

FORT PAYNE CITY BOARD OF EDUCATION

(A Component Unit of The City of Fort Payne)

Fort Payne, Alabama

AUDITED FINANCIAL STATEMENTS

September 30, 2021

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

Fort Payne, Alabama

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INDEPENDENT AUDITOR'S REPORT

Fort Payne City Board of Education
Fort Payne, Alabama

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Board
Fort Payne City Board of Education

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension related schedules, other postemployment benefit schedules, and the budgetary comparison information on pages A – I, 39 – 41, 42 – 44, and 45 – 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Members of the Board
Fort Payne City Board of Education

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022 on our consideration of the Fort Payne City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fort Payne City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort Payne City Board of Education's internal control over financial reporting and compliance.

MDA Professional Group, P.C.

Fort Payne, Alabama
March 24, 2022

Fort Payne City Board of Education
Management's Discussion and Analysis

Introduction

This section of the Fort Payne City Board of Education's ("the Board") annual financial report presents Management's Discussion and Analysis ("MD&A") of the Board's financial performance and provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2021. This report should be read in conjunction with the Board's financial statements and the accompanying notes which follow this section.

Financial Highlights

- As of September 30, 2021, the Board's unrestricted cash balances were \$14,614,280. This represents an increase of approximately \$2,362,220 from the 2020 year. As of September 30, 2021, the Board's net position was \$19,887,567.
- For the year ended September 30, 2021, funding received from the state of Alabama foundation program, which is the primary source of revenue from the state, increased to \$27,529,058.
- Total revenues for the year ending September 30, 2021, were approximately \$47,414,279. Total revenues exceeded total expenditures by \$10,385,650.
- The school system's 2020-2021 K-12 Average Daily Membership was 3,300 students, an increase of 45 students over the 2019-2020 school year.

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 supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements

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.

Overview of the Financial Statements (Continued)

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 and includes all of the Board's services including instruction, support, transportation and maintenance, and food services. Over time, increases and decreases in net position helps to 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 government-wide financial statements are on pages 4 - 6 of this report.

Fund financial statements

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. Two kinds of funds — governmental funds and fiduciary funds — are presented in the fund financial statements.

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

Fiduciary funds - Fiduciary funds are used to account for assets held by the Board in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Board cannot use these assets for its operations.

Fiduciary funds of the Board consist of agency funds that are reported in the *Statement of Fiduciary Assets and Liabilities* using an accrual basis of accounting. Agency funds held by the Board involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity (assets equal liabilities). The agency funds reported by the Board consist of student organization accounts such as clubs and classes.

The fund financial statements are on pages 7, 9, and 11 of this report.

Notes to the 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 and are located on pages 12 – 37 of this report.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (“RSI”) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. It also includes the pension related schedules and OPEB related schedules.

Financial Analysis of the Board as a Whole

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

Summary of Net Position

	2021	2020
Current Assets	\$ 40,790,877	\$ 25,405,893
Capital Assets	41,320,956	36,908,560
Total Assets	<u>82,111,833</u>	<u>62,314,453</u>
Current Liabilities	16,037,234	38,359,055
Long-Term Liabilities	46,187,032	14,453,481
Total Liabilities	<u>62,224,266</u>	<u>52,812,536</u>
Net Position		
Invested in Capital Assets - Net of Related Debt	41,164,731	36,659,459
Restricted	6,264,936	1,789,470
Unrestricted	<u>(27,542,100)</u>	<u>(28,947,012)</u>
Total Net Position	<u>\$ 19,887,567</u>	<u>\$ 9,501,917</u>

The Board's assets exceeded liabilities by \$19,887,567 at September 30, 2021. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements is negative \$27,542,000. This figure is negative because of the requirements of GASB 68 that requires all participating units of The Retirement Systems of Alabama to record their proportionate share of collective net pension liability GASB 75 that requires recording a liability for other postemployment benefits provided to retirees.

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

Change in Net Position

	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues		
Charges for Services	\$ 638,502	\$ 702,510
Operating Grants	29,043,613	26,823,542
Capital Grants	5,370,228	1,092,309
General Revenues		
Local Property Taxes	3,653,093	3,166,991
Local Sales Taxes	1,427,322	1,249,336
Other Taxes	570,007	397,904
Local City Council Appropriations	-	727,212
Other General Revenues	6,711,514	11,758,335
	<u>47,414,279</u>	<u>45,918,139</u>
EXPENSES		
Instructional Services	22,412,519	17,811,265
Instructional Support Services	4,798,310	4,247,696
Operation and Maintenance	2,790,864	3,312,799
Student Transportation Services	1,075,047	1,311,945
Food Services	2,793,098	2,534,947
General Administrative Services	1,360,967	1,332,831
Other Expenses	1,797,824	1,678,536
	<u>37,028,629</u>	<u>32,230,019</u>
CHANGE IN NET POSITION	10,385,650	13,688,120
NET POSITION - BEGINNING OF YEAR	<u>9,501,917</u>	<u>(4,186,203)</u>
NET POSITION - END OF YEAR	<u>\$ 19,887,567</u>	<u>\$ 9,501,917</u>

Revenue by Source

	2021		2020	
	Amount	Percent	Amount	Percent
State	\$ 27,529,058	58.27 %	\$ 22,389,089	48.91 %
Federal	6,246,716	13.22	4,857,318	10.61
Local	8,870,521	18.78	7,883,259	17.22
Other	4,595,196	9.73	10,650,572	23.26
	<u>\$ 47,241,491</u>	<u>100.00 %</u>	<u>\$ 45,780,238</u>	<u>100.00 %</u>

Program revenues are comprised of charges for services, operating grants and contributions, and capital grants and contributions. These revenues are the largest component (approximately 74% and 62% in 2021 and 2020, respectively) of total revenues. Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues. Operating grants and contributions are approximately 83% and 94% of program revenues in 2021 and 2020, respectively, and 61% and 58% of total revenues in 2021 and 2020, respectively. The major source of revenue in this category is State Foundation program funds. Capital grants and contributions include state capital outlay funds and state funds to replace buses.

General revenues, primarily property and sales taxes, were \$29,604,093 and are used to provide for expenses not covered by program revenues.

The Board’s total revenue increased by approximately \$1,461,253 in fiscal year 2021. The primary reasons for the increased revenue were COVID Relief funds.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (approximately 63%).

- In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.

- Food services include 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.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

Expenses by Category

	2021		2020	
	Amount	Percent	Amount	Percent
Instruction	\$ 21,840,165	52.89 %	\$ 18,238,407	41.57 %
Instructional Support	4,448,455	10.77	3,951,699	9.01
Operation and Maintenance	2,679,134	6.49	2,385,877	5.44
Transportation	827,719	2.00	1,863,879	4.25
Food Services	2,726,479	6.60	2,471,081	5.63
Administrative	1,353,267	3.28	1,332,831	3.04
Other	6,881,422	16.67	13,093,365	29.83
Interest	8,270	0.02	12,331	0.03
Transfer to the City of Fort Payne	526,800	1.28	527,212	1.20
	<u>\$ 41,291,711</u>	<u>100.00 %</u>	<u>\$ 43,876,682</u>	<u>100.00 %</u>

In fiscal year 2021, the Board's net position increased by \$10,385,650 from the prior year's position. State foundation funds, the primary source of revenue from the state, were \$27,529,058 and \$22,389,089 in 2021 and 2020, respectively.

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The 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 \$19,359,552. Of this amount, the unassigned fund balance of the general fund, which is available as of the end of the fiscal year for spending on future operations, was \$14,726,347

General Fund - The general fund is the primary operating fund of the Board. The general fund balance increased by \$1,832,454. General fund revenues in 2021 increased \$1,932,445 from the prior year. General fund expenditures increased \$1,802,722 from the prior year.

Overall, the Board's governmental funds showed an increase in 2021 revenues from the prior year of approximately \$1,461,253, and an decrease in expenditures of approximately \$2,584,971 and reflected an excess in revenues over expenditures of \$5,949,780, before other financing sources and uses.

General Fund Budgetary Highlights

The original 2021 fiscal year budget was adopted on August 27, 2020. The original budget figures are amended when expected changes to revenues or expenditures exceed 10%. The Board amended the budget on March 25, 2021 to budget prior year carryover funds, budget program allocation changes, and to make other minor changes and corrections to the Board's budget.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2021, the Board had approximately \$41 million invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital expenditures only include those expenditures for property and equipment that meet the Alabama State Department of Education's threshold for capitalization. These guidelines require capitalization, and subsequent depreciation, for equipment costing \$5,000 or more per item and for buildings and related improvements costing \$50,000 or more. Purchases of property and equipment costing less than these amounts are neither capitalized nor depreciated. During the year ended September 30, 2021, the school system also spent approximately \$1.2 million on property and equipment that did not meet these capitalization thresholds. These expenditures include items such as computers, video equipment, lunchroom equipment, and other furniture and equipment.

Capital Assets - Net of Depreciation

	<u>2021</u>	<u>2020</u>
Land and Land Improvements	\$ 1,333,593	\$ 1,333,593
Land Improvements	150,738	172,537
Buildings and Improvements	13,906,520	14,520,796
Vehicles and Equipment	3,546,306	3,360,850
Construction in Progress	<u>22,383,799</u>	<u>17,520,784</u>
	<u>\$ 41,320,956</u>	<u>\$ 36,908,560</u>

Net capital assets increased by \$4,412,396 for the 2021 fiscal year. Total capital expenditures were approximately \$5,532,439 in 2021. These capital additions consisted primarily of building construction, buses, and equipment. These additions are reduced by the current year's depreciation expense of \$1,120,043.

Long-Term Debt - At September 30, 2021, the Board had approximately \$155,709 in warrants, notes, and other long-term debt outstanding. The reduction from the prior year reflected the annual principal requirements under the debt agreements:

Outstanding Long-Term Debt

	<u>Balance 2020</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>
PSCA Leveraged Funds - 2012 issue	\$ 248,238	\$ -	\$ 92,529	\$ 155,709
	<u>\$ 248,238</u>	<u>\$ -</u>	<u>\$ 92,529</u>	<u>\$ 155,709</u>

Long-term debt activity for the year consisted of the following:

The Board continued to pay down its leveraged debt issued in 2012, reducing the principal owed on this debt by approximately \$92,000.

Economic Factors and Next Year's Budget

The following are known economic factors related to the City of Fort Payne which were considered going into the 2021 fiscal year.

- Fort Payne's population remains steady. The unemployment rate in DeKalb County has decreased from the prior year figures by September 2021. Much of the Board's funding is determined by system student enrollment, so future funding could be impacted by any significant economic changes within the community.

- The primary factor affecting the Board’s budget is the amount of funding received under the State of Alabama Department of Education’s foundation program, which is based to some extent on student enrollment. Per pupil allocations, as well as the extent of state funding of other programs are influenced by the state of Alabama’s economic outlook. For the 2022 fiscal year, the foundation program budget is \$21,553,244, which is an increase of approximately \$1.6 million for salaries and benefits.

Estimated Capital Needs - As of September 30, 2021, the Board's Five-Year Capital Plan, included approximately \$30 million in estimated capital needs throughout the system. These needs have been prioritized to help determine which projects will receive funding in the near future and include a variety of maintenance, improvement, and construction projects.

Student Enrollment – The latest K-12 student enrollment figure as of the twenty-day report in the 2021-2022 school year was 3,347 students. This represents an decrease in enrollment of approximately 14 students over the 2020-2021 school year. Enrollment for each of the last four years is shown below:

Average Daily Membership	Fiscal Year
3,361	2020-2021
3,254	2019-2020
3,162	2018-2019
3,173	2017-2018

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs were \$800 per employee per month in fiscal years 2021 and 2020. The employer contribution rate to the Teachers’ Retirement System (TRS) for fiscal year 2021 was 12.36 percent for Tier 1 Employees and 11.22 percent for Tier 2 employees. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

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 please contact the Board’s central office by calling 256-845-0915 or write to P.O. Box 681029, Fort Payne, AL 35968.

FORT PAYNE CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 14,614,280
Restricted Cash	4,279,993
Investments	5,148
Receivables	5,246,020
Restricted Receivables	1,299,754
Inventories	<u>122,806</u>
	25,568,001
Non-Current Assets	
Construction In Progress	22,383,799
Non-Depreciable Assets	1,333,593
Depreciable Assets	<u>37,563,628</u>
Less: Accumulated Depreciation	<u>(19,960,064)</u>
	41,320,956
TOTAL ASSETS	<u>66,888,957</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	7,307,763
OPEB Deferrals	<u>7,915,113</u>
TOTAL DEFERRED OUTFLOWS	<u>15,222,876</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 82,111,833</u></u>

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

	<u>Governmental Activities</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 909,547
Salaries and Benefits Payable	2,714,233
Unearned Revenues	25,881
Accrued Interest	516
Bonds Payable, Current Maturities	<u>87,492</u>
	3,737,669
Non-Current Liabilities:	
Bonds Payable	68,217
Net Pension Liability	29,352,000
Net OPEB Liability	<u>16,766,815</u>
	46,187,032
TOTAL LIABILITIES	<u><u>49,924,701</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	660,000
OPEB Deferrals	<u>11,639,565</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>12,299,565</u></u>
NET POSITION	
Net Investment in Capital Assets	41,164,731
Restricted for:	
Capital Projects	5,587,766
Special Revenue	446,764
Other Purposes	230,406
Unrestricted	<u>(27,542,100)</u>
TOTAL NET POSITION	<u><u>19,887,567</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u><u>\$ 82,111,833</u></u>

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

FORT PAYNE CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Total Governmental Activities
Governmental Activities					
Instruction Services	\$ 22,412,519	\$ 456,872	\$ 23,404,648	\$ 5,199,972	\$ 6,648,973
Instructional Support	4,798,310	2,905	360,565	-	(4,434,840)
Operation and Maintenance	2,790,864	-	-	-	(2,790,864)
Student Transportation Services	1,075,047	-	916,708	170,256	11,917
Food Services	2,793,098	121,590	2,238,403	-	(433,105)
General Administrative Services	1,360,967	-	197,539	-	(1,163,428)
Other	1,272,436	57,135	1,925,750	-	710,449
Interest and Fiscal Charges	(1,412)	-	-	-	1,412
Transfers to the City of Fort Payne	526,800	-	-	-	(526,800)
Total Governmental Activities	\$ 37,028,629	\$ 638,502	\$ 29,043,613	\$ 5,370,228	(1,976,286)
General Revenues:					
Taxes:					
Property Taxes					3,653,093
Local Sales Tax					1,427,322
Other Sales and Use Taxes					570,007
Investment Earnings					3,882
Other General Revenues					6,707,632
Total General Revenues					12,361,936
Change in Net Position					10,385,650
Net Position - Beginning of Year					9,501,917
Net Position - End of Year					\$ 19,887,567

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

FORT PAYNE CITY BOARD OF EDUCATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 14,208,988	\$ (1,234,263)	\$ 1,409,149	\$ 230,406	\$ 14,614,280
Restricted Cash	-	-	4,279,993	-	4,279,993
Investments	5,148	-	-	-	5,148
Receivables	4,102,555	1,143,465	-	-	5,246,020
Restricted Receivables	-	1,299,754	-	-	1,299,754
Inventory	-	122,806	-	-	122,806
TOTAL ASSETS	\$ 18,316,691	\$ 1,331,762	\$ 5,689,142	\$ 230,406	\$ 25,568,001
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 281,944	\$ 526,227	\$ 101,376	\$ -	\$ 909,547
Salaries and Benefits Payable	2,264,560	332,890	-	-	2,597,450
Unearned Revenues	-	25,881	-	-	25,881
Total Liabilities	2,546,504	884,998	101,376	-	3,532,878
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	2,675,571	-	-	-	2,675,571
Total Deferred Inflows of Resources	2,675,571	-	-	-	2,675,571
Fund Balances:					
Nonspendable	-	122,806	-	-	122,806
Restricted	-	323,958	5,587,766	69	5,911,793
Committed	-	-	-	230,337	230,337
Unassigned	13,094,616	-	-	-	13,094,616
Total Fund Balances	13,094,616	446,764	5,587,766	230,406	19,359,552
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,316,691	\$ 1,331,762	\$ 5,689,142	\$ 230,406	\$ 25,568,001

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

FORT PAYNE CITY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	19,359,552
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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. These assets consist of:

Construction In Progress	\$ 22,383,799	
Non-Depreciable Capital Assets	1,333,593	
Depreciable Capital Assets	37,563,628	
Less: Accumulated Depreciation	<u>(19,960,064)</u>	41,320,956

Unavailable revenue is deferred to future periods are not financial resources and, therefore, are not reported as assets in governmental funds.		2,675,571
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Deferred outflows of resources are increases in net position that relate to future periods. The deferred outflows of resources not reported in the governmental funds consist of the following:

Pension Deferrals	\$ 7,307,763	
OPEB Deferrals	<u>7,915,113</u>	15,222,876

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities consist of:

Salaries and Benefits Payable	\$ (116,783)	
Accrued Interest	(516)	
Bonds Payable	(155,709)	
Net Pension Liability	(29,352,000)	
Net OPEB Liability	<u>(16,766,815)</u>	(46,391,823)

Deferred inflows of resources are decreases in net position that relate to future periods. The deferred inflows of resources not reported in the governmental funds consist of the following:

Pension Deferrals	\$ (660,000)	
OPEB Deferrals	<u>(11,639,565)</u>	<u>(12,299,565)</u>

Total Net Position - Governmental Activities	\$	<u>19,887,567</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

FORT PAYNE 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	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State of Alabama	\$ 22,154,347	\$ -	\$ 5,374,711	\$ -	\$ 27,529,058
Federal Government	66,906	6,179,810	-	-	6,246,716
Local Revenues	7,105,326	545,905	-	1,219,290	8,870,521
Other Revenues	277,514	22,257	4,295,425	-	4,595,196
	<u>29,604,093</u>	<u>6,747,972</u>	<u>9,670,136</u>	<u>1,219,290</u>	<u>47,241,491</u>
EXPENDITURES					
Instruction Services	18,281,284	3,067,698	37,835	453,348	21,840,165
Instructional Support	3,775,334	633,273	-	39,848	4,448,455
Operation and Maintenance	2,326,428	181,560	152,082	19,064	2,679,134
Student Transportation Services	827,384	335	-	-	827,719
Food Services	-	2,726,479	-	-	2,726,479
General Administration Services	1,159,287	189,497	4,483	-	1,353,267
Capital Outlay	276,729	147,444	5,108,266	-	5,532,439
Debt Service					
Principal Payments	-	-	83,194	-	83,194
Interest Payments	-	-	8,270	-	8,270
Transfer to the City of Fort Payne				526,800	526,800
Other Expenditures	882,706	211,955	-	171,128	1,265,789
	<u>27,529,152</u>	<u>7,158,241</u>	<u>5,394,130</u>	<u>1,210,188</u>	<u>41,291,711</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>2,074,941</u>	<u>(410,269)</u>	<u>4,276,006</u>	<u>9,102</u>	<u>5,949,780</u>
OTHER FINANCING SOURCES (USES)					
Insurance Loss Recoveries	6,638	-	-	-	6,638
Indirect Cost	130,183	-	-	-	130,183
Transfers From Other Funds	25,556	119,447	363,621	9,533	518,157
Transfers to Other Funds	(404,864)	(95,740)	-	(17,553)	(518,157)
	<u>(242,487)</u>	<u>23,707</u>	<u>363,621</u>	<u>(8,020)</u>	<u>136,821</u>
Net Changes In Fund Balances	1,832,454	(386,562)	4,639,627	1,082	6,086,601
Fund Balances - Beginning of Year	<u>11,262,162</u>	<u>833,326</u>	<u>948,139</u>	<u>229,324</u>	<u>13,272,951</u>
Fund Balances - End of Year	<u>\$ 13,094,616</u>	<u>446,764</u>	<u>5,587,766</u>	<u>\$ 230,406</u>	<u>\$ 19,359,552</u>

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

FORT PAYNE CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Changes in Fund Balances - Total Governmental Funds \$ 6,086,601

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense in the current period is as follows:

Capital Outlay	5,532,439	
Depreciation Expense	<u>(1,120,043)</u>	4,412,396

Long-term debt and capital lease obligations principal payments are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 83,194

Other expenses associated with the issuance of long-term debt, capital lease obligations, accrued salaries and benefits payable, and deferred revenue reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Change in Unavailable Revenue	35,968	
Change in Accrued Salaries and Benefits Payable	(17,279)	
Amortization on Bond Premiums	9,335	
Change in Accrued Interest	<u>347</u>	28,371

Payments made for employees' pension expense are expenditures in the governmental funds. However, they are considered deferred outflows of resources and deferred inflows of resources in the statement of net position.

Contributions in the Current Fiscal Year	2,084,763	
Contributions in the Prior Fiscal Year	(2,046,592)	
Pension Expense	<u>(1,286,000)</u>	(1,247,829)

Payments made for employees' other post-employment benefit expense are expenditures in the governmental funds. However, they are considered deferred outflows of resources and deferred inflows of resources in the statement of net position.

Contributions in the Current Fiscal Year	466,242	
Contributions in the Prior Fiscal Year	(509,011)	
OPEB Expense	<u>1,065,686</u>	<u>1,022,917</u>

Change in Net Position of Governmental Activities \$ 10,385,650

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

FORT PAYNE CITY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2021

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 111,385</u>
TOTAL ASSETS	<u><u>\$ 111,385</u></u>
LIABILITIES	
Amounts Due to Other Parties	<u>\$ 111,385</u>
TOTAL LIABILITIES	<u><u>\$ 111,385</u></u>

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

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Payne City Board of Education (the Board) is governed by a board composed of five members who are appointed by the City of Fort Payne to five-year terms. The Board is responsible for the general administration and supervision of the public schools for the City of Fort Payne.

The financial statements of the Board, a component unit of the City of Fort Payne, Alabama, have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Board's accounting policies are described below.

REPORTING ENTITY

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if: its officials appoint a voting majority of that agency's governing body, it is able to impose its will on that agency, or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Fort Payne City Board of Education.

The Board is a legally separate agency of the state of Alabama. However, for financial reporting, the Board is considered a component unit of the City of Fort Payne, Alabama, due to the following reasons:

- (1) The City appoints the five members of the governing body of the Board.
- (2) The City issued bonds for the construction of facilities for the Board and the City is obligated for the debt.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Board's funds, including its fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental fund:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

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

Debt Service Funds

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Fiduciary funds are used to report assets held in a trust or agency capacity for others and, therefore, cannot be used to support the Board's programs. The Board's agency funds generally account for assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual or organization.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

When both restricted and unrestricted resources are available for use, it is the Board's practice to use restricted resources first, then unrestricted resources as they are needed. 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 practice of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. No formal policy regarding the order in which resources are used has been approved by the Board.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS/FUND BALANCES

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board. Investments consist of shares of publicly traded stock that were donated to the Board and are valued at fair value.

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

RECEIVABLES

Accounts receivable for taxes are shown net of any applicable allowance for uncollectible accounts. Property taxes are assessed for property as of October 1 of each year based on the millage rate established by the DeKalb County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Receivable amounts are recorded for property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in subsequent fiscal years when the taxes are both due and collectible and available to fund operations.

PENSIONS

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

INVENTORIES

Inventories consist of food commodities and are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government, which are expensed when consumed.

CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major capital outlays for capital assets and improvements are capitalized as projects are completed. Depreciation on all assets is recorded in the statement of activities on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	20 years
Buildings and Improvements	50,000	50 years
Equipment and Furniture	5,000	5-20 years
Vehicles	5,000	5-10 years

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has six items that qualifies for reporting in this category and are reported only in the governmental activities statement of net position. Two items, discount on debt issued and deferred loss on bond refundings are being amortized over the remaining life of the bonds they are associated with as part of interest expense. The other four items are differences between expected and actual experience (pension and OPEB), changes in assumptions (pension and OPEB), net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions (pension and OPEB), and employer contributions subsequent to the measurement date (pension and OPEB).

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has six items that qualifies for reporting in this category and are reported in the governmental activities statement of net position. One item is premiums on debt issued and is being amortized over the remaining life of the bonds they are associated as part of interest expense. Four items are the difference between expected and actual experiences (pension and OPEB), changes of assumptions (OPEB), net difference between projected and actual earnings on OPEB plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions (pension and OPEB). The final item is the student and staff prepayment of school lunches, and is reported in both the governmental activities statement of net position and the governmental funds balance sheet.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other liabilities are reported as liabilities in the applicable governmental activities statement of net position. Premiums and discounts are deferred and amortized over the life of the bonds. The debt is reported net of the applicable discount or premium.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt are reported as other financing sources. The debt service funds are used to liquidate the annual principal payments on outstanding obligations.

COMPENSATED ABSENCES

The Board has accrued a liability for leave pay which has been earned but not taken by Board employees. Leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All eligible unused leave is accrued when earned by the employee in the government-wide financial statements.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES (Continued)

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

Certain twelve-month employees are allowed 12 days of vacation per year with pay. Because unused vacation is awarded on a fiscal year of July through June, and vacation days were due to certain twelve-month employees as of and for the year ended September 30, 2021, a liability for this vacation liability was recorded both at the fund level and the government wide level.

Professional and support personnel earn non-vesting sick leave at the rate of one day per month worked. The maximum number of days employees are allowed to accumulate is calculated by the number of months worked each year multiplied by the total years of service. Employees may use their entire accrued sick leave balance 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.

NET POSITION/FUND BALANCE

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

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

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

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

Fund equity is reported in the fund financial statements as fund balance. The following classifications of fund equity are reported in the fund financial statements:

Nonspendable – This classification 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.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION/FUND BALANCE (Continued)

Restricted – This classification includes amounts that have constraints placed on the use of resources imposed either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can only be used for specific purposes. It is the practice of the Board to present assets in this classification pursuant to constraints imposed by formal action of the Board before the end of the fiscal year, and to require the same level of formal action to remove the constraint. However, no formal policy regarding this action has been approved by the Board.

Assigned – This classification includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. It is the practice of the Board to allow the Superintendent or the Chief School Finance Officer to make a determination of the assigned amounts of fund balances, and also to allow the Superintendent or the Chief School Finance Officer to remove the constraint. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. No formal policy regarding the assignment of fund balances to this classification has been approved by the Board. No amounts were reported as assigned as of September 30, 2021.

Unassigned – This classification is the residual classification for the general fund and represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 24, 2022, which is the date the financial statements were available to be issued.

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted for all governmental funds on a modified accrual basis of accounting, which is consistent with account principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education.

In accordance with the regulations of the State Board of Education, the due date for the submission of the budget for the 2020-2021 fiscal year was September 20, 2020. The board approved its original 2020-2021 annual budget on September 14, 2020. The budget was amended on March 25, 2021.

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no expenditures that exceeded the appropriations for the year ended September 30, 2021.

NOTE 3 - DEPOSITS

At September 30, 2021, the Board's deposits were 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 provisions of Alabama law. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, which is mandatory, each qualified public depository (QPD) 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 FDIC insurance. If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All deposits of the Board are held in a certified QPD.

At September 30, 2021, the carrying amount of the Board's deposits with two financial institutions was \$16,306,560.

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 4 – RECEIVABLES

Unrestricted receivables at September 30, 2021, consist of the following:

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Property Tax Revenues	\$ 2,675,572	\$ -	\$ 2,675,572
City of Fort Payne - Property Taxes	877,827	-	877,827
Other Sales and Use Taxes	118,627	-	118,627
City of Fort Payne - Alcohol Taxes	81,668	-	81,668
Tennessee Valley Authority	20,549	-	20,549
Other Local Revenue	168,213	2,225	170,438
Other Federal Revenue	160,099	-	160,099
ESSER Grants	-	1,141,240	1,141,240
	<u>\$ 4,102,555</u>	<u>\$ 1,143,465</u>	<u>\$ 5,246,020</u>

Restricted receivables at September 30, 2021, consist of the following:

	<u>Special Revenue Funds</u>
State of Alabama	
Child Nutrition Program	\$ 517,418
IDEA, Part B	72,384
Title I and IV, Part A	126,683
Title III	23,231
Cares Act	483,018
Other Revenues	77,020
	<u>\$ 1,299,754</u>

NOTE 5 – INVESTMENTS

Investments consist of shares of BBVA Compass stock donated to the Board. During 2021, the net increase in fair value of investments was \$1,030. This amount is reported at fair value of \$5,148 at September 30, 2021

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 6 - UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2021, the components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
State Program Revenues	<u>\$ 25,881</u>

NOTE 7 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements / Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,333,593	\$ -	\$ -	\$ 1,333,593
Construction in Progress	<u>17,520,784</u>	<u>4,863,015</u>	<u>-</u>	<u>22,383,799</u>
Total Capital Assets Not Being Depreciated	<u>18,854,377</u>	<u>4,863,015</u>	<u>-</u>	<u>23,717,392</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	27,692,834	-	-	27,692,834
Land Improvements	2,408,359	-	-	2,408,359
Vehicles, Equipment, and Furniture	<u>6,793,011</u>	<u>669,424</u>	<u>-</u>	<u>7,462,435</u>
Total Capital Assets Being Depreciated	<u>36,894,204</u>	<u>669,424</u>	<u>-</u>	<u>37,563,628</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	13,172,038	614,276	-	13,786,314
Land Improvements	2,235,822	21,799	-	2,257,621
Vehicles, Equipment, and Furniture	<u>3,432,161</u>	<u>483,968</u>	<u>-</u>	<u>3,916,129</u>
Total Accumulated Depreciation	<u>18,840,021</u>	<u>1,120,043</u>	<u>-</u>	<u>19,960,064</u>
Total Capital Assets, Being Depreciated, Net	<u>18,054,183</u>	<u>(450,619)</u>	<u>-</u>	<u>17,603,564</u>
Total Governmental Activities, Capital Assets, Net	<u>\$ 36,908,560</u>	<u>\$ 4,412,396</u>	<u>\$ -</u>	<u>\$ 41,320,956</u>

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7 – CAPITAL ASSETS (Continued)

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

Instruction	\$	324,646
Instructional Support		18,250
Student Transportation Services		314,236
Food Services		66,619
Operation and Maintenance		119,535
General and Administrative		<u>276,757</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,120,043</u>

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

The composition of interfund transfers for the fiscal year ended September 30, 2021, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 25,556	\$ 404,864
Special Revenue Fund	119,447	95,740
Capital Projects Fund	363,621	-
Nonmajor Governmental Funds	<u>9,533</u>	<u>17,553</u>
	<u>\$ 518,157</u>	<u>\$ 518,157</u>

NOTE 9 - OPERATING LEASES

The Board is committed under various annual leases for office equipment. These leases are considered for accounting purposes to be operating leases. Leases are renewed annually with no lease having a term greater than one year. Lease expenditures for the year ended September 30, 2021, amounted to \$3,528.

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 10 – LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2021:

During 2012, the Board participated in the refinancing of the 2002 series Special Pool Loan with the State of Alabama School Board to issue \$757,820 of Capital Improvement Pool Bonds at a premium of approximately \$107,000. The proceeds were used for the defeasance of the 2002 series Special Pool Loan. The bonds mature annually through March 2024. Interest varies between 3.00% and 5.00%, and is payable semiannually on March 1 and September 1.

\$ 133,149

Unamortized Premium on 2012 Capital Improvement Pool Bonds

22,560

\$ 155,709

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PSCA Series 2012 Bonds	\$ 216,343	\$ -	\$ 83,194	\$ 133,149	\$ 87,492
Unamortized Premium on PSCA Series 2012	<u>31,895</u>	<u>-</u>	<u>9,335</u>	<u>22,560</u>	<u>-</u>
	<u>\$ 248,238</u>	<u>\$ -</u>	<u>\$ 92,529</u>	<u>\$ 155,709</u>	<u>\$ 87,492</u>

The following schedule shows the obligations at September 30, 2021:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2022	\$ 87,492	\$ 4,003	\$ 91,495
2023	22,303	1,258	23,561
2024	<u>23,354</u>	<u>350</u>	<u>23,704</u>
	<u>\$ 133,149</u>	<u>\$ 5,611</u>	<u>\$ 138,760</u>

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 10 – LONG-TERM DEBT (Continued)

The City of Fort Payne (the City) has issued special tax revenue bonds to provide financial assistance to the Board for the acquisition and construction of new school facilities. The City is liable for the payment of the bonds, which are paid through city tax revenues. Accordingly, this debt is reflected in the financial statements of the City rather than the Board's financial statements. However, under the terms of an agreement with the City, the Board is responsible for the portion of debt service payments which exceed the earmarked tax revenues collected by the City. For the year ended September 30, 2021, the City collected tax revenues in excess of the debt service payments. Under the terms of the agreement, the City was liable to transfer the excess collections of \$938,421 to the Board.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and 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.

Benefits Provided

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,084,763 for the year ended September 30, 2021.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

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

At September 30, 2021, the System reported a liability of \$29,352,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. The System’s proportion of the collective net pension liability was based on the employers’ shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the System’s proportion was 0.237293% which was an increase of 0.014850% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized pension expense of \$3,333,000. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,453,000	\$ 509,000
Changes of assumptions	305,000	-
Net difference between projected and actual earnings on pension plan investments	2,180,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,285,000	151,000
Employer contributions subsequent to the plan measurement date	<u>2,084,763</u>	<u>-</u>
Total	<u>\$ 7,307,763</u>	<u>\$ 660,000</u>

\$2,084,763 reported as deferred outflows of resources related to pensions resulting from System 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	948,000
2023	1,357,000
2024	1,401,000
2025	857,000
2026	-
Thereafter	-

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

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% - 5.00%
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 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:

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

* Includes assumed rate of inflation of 2.50%.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease <u>6.70%</u>	Current Discount Rate <u>7.70%</u>	1% Increase <u>8.70%</u>
Board's proportionate share of collective net pension liability	39,162,000	29,352,000	21,052,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Alabama Retired Education Employees’ Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees’ Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees’ Health Insurance Plan (PEEHIP).

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description (Continued)

In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

Benefits Provided

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

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

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided (Continued)

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

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

Contributions

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

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

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

At September 30, 2021, the Board reported a liability of \$16,766,815 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 participating PEEHIP employers. At September 30, 2020, the Board’s proportion was 0.258354%, which was a decrease of 0.032207% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized OPEB income of \$554,106, with no special funding situations. As of September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 425,195	\$ 6,028,072
Changes of assumptions	5,856,517	3,113,444
Net difference between projected and actual earnings on OPEB plan investments	-	707
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,167,159	2,497,342
Employer contributions subsequent to the plan measurement date	466,242	-
Total	<u>\$ 7,915,113</u>	<u>\$ 11,639,565</u>

\$466,242 reported as deferred outflows of resources related to OPEB resulting from the Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2022.

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

Year Ended September 30:	
2022	(1,419,111)
2023	(1,393,570)
2024	(974,486)
2025	(1,087,169)
2026	334,703
Thereafter	348,939

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

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

Inflation	2.75%
Projected Salary Increases	3.25% - 5.00%
Long-Term Investment Rate of Return	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Singe Equivalent Interest Rate the Measurement Date	3.05%
Singe Equivalent Interest Rate the Prior Measurement Date	5.50%
Healthcare Cost Trent Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	5% beginning in 2019
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024

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

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions (Continued)

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

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

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Board's proportionate share of the Net OPEB liability to changes in the healthcare cost trend rates.

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

	1% Decrease (5.75% decreasing to 3.75% for pre-Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, Known decreasing to 5.75% for Medicare eligible)
Board's proportionate share of the collective net OPEB liability	13,254,222	16,766,815	21,339,018

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

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Board's proportionate share of the collective net OPEB liability	20,565,368	16,766,815	13,749,941

OPEB Plan Fiduciary Net Position

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

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 13 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3 million per occurrence and purchases commercial insurance for claims in excess of \$3 million. Errors and omissions insurance are purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and vehicles. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

NOTE 14 - PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama and the City of Fort Payne on behalf of the Board. Included in these items are payments for bond issue proceeds, donated fixed assets, utilities and payments on city bond issues for school purposes. These payments or services are reflected as revenues on the Board's financial statements in the applicable funds for which they apply. Also, the City of Fort Payne holds legal title to some of the Board's land and buildings, and the related amounts are not reported in the accompanying financial statements. As of September 30, 2021, the Board utilized such land and buildings with aggregate costs of \$6,000 and \$1,452,557, respectively.

FORT PAYNE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 15 - 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.

On October 1, 1996, the Board entered into a "Funding Agreement" with the City of Fort Payne whereby the Board would receive \$7,350,000 from the proceeds of the City's issue of General Obligation Warrants, Series 1996. Under the Agreement, the Board agreed to pay its pro rata share of the debt service on the Series 1996 Warrants. The Board's portion of debt repayment on the Series 1996 Warrants is 73.8% of the City's debt service obligation. Although the Agreement stipulates the Board is to remit payments monthly, the obligations are actually paid from a 7.5 mil tax designated for school system use that is collected by the City. The City remits to the Board any collections that are in excess of the debt service due from the Board for that year. The Board remits to the City any debt service costs that are in excess of collections by the City for that year. During the year ended September 30, 2014, the City refinanced and defeased this bond issue. The Board's portion of the new warrants was \$2,265,000 at September 30, 2021. The new warrants mature on May 1, 2026.

On June 6, 2018, the City issued the 2018 General Obligation Warrants in the amount of \$19,815,000 to fund the construction of a new elementary school. The bond issue principal and interest is paid from ad valorem taxes collected by the City. At September 30, 2021, the outstanding warrants totaled \$19,395,000.

NOTE 16 - 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 and consumed for the year was \$106,524.

NOTE 17 - DEFERRED COMPENSATION PLANS

The Board offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The deferred compensation plan RSA-1 is administered by the Retirement Systems of Alabama and the American Fidelity annuity plans are administered by the Public Employees Benefit Services Corporation (PEBSCO) and Alabama Education Association (AEA). The RSA-1 plan is available to all Board employees participating in the Teachers' Retirement System. Participation in either plan is optional and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property of the employees. The plans' assets and liabilities are no longer reported on the Board's financial statements for the RSA-1 and PEBSCO plans.

REQUIRED SUPPLEMENTARY INFORMATION

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actuarial Valuation as of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Board's Proportion of the Collective Net Pension Liability	0.237293%	0.222443%	0.224774%	0.224625%	0.224879%	0.220172%	0.217177%	-	-	-
Board's Proportionate Share of the Collective Net Pension Liability	\$ 29,352,000	\$ 24,595,000	\$ 22,348,000	\$ 22,077,000	\$ 24,345,000	\$ 23,043,000	\$ 19,730,000	\$ -	\$ -	\$ -
Board's Covered-Employee Payroll during the Measurement Period*	\$ 16,301,340	\$ 15,617,474	\$ 14,589,652	\$ 14,630,647	\$ 13,900,853	\$ 13,676,565	\$ 13,578,365	\$ -	\$ -	\$ -
Board's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	180.06%	157.48%	153.18%	150.90%	175.13%	168.49%	145.30%	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Collective Net Pension Liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%	-	-	-

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

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The measurement period is October 1, 2019 through September 30, 2020.

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actuarial Valuation as of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Determined Contribution	\$ 2,084,763	\$ 2,046,592	\$ 1,933,891	\$ 1,804,366	\$ 1,758,316	\$ 1,690,588	\$ 1,624,681	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	2,084,763	2,046,592	1,933,891	1,804,366	1,758,316	1,690,588	1,624,681	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 16,301,340	\$ 15,617,474	\$ 14,589,652	\$ 14,630,647	\$ 13,900,853	\$ 13,676,565	\$ 13,578,365	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	12.79%	13.10%	13.26%	12.33%	12.65%	12.36%	11.97%	-	-	-

Note to Schedule:

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

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The measurement period is October 1, 2019 through September 30, 2020.

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF PENSION INVESTMENT RETURNS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actuarial Valuation as of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Investment rate of return, net of pension plan investment expense, including inflation	7.70%	7.70%	7.70%	7.75%	8.00%	8.00%	8.00%	-	-	-

Note to Schedule:

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actuarial Valuation as of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Board's Proportion of the Collective Net OPEB Liability	0.258354%	0.290561%	0.274226%	0.268868%	-	-	-	-	-	-
Board's Proportionate Share of the Collective Net OPEB Liability	\$ 16,766,815	\$ 10,962,192	\$ 22,537,885	\$ 19,969,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered-Employee Payroll during the Measurement Period*	\$ 16,301,340	\$ 15,617,474	\$ 14,589,652	\$ 14,630,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered-Employee Payroll	102.86%	70.19%	154.48%	136.49%	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Collective Net OPEB Liability	19.80%	28.14%	14.81%	15.37%	-	-	-	-	-	-

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

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The measurement period is October 1, 2019 through September 30, 2020.

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S OPEB CONTRIBUTIONS

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actuarial Valuation as of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Determined Contribution	\$ 466,242	\$ 509,011	\$ 819,045	\$ 634,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	466,242	509,011	819,045	634,113	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 16,301,340	\$ 15,617,474	\$ 14,589,652	\$ 14,630,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	2.86%	3.26%	5.61%	4.33%	-	-	-	-	-	-

Note to Schedule:

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

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The measurement period is October 1, 2019 through September 30, 2020.

FORT PAYNE CITY BOARD OF EDUCATION

OTHER POST-EMPLOYMENT BENEFIT NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE 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 MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of OPEB Contributions were calculated as of September 30, 2017, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

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

FORT PAYNE CITY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences		Actual Amounts GAAP Basis
	Original	Final		Over (Under)		
REVENUES						
State	\$ 21,044,276	\$ 22,805,606	\$ 22,154,347	\$ -	\$ 22,154,347	
Federal	68,535	68,535	66,906	-	66,906	
Local	4,636,940	4,636,940	7,105,326	-	7,105,326	
Other	153,000	153,000	277,514	-	277,514	
	<u>25,902,751</u>	<u>27,664,081</u>	<u>29,604,093</u>	<u>-</u>	<u>29,604,093</u>	
EXPENDITURES						
Instruction Services	16,500,488	17,707,256	18,368,169	(1) (86,885)	18,281,284	
Instructional Support	3,892,870	3,931,257	3,819,375	(1) (44,041)	3,775,334	
Operation and Maintenance	1,781,984	1,781,984	2,330,863	(1) (4,435)	2,326,428	
Student Transportation Services	1,142,308	1,469,108	841,770	(1) (14,386)	827,384	
General Administration Services	985,691	1,003,137	1,151,606	(1) 7,681	1,159,287	
Other Expenditures	900,308	883,807	903,681	(1) (20,975)	882,706	
Capital Outlay	-	100,000	276,729	-	276,729	
	<u>25,203,649</u>	<u>26,876,549</u>	<u>27,692,193</u>	<u>(163,041)</u>	<u>27,529,152</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>699,102</u>	<u>787,532</u>	<u>1,911,900</u>	<u>163,041</u>	<u>2,074,941</u>	
OTHER FINANCING SOURCES (USES)						
Insurance Loss Recoveries	-	-	6,638	-	6,638	
Indirect Cost	-	-	130,183	-	130,183	
Transfers From Other Funds	134,269	133,624	25,556	-	25,556	
Transfers to Other Funds	(804,000)	(804,000)	(404,864)	-	(404,864)	
	<u>(669,731)</u>	<u>(670,376)</u>	<u>(242,487)</u>	<u>-</u>	<u>(242,487)</u>	
Net Changes In Fund Balances	29,371	117,156	1,669,413	163,041	1,832,454	
Fund Balances - Beginning of Year	11,730,860	13,345,423	9,160,643	2,101,519	11,262,162	
Fund Balances - End of Year	<u>\$ 11,760,231</u>	<u>\$ 13,462,579</u>	<u>\$ 10,830,056</u>	<u>\$ 2,264,560</u>	<u>\$ 13,094,616</u>	

(1) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries and related fringe benefits are budgeted based on the amount that will be paid from budgeted revenues. However, salaries and benefits that are earned but not paid are reported as expenditures on the financial statements.

FORT PAYNE CITY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final			
REVENUES					
State	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	4,087,257	5,005,252	6,179,810	-	6,179,810
Local	1,000,048	983,923	545,905	-	545,905
Other	80,000	80,000	22,257	-	22,257
	<u>5,167,305</u>	<u>6,069,175</u>	<u>6,747,972</u>	<u>-</u>	<u>6,747,972</u>
EXPENDITURES					
Instruction Services	1,721,965	2,269,953	3,067,698	-	3,067,698
Instructional Support	363,753	500,271	633,273	-	633,273
Operation and Maintenance	53,872	194,977	191,893	(10,333)	181,560
Student Transportation Services	2,614,632	2,818,207	335	-	335
Food Services	-	-	2,774,679	(48,200)	2,726,479
General Administration Services	180,843	178,903	189,497	-	189,497
Other Expenditures	237,089	239,513	211,955	-	211,955
Capital Outlay	-	-	147,444	-	147,444
	<u>5,172,154</u>	<u>6,201,824</u>	<u>7,216,774</u>	<u>(58,533)</u>	<u>7,158,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,849)</u>	<u>(132,649)</u>	<u>(468,802)</u>	<u>58,533</u>	<u>(410,269)</u>
OTHER FINANCING SOURCES (USES)					
Insurance Loss Recoveries	-	-	-	-	-
Indirect Cost	-	-	-	-	-
Transfers From Other Funds	72,210	72,210	119,447	-	119,447
Transfers to Other Funds	(66,210)	(66,210)	(95,740)	-	(95,740)
	<u>6,000</u>	<u>6,000</u>	<u>23,707</u>	<u>-</u>	<u>23,707</u>
Net Changes In Fund Balances	1,151	(126,649)	(445,095)	58,533	(386,562)
Fund Balances - Beginning of Year	<u>1,629,801</u>	<u>1,100,047</u>	<u>558,969</u>	<u>274,357</u>	<u>833,326</u>
Fund Balances - End of Year	<u>\$ 1,630,952</u>	<u>\$ 973,398</u>	<u>\$ 113,874</u>	<u>\$ 332,890</u>	<u>\$ 446,764</u>

SUPPLEMENTARY 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*

Fort Payne City Board of Education
Fort Payne, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Payne City Board of Education (the Board), a component unit of the City of Fort Payne, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

MDA Professional Group, P.C.

Fort Payne, Alabama
March 24, 2022

SINGLE AUDIT ACT INFORMATION

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education:			
<i>Special Education Cluster:</i>			
Special Education Grants to States - IDEA, Part B	84.027	181	\$ 702,352
Special Education-Preschool Grants - IDEA, Part B	84.173	181	<u>14,885</u>
<i>Subtotal Special Education Cluster</i>			<u>717,237</u>
Title I - Part A Grants to Local Education Agencies	84.010	181	904,645
Career and Technical Education - BASIC Grant LEA	84.048	181	50,433
English Language Acquisition Grants, Title III	84.365	181	74,156
Improving Teacher Quality Grants, Title II, Part A	84.367	181	182,035
Language Essentials for Teachers of Reading and Spelling	84.371	181	63,088
Title IV Grant Student Support and Academic Enrichment	84.424	181	<u>66,210</u>
<i>Subtotal Other Department of Education Grants</i>			<u>1,340,567</u>
COVID-19 Elementary and Secondary Emergency Relief Fund	84.425D	181	1,609,424
COVID-19 Governor's Emergency Relief Fund	84.425C	181	<u>14,834</u>
<i>Subtotal Coronavirus Aid, Relief, and Economic Security Act Grants</i>			<u>1,624,258</u>
<i>TOTAL U.S. DEPARTMENT OF EDUCATION</i>			<u>3,682,062</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed through the State Department of Education:			
COVID-19 Education Remote Learning Device	21.019	181	112,668
COVID-19 Education Health and Wellness	21.019	181	<u>143,055</u>
<i>TOTAL U.S. DEPARTMENT OF THE TREASURY</i>			<u>255,723</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through the State Department of Education:			
Social Security-Disability Insurance	96.001	181	<u>520</u>
<i>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</i>			<u>520</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Program:			
Army ROTC	Unknown	Unknown	<u>66,386</u>
<i>TOTAL U.S. DEPARTMENT OF DEFENSE</i>			<u>66,386</u>

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education:			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	181	526,647
National School Lunch Program	10.555	181	1,444,544
School Snacks Program	10.555	181	3,559
National School Lunch Program - Food Distribution	10.560	181	106,524
National School Lunch Program - Non-Cash Assistance	10.560	181	<u>16,551</u>
<i>Subtotal Child Nutrition Cluster</i>			<u>2,097,825</u>
Child and Adult Care Food Programs	10.558	181	7,587
U.S.D.A. Fresh Fruits and Vegetables Program	10.582	181	<u>101,368</u>
<i>Subtotal Other Department of Agriculture Grants</i>			<u>108,955</u>
<i>TOTAL U.S. DEPARTMENT OF AGRICULTURE</i>			<u>2,206,780</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 6,211,471</u></u>

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the Fort Payne City Board of Education (Board). The Board receives federal awards both directly from federal agencies and indirectly through pass-through entities. Federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Fort Payne City Board of Education, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at fair market value of the commodities received and disbursed.

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 Fort Payne City Board of Education has not elected to use the 10% de minimis indirect cost rate as allowed in the *Uniform Guidance*.

MDA PROFESSIONAL GROUP, P.C.

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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

Fort Payne City Board of Education
Fort Payne, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Fort Payne City Board of Education (Board'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 Board'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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

MDA Professional Group, P.C.

Fort Payne, Alabama
March 24, 2022

FORT PAYNE 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 audit opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant Deficiencies identified	None Reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	No
Significant Deficiencies identified	None Reported
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 the Uniform Guidance	No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	School Snacks Program
84.425D	COVID-19 Elementary and Secondary Emergency Relief Fund
84.425C	COVID-19 Governor's Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$	750,000
Auditee qualified as low-risk auditee		Yes

(Continued)

FORT PAYNE CITY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.