
Debt Service Interest	0.00	0.00	134,523.94	134,523.94
<b>Total Expenditures</b>	<u>39,682,378.33</u>	<u>12,714,283.60</u>	<u>3,775,189.04</u>	<u>56,171,850.97</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>2,860,768.52</u>	<u>(253,466.88)</u>	<u>(349,790.93)</u>	<u>2,257,510.71</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Indirect Cost	118,155.34	0.00	372,310.62	490,465.96
Transfers In	34,819.85	583,881.99	100,000.00	718,701.84
Proceeds of Capital Assets Sold	7,492.50	0.00	0.00	7,492.50
Transfers Out	(462,150.83)	(156,551.01)	(100,000.00)	(718,701.84)
<b>Total Other Financing Sources (Uses)</b>	<u>(301,683.14)</u>	<u>427,330.98</u>	<u>372,310.62</u>	<u>497,958.46</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>2,559,085.38</u>	<u>173,864.10</u>	<u>22,519.69</u>	<u>2,755,469.17</u>
<b>FUND BALANCE- BEGINNING</b>	<u>9,488,236.03</u>	<u>832,674.76</u>	<u>2,021,057.56</u>	<u>12,341,968.35</u>
<b>FUND BALANCE- ENDING</b>	<u>\$ 12,047,321.41</u>	<u>\$ 1,006,538.86</u>	<u>\$ 2,043,577.25</u>	<u>\$ 15,097,437.52</u>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Total Net Change in Fund Balances- Governmental Funds</b>	<b>\$</b>	<b>2,755,469.17</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental fund 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 outlays exceeds depreciation expense in the period.

Capital Outlays	\$ 7,489,382.40	
Depreciation Expense	<u>(1,051,358.96)</u>	
		6,438,023.44

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		145,553.64
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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 this amount.

Proceeds from Sale of Capital Assets	\$ (7,492.50)	
Loss on Disposition of Capital Assets	<u>(10,891.21)</u>	
		(18,383.71)

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

Accrued Interest Payable- Current Year (Increase) Decrease	\$ 1,410.40	
Compensated Absences- Current Year (Increase) Decrease in Noncurrent Portion	(112,937.40)	
Amortization of Premiums on Warrants	1,876.32	
Pension Expense- Current Year (Increase) Decrease	(999,871.83)	
OPEB Expense- Current Year (Increase) Decrease	<u>952,876.00</u>	
		<u>(156,646.51)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>9,164,016.03</u></b>
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The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>BUDGETED AMOUNTS</b>		<b>(BUDGETARY BASIS)</b>	<b>VARIANCE- FINAL BUDGET POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
State Sources	\$ 34,204,732.00	\$ 35,783,232.63	\$ 35,878,132.62	\$ 94,899.99
Federal Sources	93,400.00	93,400.00	88,179.90	(5,220.10)
Local Sources	5,694,906.23	5,694,906.23	6,523,744.19	828,837.96
Other Sources	44,250.00	44,250.00	53,090.14	8,840.14
<b>TOTAL REVENUES</b>	<b>40,037,288.23</b>	<b>41,615,788.86</b>	<b>42,543,146.85</b>	<b>927,357.99</b>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	13,172,237.03	13,077,605.13	12,451,169.59	626,435.54
Instructional Support Services	4,597,418.30	4,598,636.93	4,679,200.19	(80,563.26)
Operation & Maintenance Services	2,478,216.79	2,478,216.79	2,539,216.69	(60,999.90)
Auxiliary Services: Student Transportation Services	667,032.87	960,643.87	599,033.23	361,610.64
General Administrative Services	1,842,095.80	1,885,957.80	1,959,060.45	(73,102.65)
Other Expenditures	16,211,790.26	16,306,222.16	16,202,898.37	103,323.79
Capital Outlay	906,712.00	2,146,712.00	1,093,144.59	1,053,567.41
<b>TOTAL EXPENDITURES</b>	<b>39,875,503.05</b>	<b>41,453,994.68</b>	<b>39,523,723.11</b>	<b>1,930,271.57</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>161,785.18</b>	<b>161,794.18</b>	<b>3,019,423.74</b>	<b>2,857,629.56</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Indirect Cost	432,580.97	2,587,229.96	118,155.34	(2,469,074.62)
Transfers In	81,145.00	81,145.00	34,819.85	(46,325.15)
Sale of Capital Assets	0.00	0.00	7,492.50	7,492.50
Transfers Out	(583,392.73)	(583,392.73)	(462,150.83)	121,241.90
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(69,666.76)</b>	<b>2,084,982.23</b>	<b>(301,683.14)</b>	<b>(2,386,665.37)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>92,118.42</b>	<b>2,246,776.41</b>	<b>2,717,740.60</b>	<b>470,964.19</b>
<b>FUND BALANCE- BEGINNING</b>	<b>11,015,475.11</b>	<b>11,015,475.11</b>	<b>10,992,058.68</b>	<b>(23,416.43)</b>
<b>FUND BALANCE- ENDING</b>	<b>\$ 11,107,593.53</b>	<b>\$ 13,262,251.52</b>	<b>\$ 13,709,799.28</b>	<b>\$ 447,547.76</b>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFAULA CITY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>BUDGETED AMOUNTS</b>		<b>(BUDGETARY BASIS) ACTUAL</b>	<b>VARIANCE- FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Federal Sources	\$ 12,782,011.18	\$ 29,843,075.48	\$ 11,880,325.07	\$ (17,962,750.41)
Local Sources	1,024,254.32	1,024,254.32	567,353.95	(456,900.37)
Other Sources	42,000.00	42,000.00	13,137.70	(28,862.30)
<b>TOTAL REVENUES</b>	<u>13,848,265.50</u>	<u>30,909,329.80</u>	<u>12,460,816.72</u>	<u>(18,448,513.08)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	4,466,781.16	8,020,087.71	4,337,952.45	3,682,135.26
Instructional Support Services	1,582,614.45	2,943,133.38	1,464,138.57	1,478,994.81
Operation & Maintenance Services	114,611.51	147,054.70	94,138.25	52,916.45
Auxiliary Services:				
Student Transportation Services	166,973.14	216,974.11	86,115.47	130,858.64
Food Service	1,639,839.57	1,672,282.30	467,885.23	1,204,397.07
General Administrative Services	520,938.00	3,352,591.30	574,948.09	2,777,643.21
Other Expenditures	1,942,512.84	5,810,435.47	2,554,707.61	3,255,727.86
Capital Outlay	3,727,224.00	9,060,000.00	3,069,913.00	5,990,087.00
<b>TOTAL EXPENDITURES</b>	<u>14,161,494.67</u>	<u>31,222,558.97</u>	<u>12,649,798.67</u>	<u>18,572,760.30</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(313,229.17)</u>	<u>(313,229.17)</u>	<u>(188,981.95)</u>	<u>124,247.22</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	640,392.73	640,392.73	583,881.99	(56,510.74)
Transfers Out	(138,145.00)	(138,145.00)	(156,551.01)	(18,406.01)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>502,247.73</u>	<u>502,247.73</u>	<u>427,330.98</u>	<u>(74,916.75)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>189,018.56</u>	<u>189,018.56</u>	<u>238,349.03</u>	<u>49,330.47</u>
<b>FUND BALANCE- BEGINNING</b>	<u>1,057,751.62</u>	<u>1,057,751.62</u>	<u>1,091,717.68</u>	<u>33,966.06</u>
	<u>\$ 1,246,770.18</u>	<u>\$ 1,246,770.18</u>	<u>\$ 1,330,066.71</u>	<u>\$ 83,296.53</u>

The accompanying Notes to the Financial Statements are an integral part of the financial statements.

**EUFULA CITY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**1. DESCRIPTION OF THE SCHOOL BOARD AND REPORTING ENTITY**

The Eufaula City Board of Education (“the School Board”) is organized under Title 16 Chapter 11 of the Code of Alabama. The School Board operates under a Board form of government consisting of five members appointed by the Eufaula City Council for staggered four year terms. The School Board provides educational services as authorized by state and federal guidelines.

The School Board was established in 1872 and is comprised of one pre-K through grade 2 school, one grade 3 through 5 school, a grade 6 through 8 middle school, and a grade 9 through 12 high school.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Eufaula City Board of Education have been prepared in conformity with accounting principles generally accepted in the United States of America (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 most significant of the School Board’s accounting policies are described below:

**A. REPORTING ENTITY**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School Board consists of all funds, departments, boards and agencies that are not legally separate from the School Board. For the Eufaula City Board of Education, this includes general operations, food service and student and supportive service activities of the School Board.

Component units are legally separate organizations for which the School Board is 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 this criteria, the School Board has no component units which should be included as part of the financial reporting entity of the Board.

**B. BASIS OF PRESENTATION**

The School Board’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **1. Government-Wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information about the School Board as a whole. 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.

The Statement of Net Position presents the financial condition of the governmental activities of the School Board at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School Board. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School Board.

### **2. Fund Financial Statements:**

During the year, the School Board segregates transactions related to certain School Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School Board at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## **C. FUND ACCOUNTING**

The Board uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There is one category of funds used by the School Board- governmental.

### **1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the School Board are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are the School Board's major governmental funds:

### **General Fund**

The general fund is the operating fund of the School Board and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School Board for any purpose provided it is expended or transferred according to the general laws of Alabama.

### **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 specific purposes other than debt service or capital projects. Various federal, state 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, 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.

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

### **Capital Projects Fund**

This fund is used to account for and report state and local 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.

### **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.

## **D. MEASUREMENT FOCUS**

### **1. Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. All assets and all liabilities associated with the operation of the School Board are included in the statement of net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

### **2. Fund Financial Statements**

All governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

### **E. BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### **1. Revenues- Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School Board, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School Board receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which it is collected by the county since the county levies and collects the taxes. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School Board must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School Board on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes, sales taxes, and grants.

#### **2. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Prepaid meals through the Child Nutrition Special Revenue Fund are recorded as unearned revenue, as are certain unearned federal program payments.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## **F. 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, amounts in demand and deposit accounts, cash with fiscal agents as well as short-term investments in certificates of deposit with a maturity date within three months of the date acquired by the Board.

Statutes authorize the Board to invest in obligation 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 pledge of the three-mill school tax and certificates of deposit. Investments are reported at fair value. All the Board's investments were in certificates of deposit and are reported at cost. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

### **2. RECEIVABLES**

Receivable due from other governments includes amounts due from grantors for grants issued for specific programs and capital projects, sales tax receivables, and ad valorem taxes receivable.

### **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. PREPAID ITEMS**

Payments made to vendors for services which will benefit periods beyond September 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### **5. RESTRICTED ASSETS**

Included in cash and cash equivalents are certain assets which are restricted. Certain funds received from the State Department of Education for capital projects and improvements are restricted because they are maintained separately and their use is limited. The Public School Capital Projects and Fleet Renewal funds are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. Certain resources set aside for general obligation warrants are considered restricted because their use is limited by applicable debt covenants.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **6. CAPITAL ASSETS**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School Board maintains a capitalization threshold of \$5,000 for personal property and \$50,000.00 for real property. The School Board does not possess any infrastructure. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	20 Years
Buildings and Improvements	5-50 Years
Furniture and Equipment	5-20 Years
Vehicles	8-15 Years

### **7. 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.

### **8. COMPENSATED ABSENCES**

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

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

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

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Unused personal leave cannot be carried over to succeeding years, but unused personal leave is rolled into sick leave on July 1 of each year. Because unused personal leave cannot be carried over but can be converted to sick leave, no liability for unpaid leave is accrued in the financial statements.

Twelve-month employees earn up to twelve days vacation each year with pay. All vacation days must be used prior to the resignation date of the employee as the Board shall not make cash payments for unused vacation days. Up to twenty five days of unused vacation leave can be carried over to succeeding fiscal years. Unused vacation leave is accrued in the financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

### **9. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the debt. Warrants payable are reported at gross with separate line items for the applicable premium or discount. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### **10. 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 balance by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balance, similar to liabilities.

### **11. NET POSITION/FUND EQUITY**

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

Net Investment in Capital Assets- Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

Nonspendable Fund Balance- Includes 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 include inventories and prepaid items.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted Fund Balance- Consists 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.

Committed Fund Balance- Consists 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 Fund Balance- Consists of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the restraint.

Unassigned Fund Balance- Includes 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, it is the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

### **12. INTERFUND ACTIVITY**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **13. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **14. MINIMUM FUND BALANCE POLICIES**

The Board has established a minimum fund balance policy which recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the current or proposed budget amendment shall be used.

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

### **H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The Alabama Retired Education Employee's Health Care Trust (the "Trust") financial statements are prepared 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.

## **3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The School Board must submit an annual budget to the State Department of Education as required by the Code of Alabama by September 15<sup>th</sup> of each year. The budget does not become official until approved by the School Board and the State Department of Education. These budgets are prepared on the budgetary basis of accounting. The Superintendent with the approval of the School Board shall have authority during the fiscal year to make changes within the budget as deemed necessary provided that the schools are operated for the state minimum term according to rules and regulations of the State Department of Education and provided that a deficit is not incurred by such change or changes. The amounts reported as the final budgeted amounts represent budget amendment 2 which was approved by the School Board on June 15, 2021.

### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

#### B. BUDGETARY BASIS OF ACCOUNTING

While the School Board is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash disbursements. The Statements of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual presented for the General Fund and the Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustment necessary to reconcile the GAAP basis financial statements to the budgetary basis statements for these funds:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary basis) available for appropriation shown as		
Total Revenues on the Budgetary Comparison Schedule	\$ 42,543,146.85	\$ 12,460,816.72
Differences- None	<u>0.00</u>	<u>0.00</u>
TOTAL REVENUES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	\$ <u>42,543,146.85</u>	\$ <u>12,460,816.72</u>

	<u>General Fund</u>	<u>Special Revenue Fund</u>
USES/OUTFLOWS OF RESOURCES		
Actual amounts (budgetary basis) of expenditures shown as Total		
Expenditures on the Budgetary Comparison Statement	\$ 39,523,723.11	\$ 12,649,798.67
DIFFERENCES- BUDGET TO GAAP		
Expenditures for salaries and benefits of teachers and other personnel with contracts of less than twelve months are paid over a 12 month period and are recorded when paid (budget basis) as opposed to when the fund liability is incurred (GAAP basis)	<u>158,655.22</u>	<u>64,484.93</u>
TOTAL EXPENDITURES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	\$ <u>39,682,378.33</u>	\$ <u>12,714,283.60</u>

#### C. DEFICIT NET POSITION

As of September 30, 2021, the government-wide financial statements reported a deficit net position of \$4,194,165.69. The deficit in net position is due to the implementation of GASB Statement 68 related to Pensions, and GASB Statement 75 relating to Other Postemployment Benefits.

### 4. DEPOSITS AND INVESTMENTS

Deposits:

*Custodial credit risk* for deposits is the risk that, in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of

#### 4. DEPOSITS AND INVESTMENTS (Continued)

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 Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Cash with Fiscal Agent:

The Board reports cash with fiscal agent in its cash and cash equivalents.

#### 5. RECEIVABLES

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

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts Receivable	\$ 18,987.66	\$ 1,518.65	\$ 20,506.31
Sales Tax Receivable	177,183.34	0.00	177,183.34
Intergovernmental Receivable	237,838.63	5,877,766.66	6,115,605.29
Total Receivables	\$ <u>434,009.63</u>	\$ <u>5,879,285.31</u>	\$ <u>6,313,294.94</u>

#### 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, is presented on the following page:



## 6. CAPITAL ASSETS (Continued)

	BEGINNING BALANCE	ADDITIONS	RETIRE/ RECLASS	ENDING BALANCE
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land & Land Improvements	\$ 979,730.87	\$ 0.00	\$ 0.00	\$ 979,730.87
Construction in Progress	<u>778,924.00</u>	<u>5,024,413.61</u>	<u>778,924.00</u>	<u>5,024,413.61</u>
Total Capital Assets Not Being Depreciated	<u>1,758,654.87</u>	<u>5,024,413.61</u>	<u>778,924.00</u>	<u>6,004,144.48</u>
Other Capital Assets- Depreciable:				
Land Improvements- Exhaustible	1,389,113.47	0.00	0.00	1,389,113.47
Buildings	19,475,597.75	0.00	0.00	19,475,597.75
Building Improvements	21,974,391.53	3,121,368.50	0.00	25,095,760.03
Vehicles	1,699,258.81	91,647.00	200,597.27	1,590,308.54
Equipment	<u>1,448,460.38</u>	<u>30,877.29</u>	<u>52,319.84</u>	<u>1,427,017.83</u>
Total Other Capital Assets- Depreciable	<u>45,986,821.94</u>	<u>3,243,892.79</u>	<u>252,917.11</u>	<u>48,977,797.62</u>
Less Accumulated Depreciation For:				
Land Improvements- Exhaustible	396,376.54	69,455.68	0.00	465,832.22
Buildings	13,266,344.00	218,315.48	0.00	13,484,659.48
Building Improvements	11,056,584.91	564,375.19	0.00	11,620,960.10
Vehicles	984,678.60	110,203.62	185,219.57	909,662.65
Equipment	<u>819,528.64</u>	<u>89,008.99</u>	<u>49,313.83</u>	<u>859,223.80</u>
Total Accumulated Depreciation	<u>26,523,512.69</u>	<u>1,051,358.96</u>	<u>234,533.40</u>	<u>27,340,338.25</u>
Total Other Capital Assets- Depreciable, Net	<u>19,463,309.25</u>	<u>2,192,533.83</u>	<u>18,383.71</u>	<u>21,637,459.37</u>
Total Governmental Activities Capital Assets, Net	\$ <u>21,221,964.12</u>	\$ <u>7,216,947.44</u>	\$ <u>797,307.71</u>	\$ <u>27,641,603.85</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 798,044.81
Instructional Support	9,830.21
Operation & Maintenance	80,492.62
Student Transportation	99,547.73
Food Service	42,653.00
General Administrative	10,167.59
Other Expenditures	<u>10,623.00</u>
Total Depreciation Expense	\$ <u>1,051,358.96</u>

## 7. INTERFUND TRANSACTIONS AND BALANCES

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

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
MAJOR FUNDS		
General Fund	\$ 5,207,492.01	\$ 0.00
Special Revenue Fund	0.00	5,207,492.01
TOTAL	\$ <u>5,207,492.01</u>	\$ <u>5,207,492.01</u>

Operating transfers consisted of the following for the year ended September 30, 2021:

Operating Transfers	Transfers In	Transfers Out
<b>MAJOR FUNDS:</b>		
General Fund	\$ 34,819.05	\$ 462,150.83
Special Revenue Fund	583,881.99	156,551.01
<b>NONMAJOR FUNDS:</b>		
Capital Projects Fund	0.00	100,000.00
Debt Service Fund	100,000.00	0.00
GRAND TOTALS	\$ <u>718,701.04</u>	\$ <u>718,701.84</u>

## 8. PAYABLES

On September 30, 2021, payables (other than interfund payables) from the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
Payables:			
Accounts Payable	\$ 555,576.89	\$ 399,247.29	\$ 954,824.18
Intergovernmental Payable	0.00	73,239.51	73,239.51
Salaries and Benefits Payable	1,662,477.87	323,527.85	1,986,005.72
Estimated Compensated Absences	129,709.75	21,179.05	150,888.80
Total Payables	\$ <u>2,347,764.51</u>	\$ <u>817,193.70</u>	\$ <u>3,164,958.21</u>

## 9. LONG-TERM LIABILITIES

During fiscal year 2016, the Board issued Series 2016 School Tax Warrants in the principal amount of \$4,555,000.00. The proceeds of these warrants provided funds for construction and renovation of school facilities. Interest rates vary from 1.14% to 3.60%. Interest is due and payable each April 1 and October 1. Annual principal amounts due are payable April 1 each year through 2046.

During fiscal year 2017, the Board issued Series 2017 Qualified Zone Academy Project School Tax Warrants in the principal amount of \$1,000,000.00. The proceeds of these warrants provided funds for renovation of Admiral Moorer Middle School and Eufaula High School facilities. The warrants bear

## 9. LONG-TERM LIABILITIES (Continued)

no interest and are payable June 15, 2027. Payments of \$100,000.00 are required to be paid into a debt service account annually beginning June 15, 2018 to accumulate the amount necessary to retire the warrants at maturity.

During fiscal year 2019, the Board executed a note payable to MidSouth Bank in the principal amount of \$184,430.00. The proceeds provided funds for the purchase of two school buses. The interest rate on this note is 3.56%. Annual payments of \$40,971.32 are payable April 30, 2020 through April 30, 2024. The buses are pledged as collateral on this note.

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

GOVERNMENTAL ACTIVITIES	Balance 09/30/20	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Warrants Payable	\$ 5,110,000.00	\$ 0.00	\$ 110,000.00	\$ 5,000,000.00	\$ 115,000.00
Unamortized Premium	47,845.91	0.00	1,876.32	45,969.59	1,876.32
Total Warrants Payable	<u>5,157,845.91</u>	<u>0.00</u>	<u>111,876.32</u>	<u>5,045,969.59</u>	<u>116,876.32</u>
Other Liabilities:					
Compensated Absences	54,884.50	235,286.26	0.00	290,170.76	150,888.80
Net Pension Liability	23,540,000.00	4,194,000.00	0.00	27,734,000.00	0.00
Net OPEB Liability	10,572,729.00	5,667,239.00	0.00	16,239,968.00	0.00
Note from Direct Borrowing	150,097.34	0.00	35,553.64	114,543.70	36,836.93
Total Other Liabilities	<u>34,317,710.84</u>	<u>10,096,525.26</u>	<u>35,553.64</u>	<u>44,378,682.46</u>	<u>187,725.73</u>
Total Long Term Liabilities	\$ <u>39,475,556.75</u>	\$ <u>10,096,525.26</u>	\$ <u>147,429.96</u>	\$ <u>49,424,652.05</u>	\$ <u>304,602.05</u>

The General and Special Revenue funds have been used to pay compensated absences in prior years.

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

	Warrants Payable		Note from Direct Borrowing		Total Principal & Interest Payments
Fiscal Year Ending:	Principal	Interest	Principal	Interest	
September 30, 2021	\$ 115,000.00	\$ 127,346.26	\$ 36,836.93	\$ 4,134.39	\$ 283,317.58
September 30, 2022	115,000.00	125,506.26	38,166.54	2,804.78	281,477.58
September 30, 2023	115,000.00	123,378.76	39,540.23	1,431.09	279,350.08
September 30, 2024	120,000.00	121,251.26	0.00	0.00	241,251.26
September 30, 2025	120,000.00	118,851.26	0.00	0.00	238,851.26
September 30, 2026 to 2030	1,650,000.00	553,921.30	0.00	0.00	2,203,921.30
September 30, 2031 to 2035	765,000.00	438,681.30	0.00	0.00	1,203,681.30
September 30, 2036 to 2040	915,000.00	284,712.54	0.00	0.00	1,199,712.54
September 30, 2041 to 2045	<u>1,085,000.00</u>	<u>116,200.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,201,200.00</u>
Totals	\$ <u>5,000,000.00</u>	\$ <u>2,009,848.94</u>	\$ <u>114,543.70</u>	\$ <u>8,370.26</u>	\$ <u>7,132,762.90</u>

## **9. LONG-TERM LIABILITIES (Continued)**

### **Premium**

The Board has a premium in connection with the issuance of the Series 2016 School Tax Warrants. The premium is being amortized using the straight-line method over a period of thirty years.

### **Pledged Revenues/ Collateral**

The Board issued the Series 2016 School Tax Warrants for the purpose of providing funds needed to finance the construction and renovation of public school improvements and to pay issuance expenses. The Board pledged to repay the warrants from the proceeds of the 1.0 Mill Countywide, the 3.0 Mill District, and the 5.0 Mill District ad valorem taxes.

The Board issued the Series 2017 School Tax Warrants for the purpose of providing funds for renovations at Admiral Moorer Middle School and Eufaula High School and to pay issuance expenses. The Board pledged to repay the warrants from the proceeds of the 13.0 Mill City ad valorem tax.

The Board issued a note payable in fiscal year 2019 for the purchase of two school buses. These buses serve as collateral on this 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 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. The SIF purchases commercial insurance for claims which in the aggregate exceed \$3.5 million. 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 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. The Board purchases commercial insurance for fidelity bonds, general liability, vehicle fleet, and boiler and machinery insurance.

Settled claims in the past three years have not exceeded the commercial insurance coverage.

## **10. RISK MANAGEMENT (Continued)**

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. 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 *Code of Alabama 1975*, Section 16-1-18.1(d). Claims for employee job-related injuries may be filed with the State Board of Adjustments. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

## **11. DEFINED BENEFIT PENSION PLAN**

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

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

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

State law established 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 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 or more years 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 are paid to a qualified beneficiary.

## **11. DEFINED BENEFIT PENSION PLAN (Continued)**

### **C. Contributions:**

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.5% 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 8.5% of earnable compensation.

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

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the School Board were \$2,003,401.53 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 School Board reported a liability of \$27,734,000.00 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 net pension liability was determined by an actuarial valuation as of September 30, 2019. The School 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 School Board's proportion was 0.224213%, which was an increase of 0.011313% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the School Board recognized pension expense of \$3,014,000.00. At September 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## 11. DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,373,000.00	\$ 481,000.00
Changes of Assumptions	288,000.00	0.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,060,000.00	0.00
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	997,000.00	291,000.00
Employer Contributions Subsequent to the Measurement Date	2,014,248.21	0.00
Total	<u>\$ 6,732,248.21</u>	<u>\$ 772,000.00</u>

\$2,014,248.21 reported as deferred outflows of resources related to pensions resulting from School 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 Ended September 30:

2022	\$ 799,000
2023	\$ 1,170,000
2024	\$ 1,228,000
2025	\$ 749,000
2026	\$ 0
Thereafter	\$ 0

### 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%
Projected Salary Increases	3.25% to 5%
Investment Rate of Return*	7.70%

\*Net of pension plan investment  
expense

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

## 11. DEFINED BENEFIT PENSION PLAN (Continued)

participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the 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 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 Markets Stocks	12.00%	9.50%
International Emerging Markets Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

\*Includes assumed rate of inflation of 2.50%

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



## 11. DEFINED BENEFIT PENSION PLAN (Continued)

### G. Sensitivity of the School Board's Proportionate Share of the Net Pension Liability To Changes in the Discount Rate:

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
School Board's Proportionate Share of Collective Net Pension Liability	\$ 37,003,000.00	\$ 27,734,000.00	\$ 19,892,000.00

### H. Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### A. Plan Description:

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in 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 (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A*, (Act 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 care plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4*, provides the Board with the authority to amend the benefit provisions in order to provide

## **12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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.

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 and 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.

## **12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

### **C. Contributions:**

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by the retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

### **D. OPEM 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 \$16,239,968.00 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the Net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all PEEHIP employers. At September 30, 2020, the Board's proportion was 0.250236%, which was a decrease of 0.030002% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized OPEB income of \$526,327.00, 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:

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 411,834.00	\$ 5,838,658.00
Changes of Assumptions	5,672,494.00	3,015,614.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0.00	685.00
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,171,269.00	2,380,769.00
Employer Contributions Subsequent to the Measurement Date	425,821.00	0.00
Total	\$ <u>7,681,418.00</u>	\$ <u>11,235,726.00</u>

The \$425,821.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measuring 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 Ended September 30:

2022	\$ (1,364,153)
2023	\$ (1,339,414)
2024	\$ (919,026)
2025	\$ (1,040,950)
2026	\$ 337,507
Thereafter	\$ 345,907

### E. Actuarial Assumptions:

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

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Inflation	2.75%
Projected Salary Increases (1)	3.25% to 5%
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 of Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (Beginning in 2019)	**
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 TRS Board on September 13, 2016.

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teacher's 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.

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Markets Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

\* Geometric mean, includes 2.5% inflation

### 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 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 20.00%, at which point this amount will be increased 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 Proportional Share of the Collective Net OPEB Liability To Changes in the Healthcare Cost Trend 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:

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	\$ 12,837,747.00	\$ 16,239,968.00	\$ 20,668,503.00

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 Rate (3.05%)	1% Increase (4.05%)
School Board's Proportionate Share of Collective Net OPEB Liability	\$ 19,919,163.00	\$ 16,239,968.00	\$ 13,317,890.00

### H. OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB plan's Fiduciary Net Position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement 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).

## 13. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the general fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

The Board is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the Board.

## 14. DONATED FOOD PROGRAM

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$64,394 for fiscal year 2021 and \$93,623 for fiscal year 2020.

## 15. 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. Future minimum rental payments required under the operating leases for equipment that have initial or remaining non-cancellable lease terms in excess of one year as of September 30, 2021 are as follows:

<u>Fiscal Year Ending:</u>	<u>Governmental Activities</u>
September 30, 2022	\$ 355,477.79
September 30, 2023	328,131.02
Total Minimum Payments Required	<u>\$ 683,608.81</u>

## 16. CONSTRUCTION COMMITMENTS

At September 30, 2021, the Board was committed on a contract for Phase I of a project for upgrades at all five campuses. Project includes resurfacing parking lots, fencing, flooring, blinds in classrooms, etc. The total construction contract after change orders is \$3,847,682.18. Of this amount, \$1,592,288.99 had been paid as of September 30, 2021 leaving a balance of \$2,255,393.19. The balance of the project will be paid with PSCA funds. The project is essentially complete as of the date of this report.

At September 30, 2021, the Board was committed on a construction contract for Phase II of the HVAC/Lighting Project to upgrade lighting and HVAC systems. The total construction contract after change orders is 4,672,852.00. Of this amount, \$3,014,495.77 had been paid as of September 30, 2021 leaving a balance of \$1,658,356.23. The balance of the project will be paid with ESSER 2 funds, Advancement and Technology funds, and local school capital projects funds. The project is essentially complete as of the date of this report.

## 17. SUBSEQUENT EVENTS

At the February 15, 2022 Board meeting, the Board approved a construction contract with Anderson Construction for Phase II improvements to include: drainage work and relocating tennis courts at Eufaula High School; gutters at Admiral Moorer Middle School; replace windows, blinds, and gutters at Eufaula Elementary School; front office renovation at Eufaula Primary School; and replacing gutters and windows at the Central Office. The estimated amount of the contract is \$7,622,000.00 and will be funded with ESSER funds and PSCA funds.

At the June 1, 2022 Board meeting, the Board approved a low bid for a construction contract for additions to Eufaula Elementary School in the amount of \$1,987,250.00. No contract has been signed as of the date of this report.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE COLLECTIVE NET PENSION LIABILITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2015	2016	2017	2018	2019	2020	2021
Employer's Proportion of the Net Pension Liability	0.216150%	0.213777%	0.216758%	0.217860%	0.216951%	0.212900%	0.224213%
Employer's Proportionate Share of the Net Pension Liability	\$19,636,000	\$22,373,000	\$23,466,000	\$21,412,000	\$21,571,000	\$23,540,144	\$27,734,000
Employer's Covered-Employee Payroll During the Measurement Period (*)	\$13,722,830	\$13,554,786	\$13,970,707	\$14,458,676	\$14,567,508	\$15,224,810	\$15,979,346
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered-Employee Payroll	143.09%	165.06%	167.97%	148.09%	148.08%	154.62%	173.56%
Plan Fiduciary Net Position as a Percentage of the Total Collective Pension Liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%

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

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

**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS- PENSION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution	\$1,577,447	\$1,629,907	\$1,704,846	\$1,742,398	\$1,850,869	\$1,934,120	\$2,014,248
Contributions in Relation to Contractually Required Contribution	<u>\$1,577,447</u>	<u>\$1,629,907</u>	<u>\$1,704,846</u>	<u>\$1,742,398</u>	<u>\$1,850,869</u>	<u>\$1,934,120</u>	<u>\$2,014,248</u>
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's Covered-Employee Payroll	\$13,722,830	\$13,554,786	\$13,970,707	\$14,458,676	\$14,567,508	\$15,224,810	\$15,979,346
Contributions as a Percentage of Covered- Employee Payroll	11.50%	12.02%	12.20%	12.05%	12.71%	12.70%	12.61%

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

**EUFAULA CITY BOARD OF EDUCATION  
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**

	2018	2019	2020	2021
Employer's Proportion of the Collective Net OPEB Liability	0.258102%	0.264879%	0.280238%	0.250236%
Employer's Proportionate Share of the Collective Net OPEB Liability	\$19,170,342	\$21,769,680	\$10,572,729	\$16,239,968
Employer's Covered-Employee Payroll During the Measurement Period (*)	\$14,630,784	\$14,858,645	\$15,611,082	\$16,249,537
Employer's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered-Employee Payroll	131.03%	146.51%	67.73%	99.94%
Plan Fiduciary Net Position as a Percentage of the Total Collective OPEB Liability	15.37%	14.81%	28.14%	19.80%

(\*) Employer's covered-employee payroll during the measurement period is the total covered 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.

**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2018	2019	2020	2021
Contractually Required Contribution	\$654,546	\$799,004	\$494,774	\$425,821
Contributions in Relation to Contractually Required Contribution	<u>\$654,546</u>	<u>\$799,004</u>	<u>\$494,774</u>	<u>\$425,821</u>
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District's Covered-Employee Payroll	\$14,630,784	\$14,858,645	\$15,611,082	\$16,249,537
Contributions as a Percentage of Covered-Employee Payroll	4.47%	5.38%	3.17%	2.62%

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

**EUFAULA CITY BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

***Changes in Actuarial Assumptions***

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

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

***Recent Plan Changes***

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

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

***Methods 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 the fiscal year ended September 30, 2019 is determined based on the actuarial valuation as of September 30, 2016. 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	2.750%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

\* Initial Medicare claims are set based on scheduled increases through plan year 2019.

## **SUPPLEMENTARY INFORMATION**

**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Total Federal Expenditures
<b>U.S. Department of Education</b>			
Passed through State Dept. of Education:			
Special Education Cluster:			
IDEA Part B School Program	84.027	N/A	\$ 1,206,677
IDEA Part B Preschool	84.173	N/A	21,459
Sub-Total- Special Education Cluster (M)			1,228,136
Career and Technical Education- Basic Grant & Career Tech Program	84.048	N/A	52,052
Title I Part A Grants to LEA's & School Improvement	84.010	N/A	2,002,863
Title II Part A Supporting Effective Instruction	84.367	N/A	114,645
Title III English Language Acquisition	84.365	N/A	13,900
Title IV Part A Student Support & Academic Enrichment	84.424	N/A	92,324
Title IV Part B Twenty First Century Community Learning Centers (M)	84.287	N/A	237,300
Title VI Part B Rural Education Initiative	84.358	N/A	99,974
Sub-Total U.S. Department of Education State Pass Through			3,841,194
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C		293,849
COVID-19 Elementary & Secondary School Emergency Relief Fund	84.425D		4,232,764
COVID-19 American Rescue Plan- Elementary & Secondary School Emergency Relief	84.425W		20,804
Sub-Total COVID-19 Education Stabilization Fund (M)			4,547,417
Total U.S. Department of Education State Pass Through			8,388,611
Direct Programs:			
Impact Aid	84.041	N/A	27,250
Total U.S. Department of Education			8,415,861
<b>U.S. Department of Agriculture</b>			
Passed through State Dept. of Education:			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	N/A	70,322
National School Lunch Program			
Cash Assistance	10.555	N/A	298,230
COVID-19 Cash Assistance	10.555	N/A	107,876
Non-Cash Assistance- Commodities	10.555	N/A	64,394
Sub-Total National School Lunch Program			470,500
Summer Food Service Program	10.559	N/A	1,293,017
Sub-Total Child Nutrition Cluster			1,833,839
Child and Adult Care Food Program- Cash Assistance	10.558	N/A	17,362
State Administrative Expense Grant Delivery- Cash Assistance	10.560	N/A	6,436
PEBT Administrative Funds	10.649	N/A	4,047
Total U.S. Department of Agriculture			1,861,684
Sub-Total Forward			10,277,545

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this schedule.



**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Sub-Total Brought Forward			10,277,545
<b>Social Security Administration</b>			
Passed through State Dept. of Education:			
Disability Determination	96.001	N/A	<u>1,280</u>
Total Social Security Administration			<u>1,280</u>
<b>U.S. Dept. of Health &amp; Human Services</b>			
Passed through State Dept. of Children's Affairs:			
Maternal, Infant, & Early Childhood Home Visiting Program	93.870	N/A	296,291
<b>U.S. Department of Treasury</b>			
Passed through State Dept. of Education:			
COVID-19 Coronavirus Relief Fund (M)	21.019	N/A	<u>1,333,739</u>
Total U.S. Department of Treasury			<u>1,333,739</u>
<b>Other Direct Federal Assistance</b>			
U.S. Department of Defense:			
Army R.O.T.C. Funds	12-UNK	N/A	<u>59,650</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ <u><u>11,968,505</u></u></b>
(M) Major Program			

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this schedule.

**EUFAULA CITY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A- Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Eufaula City 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 Eufaula City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Eufaula City Board of Education.

**Note B- 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. The Board has not elected to use the 10 percent de minimis indirect cost rate as allowed in the *Uniform Guidance*. Instead, the Board has elected to use the indirect cost rate as approved by the Alabama State Board of Education.

## **OTHER INFORMATION**

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

To the Members of the Eufaula City Board of Education,  
Superintendent and Chief School Financial Officer  
Eufaula, Alabama

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Eufaula City Board of Education (the "Board"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Eufaula City Board of Education's basic financial statements and have issued my report thereon dated June 29, 2022.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Eufaula City 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that I consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Eufaula City Board of Education's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

### **Eufaula City Board of Education's Response to Finding**

The Board's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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

*Donald M. Hartzog CPA, LLC*

June 29, 2022

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

To the Members of the Eufaula City Board of Education,  
Superintendent and Chief School Financial Officer  
Eufaula, Alabama

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

I have audited the Eufaula City 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 each of the Board's major federal programs for the year ended September 30, 2021. The Eufaula City Board of Education's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Eufaula City Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Eufaula City Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my qualified and unmodified opinions on compliance for major federal programs. However, my audit does not provide a legal determination of the Eufaula City Board of Education's compliance.

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

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

### **Other Matters**

The results of my auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. My opinion on each major federal program is not modified with respect to this matter.

The Eufaula City Board of Education's response to the noncompliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Eufaula City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

The management of the Eufaula City 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 my audit of compliance, I considered the Eufaula City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that I consider to be a significant deficiency.

The Eufaula City Board of Education's response to the internal control over compliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Donald M. Hartzog CPA, LLC*

June 29, 2022



**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SECTION I- SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?	Yes

**Identification of Major Programs**

<u>CFDA NO.</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster
84.425C, 84.425D, and 84.425W	COVID-19 Education Stabilization Fund
21.019	COVID-19 Coronavirus Relief Fund
84.287	21 <sup>st</sup> Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:      \$750,000

Auditee qualified as low risk auditee?      Yes

**EUFAULA CITY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SECTION II- FINANCIAL STATEMENT FINDINGS**

No matters were reportable.

**SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<b>Reference Number:</b>	2021-001
<b>Compliance Requirement:</b>	Equipment/Real Property Management-Davis-Bacon Act
<b>Type of Finding:</b>	Internal Control and Compliance
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>AL Number and Title:</b>	84.425D- Elementary and Secondary School Emergency Relief Fund (ESSER II)
<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Pass-through Entity:</b>	Alabama State Department of Education
<b>Pass Through Award Number:</b>	None
<b>Questioned Costs:</b>	None

**Finding:**

For federally funded construction projects that exceed \$2,000.00, the Davis-Bacon Act requires contractors to pay federally prescribed prevailing wages to laborers. The Act requires contractors and subcontractors to submit a copy of payroll and a statement of compliance (certified payroll) to the grantee for each pay period.

The Board spent \$3,060,000.00 of ESSER II funds on an HVAC project to one contractor. The Board did not have in place any internal control processes to ensure required certified payrolls from the contractor were received and reviewed.

**Recommendation:**

The Board should design and implement internal controls to ensure compliance with ESSER II Davis-Bacon Act requirements. The Board should identify and assign responsibility to appropriate staff for ensuring compliance with prevailing wage requirements and obtain required certifications on a pay period basis. Staff should also be adequately trained and knowledgeable of prevailing wage requirements.

**Views of Responsible Officials of the Auditee:**

Administration agrees with this finding and will take corrective actions.



# EUFULA CITY SCHOOLS

333 State Docks Road • Eufaula, AL 36027  
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## **Response/Corrective Action Plan For the Year Ended September 30, 2021**

As required by the **Uniform Administrative Requirements, Equipment/Real Property Management-Davis-Bacon Act, Elementary and Secondary School Emergency Relief Fund (ESSER II)**, 84.425D, Eufaula City Board of Education prepared and hereby submits the following Corrective Action Plan for the finding included in section three of the Schedule of Findings and Questioned Cost for the year ended September 30, 2021.

### **SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<b>Reference Number:</b>	2021-001
<b>Compliance Requirement:</b>	Equipment/Real Property Management-Davis-Bacon Act
<b>Type of Finding:</b>	Internal Control and Compliance
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>AL Number and Title:</b>	84.425D- Elementary and Secondary School Emergency Relief Fund (ESSER II)
<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Pass-through Entity:</b>	Alabama State Department of Education
<b>Pass Through Award Number:</b>	None
<b>Questioned Costs:</b>	None

### **Finding:**

For federally funded construction projects that exceed \$2,000.00, the Davis-Bacon Act requires contractors to pay federally prescribed prevailing wages to laborers. The Act requires contractors and subcontractors to submit a copy of payroll and a statement of compliance (certified payroll) to the grantee for each pay period.

The Board spent \$3,060,000.00 of ESSER II funds on an HVAC project to one contractor. The Board did not have in place any internal control processes to ensure required certified payrolls from the contractor were received and reviewed.

**Recommendation:**

The Board should design and implement internal controls to ensure compliance with ESSER II Davis-Bacon Act requirements. The Board should identify and assign responsibility to appropriate staff for ensuring compliance with prevailing wage requirements and obtain required certifications on a pay period basis. Staff should also be adequately trained and knowledgeable of prevailing wage requirements.

**Views of Responsible Officials of the Auditee:**

Administration agrees with this finding and will take corrective actions.

**Corrective Action Plan**

Internal controls are now in place for Equipment/Real Property Management Davis-Bacon Act. Architects are aware of the federal guidelines required under the Davis-Bacon act to submit payroll records and federal wage rates to Eufaula City Schools for each pay period from the beginning of the project until substantial completion is awarded. The current contracts will have an addendum added to reference the compliance of all state and federal guidelines.

We are currently completing one project using ESSER III funds. The architects were contacted to make the required changes to our contracts and the request for payroll records for each subcontractor. The Director of Operations and the CSFO will review to make sure each entity is paying at or above the federal limit for each job classification.

In addition, we are going to include the same contract statements and requests for payroll records for the upcoming Elementary Classroom Addition Project in the event any ESSER III funds are used as approved in the original ESSER III application.

**Contacts**

James Bailey- Director of Operations  
Angie Ellis- Chief School Financial Officer