



# Alabama Department of Examiners of Public Accounts

## *Report on the* **Dallas County Board of Education** **Dallas County, Alabama**

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October 1, 2020 through September 30, 2021

Filed: April 14, 2023

AUDEMUS JURA NOSTRA DEFENDERE  
ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

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

Dear Madam:

An audit was conducted on the Dallas County Board of Education, Dallas County, Alabama, for the period October 1, 2020, through September 30, 2021, by Examiners Meagan McDonald, Chris Newton, Martha Lewis and Brandy Smith. I, Meagan McDonald, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Meagan McDonald  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

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

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

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

**AUDIT FINDINGS**

Instances of noncompliance with state and local laws and regulations and other matters were found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below:

- ◆ 2021-001: The Board did not comply with the Public Works Law for the installation of intercom systems for various local schools.
- ◆ 2021-002: The Board did not comply with the Alabama Competitive Bid Law for the purchase of portable air purifiers, tankless water heaters and bus wi-fi.

Problems were found with the Board's internal controls over financial reporting (Exhibit 17) and they are summarized below:

- ◆ 2021-003: The Board did not properly reconcile bank accounts monthly.
- ◆ 2021-004: The Board did not properly account for and record its capital assets.

**EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Hattie R. Shelton, Superintendent; Sandra Allen-Purdie, Chief School Financial Officer; and Board Members: William D. Minor, Mamie W. Solomon and Melvin F. Brown. Representing the Department of Examiners of Public Accounts were: Sherry Owen, Audit Manager Audit Manager; and Meagan McDonald and Brandy Smith, Examiners.

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*Schedule of State and Local  
Compliance and Other Findings*

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## *Schedule of State and Local Compliance and Other Findings*

### *October 1, 2020 through September 30, 2021*

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| Ref.<br>No. | Finding/Noncompliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2021-001    | <p><b><u>Finding:</u></b><br/>The <i>Code of Alabama 1975</i>, Title 39, commonly referred to as the Public Works Law, contains various legal requirements related to public works projects. Public works projects include the construction, installation, repair, renovation or maintenance of public roads, in whole or in part, with public funds. During the fiscal year ended September 30, 2021, the Dallas County Board of Education (the "Board") entered into a contract for the installation of intercom systems at various local schools totaling \$100,174.27. The Board was unable to provide documentation to indicate that the contract was procured in accordance with the Public Works Law. The Board did not have procedures in place to ensure compliance with the Public Works Law. As a result, the Board entered into a public works contract without adhering to the requirements of the Public Works Law.</p> <p><b><u>Recommendation:</u></b><br/>The Board should ensure all public works projects are competitively bid in accordance with Title 39 of the <i>Code of Alabama 1975</i>.</p>                                                                                                                                                                                                                                                  |
| 2021-002    | <p><b><u>Finding:</u></b><br/>The <i>Code of Alabama 1975</i>, Section 16-13B-1(a), requires all expenditures of funds of whatever nature for labor, service, work or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000.00 or more, made by or on behalf of any city or county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest possible bidder. Additionally, the Dallas County Board of Education's (the "Board") Policy Manual states, "The Board and its employees shall comply with the State Bid Law when making needed purchases". During the fiscal year ended September 30, 2021, the Board purchased a) portable air purifiers totaling \$27,027.00, b) tankless water heaters totaling \$15,336.00, c) and bus wi-fi totaling \$64,000.00 without the use of competitive bidding. The Board did not have adequate procedures in place to ensure the applicable laws and Board policies relating to competitive bidding were followed. As a result, the Board failed to comply with the provisions of the <i>Code of Alabama 1975</i>, Section 16-13B-1.</p> <p><b><u>Recommendation:</u></b><br/>The Board should comply with the <i>Code of Alabama 1975</i>, Section 16-13B-1 and applicable Board policies.</p> |

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

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

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

#### **Opinions**

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

In our opinion, the accompanying 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 Dallas County Board of Education, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Emphasis of Matter**

The Dallas County Board of Education's basic financial statements for the year ended September 30, 2021, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 84, ***Fiduciary Activities***. The Dallas County Board of Education implemented the requirements of GASB Statement Number 84 during the fiscal year. See Note 14 of the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dallas County Board of Education's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dallas County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

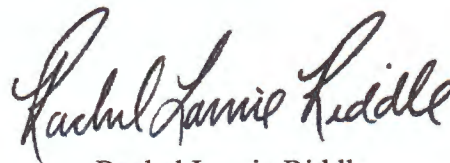
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dallas County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purpose of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 24, 2023, on our consideration of the Dallas County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dallas County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Dallas County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 24, 2023

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# *Basic Financial Statements*

# Statement of Net Position

## September 30, 2021

|                                                                                      | Governmental<br>Activities |
|--------------------------------------------------------------------------------------|----------------------------|
| <b><u>Assets</u></b>                                                                 |                            |
| Cash and Cash Equivalents                                                            | \$ 4,076,279.82            |
| Ad Valorem Property Taxes Receivable                                                 | 1,966,284.29               |
| Receivables (Note 4)                                                                 | 1,777,681.61               |
| Inventories                                                                          | 110,520.93                 |
| Other Assets                                                                         | 14,316.06                  |
| Capital Assets (Note 5):                                                             |                            |
| Nondepreciable                                                                       | 1,270,211.20               |
| Depreciable, Net                                                                     | 11,656,076.62              |
| Total Assets                                                                         | <u>20,871,370.53</u>       |
| <b><u>Deferred Outflows of Resources</u></b>                                         |                            |
| Employer Pension Contribution                                                        | 2,410,832.04               |
| Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability | 5,517,000.00               |
| Employer Other Postemployment Benefits (OPEB) Contribution                           | 566,076.00                 |
| Proportionate Share of Collective Deferred Outflows Related to Net Other             |                            |
| Postemployment Benefits (OPEB) Liability                                             | 8,484,198.00               |
| Total Deferred Outflows of Resources                                                 | <u>16,978,106.04</u>       |
| <b><u>Liabilities</u></b>                                                            |                            |
| Payables (Note 9)                                                                    | 2,086,796.99               |
| Unearned Revenue                                                                     | 3,462.17                   |
| Salaries and Benefits Payable                                                        | 2,859,185.98               |
| Accrued Interest Payable                                                             | 13,129.29                  |
| Long-Term Liabilities:                                                               |                            |
| Portion Due or Payable Within One Year                                               | 341,661.62                 |
| Portion Due or Payable After One Year                                                | 57,932,091.41              |
| Total Liabilities                                                                    | <u>63,236,327.46</u>       |
| <b><u>Deferred Inflows of Resources</u></b>                                          |                            |
| Unavailable Revenue - Property Taxes                                                 | 1,966,284.29               |
| Revenue Received in Advance - Motor Vehicle Taxes                                    | 62,212.95                  |
| Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability  | 1,911,000.00               |
| Proportionate Share of Collective Deferred Inflows Related to Net Other              |                            |
| Postemployment Benefits (OPEB) Liability                                             | 15,197,197.00              |
| Total Deferred Inflows of Resources                                                  | <u>\$ 19,136,694.24</u>    |

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

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|                                  | <b>Governmental<br/>Activities</b> |
|----------------------------------|------------------------------------|
| <hr/>                            |                                    |
| <b><u>Net Position</u></b>       |                                    |
| Net Investment in Capital Assets | \$ 10,110,379.79                   |
| Restricted for:                  |                                    |
| Capital Projects                 | 128,318.77                         |
| Other Purposes                   | 706,367.84                         |
| Unrestricted                     | <u>(55,468,611.53)</u>             |
| Total Net Position               | <u><u>\$ (44,523,545.13)</u></u>   |

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

| Functions/Programs                                      | Expenses                | Program Revenues        |                                       |                                     | Net (Expenses) Revenues<br>and Changes in Net Position |
|---------------------------------------------------------|-------------------------|-------------------------|---------------------------------------|-------------------------------------|--------------------------------------------------------|
|                                                         |                         | Charges<br>for Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |                                                        |
|                                                         |                         |                         |                                       |                                     | Total Governmental<br>Activities                       |
| <b>Governmental Activities:</b>                         |                         |                         |                                       |                                     |                                                        |
| Instruction                                             | \$ 17,895,332.11        | \$ 136,991.21           | \$ 15,924,214.61                      | \$ 631,389.06                       | \$ (1,202,737.23)                                      |
| Instructional Support                                   | 8,804,382.99            | 127,744.25              | 7,773,375.72                          |                                     | (903,263.02)                                           |
| Operation and Maintenance                               | 3,491,058.00            | 87,665.66               | 2,311,592.04                          | 173,384.94                          | (918,415.36)                                           |
| Auxiliary Services:                                     |                         |                         |                                       |                                     |                                                        |
| Student Transportation                                  | 3,378,842.80            | 12,443.46               | 3,052,515.43                          | 247,645.00                          | (66,238.91)                                            |
| Food Service                                            | 1,425,189.84            | 519,045.21              | 299,171.68                            |                                     | (606,972.95)                                           |
| General Administrative                                  | 1,529,418.59            | 377.95                  | 603,705.42                            |                                     | (925,335.22)                                           |
| Interest and Fiscal Charges                             | 84,494.30               |                         |                                       |                                     | (84,494.30)                                            |
| Other Expenses                                          | 2,750,939.41            | 656,551.26              | 2,163,121.20                          |                                     | 68,733.05                                              |
| Total Governmental Activities                           | <u>\$ 39,359,658.04</u> | <u>\$ 1,540,819.00</u>  | <u>\$ 32,127,696.10</u>               | <u>\$ 1,052,419.00</u>              | <u>(4,638,723.94)</u>                                  |
| <b>General Revenues:</b>                                |                         |                         |                                       |                                     |                                                        |
| Taxes:                                                  |                         |                         |                                       |                                     |                                                        |
| Property Taxes for General Purposes                     |                         |                         |                                       |                                     | 2,452,329.73                                           |
| Sales Tax                                               |                         |                         |                                       |                                     | 2,037,079.93                                           |
| Other Taxes                                             |                         |                         |                                       |                                     | 40,027.85                                              |
| Investment Earnings                                     |                         |                         |                                       |                                     | 1,051.49                                               |
| Miscellaneous                                           |                         |                         |                                       |                                     | 876,446.44                                             |
| Total General Revenues                                  |                         |                         |                                       |                                     | <u>5,406,935.44</u>                                    |
| Changes in Net Position                                 |                         |                         |                                       |                                     | 768,211.50                                             |
| Net Position - Beginning of Year, as Restated (Note 14) |                         |                         |                                       |                                     | <u>(45,291,756.63)</u>                                 |
| Net Position - End of Year                              |                         |                         |                                       |                                     | <u>\$ (44,523,545.13)</u>                              |

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

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

|                                                                            | General<br>Fund | Special<br>Revenue<br>Fund | Other<br>Governmental<br>Fund | Total<br>Governmental<br>Funds |
|----------------------------------------------------------------------------|-----------------|----------------------------|-------------------------------|--------------------------------|
| <b><u>Assets</u></b>                                                       |                 |                            |                               |                                |
| Cash and Cash Equivalents                                                  | \$ 2,813,485.51 | \$ 1,134,475.54            | \$ 128,318.77                 | \$ 4,076,279.82                |
| Ad Valorem Property Taxes Receivable                                       | 1,966,284.29    |                            |                               | 1,966,284.29                   |
| Receivables (Note 4)                                                       | 344,614.21      | 1,433,067.40               |                               | 1,777,681.61                   |
| Due from Other Funds                                                       | 934,158.54      |                            |                               | 934,158.54                     |
| Inventories                                                                |                 | 110,520.93                 |                               | 110,520.93                     |
| Other Assets                                                               | 14,316.06       |                            |                               | 14,316.06                      |
| Total Assets                                                               | 6,072,858.61    | 2,678,063.87               | 128,318.77                    | 8,879,241.25                   |
| <b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b> |                 |                            |                               |                                |
| <b><u>Liabilities</u></b>                                                  |                 |                            |                               |                                |
| Payables (Note 9)                                                          | 1,240,837.75    | 845,959.24                 |                               | 2,086,796.99                   |
| Due to Other Funds                                                         |                 | 934,158.54                 |                               | 934,158.54                     |
| Unearned Revenues                                                          |                 | 3,462.17                   |                               | 3,462.17                       |
| Salaries and Benefits Payable                                              | 2,752,613.98    | 106,572.00                 |                               | 2,859,185.98                   |
| Total Liabilities                                                          | 3,993,451.73    | 1,890,151.95               |                               | 5,883,603.68                   |
| <b><u>Deferred Inflows of Resources</u></b>                                |                 |                            |                               |                                |
| Unavailable Revenue - Property Taxes                                       | 1,966,284.29    |                            |                               | 1,966,284.29                   |
| Revenue Received in Advance - Motor Vehicle Taxes                          | 62,212.95       |                            |                               | 62,212.95                      |
| Total Deferred Inflows of Resources                                        | 2,028,497.24    |                            |                               | 2,028,497.24                   |
| <b><u>Fund Balances</u></b>                                                |                 |                            |                               |                                |
| Nonspendable:                                                              |                 |                            |                               |                                |
| Inventories                                                                |                 | 110,520.93                 |                               | 110,520.93                     |
| Prepaid Items                                                              | 14,316.06       |                            |                               | 14,316.06                      |
| Restricted for:                                                            |                 |                            |                               |                                |
| Capital Projects                                                           |                 |                            | 38,143.19                     | 38,143.19                      |
| Fleet Renewal                                                              |                 |                            | 90,175.58                     | 90,175.58                      |
| Other Purposes                                                             | 706,367.84      |                            |                               | 706,367.84                     |
| Assigned for:                                                              |                 |                            |                               |                                |
| Local Schools                                                              |                 | 403,720.27                 |                               | 403,720.27                     |
| Unassigned                                                                 | (669,774.26)    | 273,670.72                 |                               | (396,103.54)                   |
| Total Fund Balances                                                        | 50,909.64       | 787,911.92                 | 128,318.77                    | 967,140.33                     |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances        | \$ 6,072,858.61 | \$ 2,678,063.87            | \$ 128,318.77                 | \$ 8,879,241.25                |

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

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

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 967,140.33

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

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

|                               |                        |               |
|-------------------------------|------------------------|---------------|
| The Cost of Capital Assets is | \$ 45,185,739.36       |               |
| Accumulated Depreciation is   | <u>(32,259,451.54)</u> | 12,926,287.82 |

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 6,016,832.04

Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds. (6,146,923.00)

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

|                                      |                      |                 |
|--------------------------------------|----------------------|-----------------|
| Current Portion of Long-Term Debt    | \$ 341,661.62        |                 |
| Noncurrent Portion of Long-Term Debt | <u>57,932,091.41</u> | (58,273,753.03) |

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

|                          |                    |
|--------------------------|--------------------|
| Accrued Interest Payable | <u>(13,129.29)</u> |
|--------------------------|--------------------|

|                                                          |                                  |
|----------------------------------------------------------|----------------------------------|
| Total Net Position - Governmental Activities (Exhibit 1) | <u><u>\$ (44,523,545.13)</u></u> |
|----------------------------------------------------------|----------------------------------|

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

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

|                                                   | General<br>Fund  | Special<br>Revenue<br>Fund | Other<br>Governmental<br>Fund | Total<br>Governmental<br>Funds |
|---------------------------------------------------|------------------|----------------------------|-------------------------------|--------------------------------|
| <b>Revenues</b>                                   |                  |                            |                               |                                |
| State                                             | \$ 23,386,690.31 | \$                         | \$ 1,050,388.00               | \$ 24,437,078.31               |
| Federal                                           | 271,492.86       | 9,503,070.97               |                               | 9,774,563.83                   |
| Local                                             | 4,828,318.27     | 538,846.06                 | 96,560.00                     | 5,463,724.33                   |
| Other                                             | 64,013.46        | 11,303.40                  |                               | 75,316.86                      |
| Total Revenues                                    | 28,550,514.90    | 10,053,220.43              | 1,146,948.00                  | 39,750,683.33                  |
| <b>Expenditures</b>                               |                  |                            |                               |                                |
| Current:                                          |                  |                            |                               |                                |
| Instruction                                       | 14,068,773.30    | 4,005,060.65               |                               | 18,073,833.95                  |
| Instructional Support                             | 6,702,990.86     | 2,281,494.62               |                               | 8,984,485.48                   |
| Operation and Maintenance                         | 2,302,680.41     | 619,984.35                 | 209,371.43                    | 3,132,036.19                   |
| Auxiliary Services:                               |                  |                            |                               |                                |
| Student Transportation                            | 3,278,374.42     | 7,209.49                   |                               | 3,285,583.91                   |
| Food Service                                      | 5,024.00         | 1,472,712.34               |                               | 1,477,736.34                   |
| General Administrative                            | 1,184,785.54     | 434,003.87                 |                               | 1,618,789.41                   |
| Other                                             | 1,108,121.15     | 1,752,823.20               |                               | 2,860,944.35                   |
| Capital Outlay                                    | 742,429.33       |                            |                               | 742,429.33                     |
| Debt Service:                                     |                  |                            |                               |                                |
| Principal Retirement                              | 60,000.00        |                            | 968,970.30                    | 1,028,970.30                   |
| Interest and Fiscal Charges                       |                  |                            | 87,651.39                     | 87,651.39                      |
| Debt Issuance Costs/Other Debt Service            |                  |                            | 1,650.00                      | 1,650.00                       |
| Total Expenditures                                | 29,453,179.01    | 10,573,288.52              | 1,267,643.12                  | 41,294,110.65                  |
| Excess (Deficiency) of Revenues Over Expenditures | (902,664.11)     | (520,068.09)               | (120,695.12)                  | (1,543,427.32)                 |
| <b>Other Financing Sources (Uses)</b>             |                  |                            |                               |                                |
| Indirect Cost                                     | 66,476.34        |                            |                               | 66,476.34                      |
| Transfers In                                      | 25,261.11        | 828,613.71                 |                               | 853,874.82                     |
| Other Financing Sources                           | 375,624.70       | 1,561.51                   |                               | 377,186.21                     |
| Transfers Out                                     | (828,613.71)     | (25,261.11)                |                               | (853,874.82)                   |
| Total Other Financing Sources (Uses)              | (361,251.56)     | 804,914.11                 |                               | 443,662.55                     |
| Net Changes in Fund Balances                      | (1,263,915.67)   | 284,846.02                 | (120,695.12)                  | (1,099,764.77)                 |
| Fund Balances - Beginning of Year                 | 1,314,825.31     | 503,065.90                 | 249,013.89                    | 2,066,905.10                   |
| Fund Balances - End of Year                       | \$ 50,909.64     | \$ 787,911.92              | \$ 128,318.77                 | \$ 967,140.33                  |

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

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***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***

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Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,099,764.77)

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

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

|                      |                       |              |
|----------------------|-----------------------|--------------|
| Capital Outlays      | \$ 742,429.33         |              |
| Depreciation Expense | <u>(1,019,938.19)</u> | (277,508.86) |

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

1,028,970.30

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

|                                                            |                       |              |
|------------------------------------------------------------|-----------------------|--------------|
| Accrued Interest Payable, Current Year Increase/(Decrease) | \$ (4,807.09)         |              |
| Pension Expense, Current Year Increase/(Decrease)          | 574,494.26            |              |
| OPEB Expense, Current Year Increase/(Decrease)             | <u>(1,686,202.00)</u> | 1,116,514.83 |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 768,211.50

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

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## ***Notes to the Financial Statements***

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

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

The financial statements of the Dallas County Board of Education (the “Board”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

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

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County, except for the Selma City Board of Education.

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

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

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

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

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

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## *Notes to the Financial Statements*

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

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

#### **Fund Financial Statements**

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

The Board reports the following major governmental funds:

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

The Board reports the following fund type in the Other Governmental Fund column:

#### **Governmental Fund Type**

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

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## ***Notes to the Financial Statements***

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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

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

##### **1. Deposits**

Cash and cash equivalents include cash on hand and demand deposits.

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## ***Notes to the Financial Statements***

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

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#### **2. Receivables**

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

Millage rates for property taxes are levied by the County Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

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

#### **3. Inventories**

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

#### **4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### **5. Restricted Assets**

Included in cash and cash equivalents on the Government-Wide Statement of Net Position and Balance Sheet of Governmental Funds are assets which are restricted in use. The Public School, Capital Projects and Fleet Renewal funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses.

#### **6. Capital Assets**

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

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## ***Notes to the Financial Statements***

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

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

|                                                 | Capitalization<br>Threshold | Estimated<br>Useful Life |
|-------------------------------------------------|-----------------------------|--------------------------|
| Land Improvements                               | \$50,000                    | 20 – 30 years            |
| Buildings (Estimated Salvage Value 10% of Cost) | \$50,000                    | 25 – 50 years            |
| Building Improvements                           | \$50,000                    | 20 – 30 years            |
| Equipment and Furniture                         | \$ 5,000                    | 5 – 20 years             |
| Vehicles                                        | \$ 5,000                    | 8 – 10 years             |
| Equipment Under Capital Lease                   | \$ 5,000                    | 5 – 20 years             |

#### **7. Deferred Outflows of Resources**

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

#### **8. Long-Term Obligations**

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

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

#### **9. Deferred Inflows of Resources**

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

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## *Notes to the Financial Statements*

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

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

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

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

- a) **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- b) **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c) **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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## *Notes to the Financial Statements*

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

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- d) **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- e) **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

#### **E. Pensions**

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

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

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

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## ***Notes to the Financial Statements***

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

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

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

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

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

##### **B. Deficit Net Position**

As of September 30, 2021, the government-wide financial statements reported a deficit net position of \$44,523,545.13. The deficit in net position is due to the implementation of GASB Statement 68, relating to Pensions, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

#### **Note 3 – Deposits**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

# *Notes to the Financial Statements*

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

### **Note 4 – Receivables**

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

|                          | General<br>Fund     | Special<br>Revenue<br>Fund | Total                 |
|--------------------------|---------------------|----------------------------|-----------------------|
| <b>Receivables:</b>      |                     |                            |                       |
| Accounts                 | \$ 15,846.24        | \$                         | \$ 15,846.24          |
| Sales Tax                | 164,972.51          |                            | 164,972.51            |
| Intergovernmental        | 155,448.87          | 1,432,973.65               | 1,588,422.52          |
| Other                    | 8,346.59            | 93.75                      | 8,440.34              |
| <b>Total Receivables</b> | <b>\$344,614.21</b> | <b>\$1,433,067.40</b>      | <b>\$1,777,681.61</b> |

### **Note 5 – Capital Assets**

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

|                                                     | Balance<br>10/01/2020   | Additions/<br>Reclassification | Retirements/<br>Reclassifications | Balance<br>09/30/2021   |
|-----------------------------------------------------|-------------------------|--------------------------------|-----------------------------------|-------------------------|
| <b>Governmental Activities:</b>                     |                         |                                |                                   |                         |
| Capital Assets, Not Being Depreciated:              |                         |                                |                                   |                         |
| Land and Land Improvements                          | \$ 112,226.71           | \$                             | \$                                | \$ 112,226.71           |
| Construction in Progress                            | 534,185.26              | 623,799.23                     |                                   | 1,157,984.49            |
| <b>Total Capital Assets, Not Being Depreciated</b>  | <b>646,411.97</b>       | <b>623,799.23</b>              |                                   | <b>1,270,211.20</b>     |
| Capital Assets Being Depreciated:                   |                         |                                |                                   |                         |
| Land Improvements, Exhaustible                      | 613,430.00              |                                |                                   | 613,430.00              |
| Buildings                                           | 26,075,029.93           |                                |                                   | 26,075,029.93           |
| Building Improvements                               | 7,598,266.38            |                                |                                   | 7,598,266.38            |
| Equipment and Furniture                             | 1,719,948.62            | 17,740.10                      |                                   | 1,737,688.72            |
| Vehicles                                            | 5,433,855.13            | 100,890.00                     |                                   | 5,534,745.13            |
| Assets Under Capital Lease                          | 2,356,368.00            |                                |                                   | 2,356,368.00            |
| <b>Total Capital Assets Being Depreciated</b>       | <b>43,796,898.06</b>    | <b>118,630.10</b>              |                                   | <b>43,915,528.16</b>    |
| <b>Sub-Total</b>                                    | <b>44,443,310.03</b>    | <b>742,429.33</b>              |                                   | <b>45,185,739.36</b>    |
| Less Accumulated Depreciation for:                  |                         |                                |                                   |                         |
| Land Improvements, Exhaustible                      | (371,167.25)            | (30,671.50)                    |                                   | (401,838.75)            |
| Buildings                                           | (18,110,745.48)         | (232,416.17)                   |                                   | (18,343,161.65)         |
| Building Improvements                               | (6,261,194.53)          | (371,488.28)                   |                                   | (6,632,682.81)          |
| Equipment and Furniture                             | (1,306,544.24)          | (67,041.09)                    |                                   | (1,373,585.33)          |
| Vehicles                                            | (4,756,417.05)          | (82,684.35)                    |                                   | (4,839,101.40)          |
| Assets Under Capital Lease                          | (433,444.80)            | (235,636.80)                   |                                   | (669,081.60)            |
| <b>Total Accumulated Depreciation</b>               | <b>(31,239,513.35)</b>  | <b>(1,019,938.19)</b>          |                                   | <b>(32,259,451.54)</b>  |
| <b>Total Capital Assets, Being Depreciated, Net</b> | <b>12,557,384.71</b>    | <b>(901,308.09)</b>            |                                   | <b>11,656,076.62</b>    |
| <b>Governmental Activities Capital Assets, Net</b>  | <b>\$ 13,203,796.68</b> | <b>\$ (277,508.86)</b>         | <b>\$</b>                         | <b>\$ 12,926,287.82</b> |

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## *Notes to the Financial Statements*

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

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

|                                                      | Current Year<br>Depreciation<br>Expense |
|------------------------------------------------------|-----------------------------------------|
| <u>Governmental Activities:</u>                      |                                         |
| Instruction                                          | \$ 161,734.57                           |
| Instructional Support                                | 33,371.26                               |
| Operation and Maintenance                            | 423,025.68                              |
| Auxiliary Services:                                  |                                         |
| Student Transportation                               | 302,494.01                              |
| Food Service                                         | 62,198.80                               |
| Other Expenditures                                   | 37,113.87                               |
| Total Depreciation Expense – Governmental Activities | <u>\$1,019,938.19</u>                   |

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

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

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

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## *Notes to the Financial Statements*

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

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

#### **C. Contributions**

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,410,832.04 for the year ended September 30, 2021.

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## *Notes to the Financial Statements*

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

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

At September 30, 2021, the Board reported a liability of \$33,798,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the Board's proportion was 0.273233%, which was an increase of 0.011637% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized pension expense of \$2,981,000.00. At September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between Expected and Actual Experience                                                               | \$1,673,000.00                    | \$ 586,000.00                    |
| Changes of Assumptions                                                                                           | 352,000.00                        |                                  |
| Net Difference between Projected and Actual Earnings on<br>Pension Plan Investments                              | 2,510,000.00                      |                                  |
| Changes in Proportion and Differences between Employer<br>Contributions and Proportionate Share of Contributions | 982,000.00                        | 1,325,000.00                     |
| Employer Contributions Subsequent to the Measurement Date                                                        | 2,410,832.04                      |                                  |
| Total                                                                                                            | <u>\$7,927,832.04</u>             | <u>\$1,911,000.00</u>            |

The \$2,410,832.04 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending:       |                |
|--------------------|----------------|
| September 30, 2022 | \$ 457,000.00  |
| 2023               | \$1,047,000.00 |
| 2024               | \$1,245,000.00 |
| 2025               | \$ 857,000.00  |
| 2026               | \$ 0.00        |
| Thereafter         | \$ 0.00        |

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## *Notes to the Financial Statements*

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

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#### *E. Actuarial Assumptions*

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

|                                            |               |
|--------------------------------------------|---------------|
| Inflation                                  | 2.75%         |
| Investment Rate of Return (*)              | 7.70%         |
| Projected Salary Increases                 | 3.25% - 5.00% |
| (*) Net of pension plan investment expense |               |

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

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

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## *Notes to the Financial Statements*

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

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

|                                                 | Target<br>Allocation | Long-Term<br>Expected Rate<br>of Return (*) |
|-------------------------------------------------|----------------------|---------------------------------------------|
| Fixed Income                                    | 17.00%               | 4.40%                                       |
| U. S. Large Stocks                              | 32.00%               | 8.00%                                       |
| U. S. Mid Stocks                                | 9.00%                | 10.00%                                      |
| U. S. Small Stocks                              | 4.00%                | 11.00%                                      |
| International Developed Market Stocks           | 12.00%               | 9.50%                                       |
| International Emerging Market Stocks            | 3.00%                | 11.00%                                      |
| Alternatives                                    | 10.00%               | 10.10%                                      |
| Real Estate                                     | 10.00%               | 7.50%                                       |
| Cash                                            | 3.00%                | 1.50%                                       |
| Total                                           | <u>100.00%</u>       |                                             |
| (*) Includes assumed rate of inflation of 2.50% |                      |                                             |

#### **F. Discount Rate**

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

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## *Notes to the Financial Statements*

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

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

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

|                                                                    | 1% Decrease<br>(6.70%) | Current<br>Discount Rate<br>(7.70%) | 1% Increase<br>(8.70%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Board's Proportionate Share of<br>Collective Net Pension Liability | \$45,094               | \$33,798                            | \$24,241               |
| (Dollar amounts in thousands)                                      |                        |                                     |                        |

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB Statement Number 68 as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

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## ***Notes to the Financial Statements***

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

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

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

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

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

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.

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## *Notes to the Financial Statements*

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

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

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

#### **C. Contributions**

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

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

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## *Notes to the Financial Statements*

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

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

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

At September 30, 2021, the Board reported a liability of \$21,659,845.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2020, the Board's proportion was 0.333749% which was a decrease of 0.039153% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized OPEB income of \$1,115,014.00 with no special funding situations. At September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                                                  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                                               | \$ 549,278.00                     | \$ 7,787,233.00                  |
| Changes of assumptions                                                                                           | 7,565,615.00                      | 4,022,035.00                     |
| Net difference between projected and actual earnings<br>on OPEB plan investments                                 |                                   | 913.00                           |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 369,305.00                        | 3,387,016.00                     |
| Employer contributions subsequent to the measurement date                                                        | 566,076.00                        |                                  |
| Total                                                                                                            | <u>\$9,050,274.00</u>             | <u>\$15,197,197.00</u>           |

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## *Notes to the Financial Statements*

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

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The \$566,076.00 Employer Contributions paid subsequent to the measurement date will be reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

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

| Year Ending:       |               |
|--------------------|---------------|
| September 30, 2022 | \$(2,232,453) |
| 2023               | \$(2,199,458) |
| 2024               | \$(1,575,840) |
| 2025               | \$(1,599,949) |
| 2026               | \$ 427,607    |
| Thereafter         | \$ 467,094    |

#### **E. Actuarial Assumptions**

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

|                                                                |               |
|----------------------------------------------------------------|---------------|
| Inflation                                                      | 2.75%         |
| Projected Salary Increases <sup>(1)</sup>                      | 3.25% - 5.00% |
| Long-Term Investment Rate of Return <sup>(2)</sup>             | 7.25%         |
| Municipal Bond Index Rate at the Measurement Date              | 2.25%         |
| Municipal Bond Index Rate at the Prior Measurement Date        | 3.00%         |
| Projected Year for Fiduciary Net Position (FNP) to be Depleted | 2040          |
| Single Equivalent Interest Rate the Measurement Date           | 3.05%         |
| Single Equivalent Interest Rate the Prior Measurement Date     | 5.50%         |
| Healthcare Cost Trend Rate:                                    |               |
| Pre-Medicare Eligible                                          | 6.75%         |
| Medicare Eligible                                              | (**)          |
| Ultimate Trend Rate:                                           |               |
| Pre-Medicare Eligible                                          | 4.75% in 2027 |
| Medicare Eligible                                              | 4.75% in 2024 |

(<sup>1</sup>) Includes 3.00% wage inflation.  
(<sup>2</sup>) Compounded annually, net of investment expense, and includes inflation.  
(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

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## *Notes to the Financial Statements*

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

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

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

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

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

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

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## *Notes to the Financial Statements*

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

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

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

#### **F. Discount Rate**

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

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## *Notes to the Financial Statements*

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

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

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

|                                                                     | 1% Decrease<br>(5.75% Decreasing<br>to 3.75% for<br>Pre-Medicare, Known<br>Decreasing to 3.75%<br>for Medicare Eligible) | Current Healthcare<br>Trend Rate<br>(6.75% Decreasing<br>to 4.75% for<br>Pre-Medicare, Known<br>Decreasing to 4.75%<br>for Medicare Eligible) | 1% Increase<br>(7.75% Decreasing<br>to 5.75% for<br>Pre-Medicare, Known<br>Decreasing to 5.75%<br>for Medicare Eligible) |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Board's Proportionate Share of<br>the Collective Net OPEB Liability | \$17,122,178                                                                                                             | \$21,659,845                                                                                                                                  | \$27,566,346                                                                                                             |

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

|                                                                     | 1% Decrease<br>(2.05%) | Current<br>Discount Rate<br>(3.05%) | 1% Increase<br>(4.05%) |
|---------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Board's Proportionate Share of<br>the Collective Net OPEB Liability | \$26,566,924           | \$21,659,845                        | \$17,762,562           |

**H. OPEB Plan Fiduciary Net Position**

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

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## *Notes to the Financial Statements*

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

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#### **Note 8 – Construction Commitments**

As of September 30, 2021, the Board was obligated under the following significant construction contracts:

|                                         | Contract<br>Amount | Remaining<br>Balance |
|-----------------------------------------|--------------------|----------------------|
| Toilet Renovations – District-Wide      | \$1,294,300.00     | \$275,001.50         |
| Roofing Project – Southside High School | \$ 347,000.00      | \$160,270.00         |

#### **Note 9 – Payables**

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

|                                 | Vendors               | Total<br>Payables     |
|---------------------------------|-----------------------|-----------------------|
| <u>Governmental Activities:</u> |                       |                       |
| General Fund                    | \$1,240,837.75        | \$1,240,837.75        |
| Special Revenue Fund            | 845,959.24            | 845,959.24            |
| Total Governmental Activities   | <u>\$2,086,796.99</u> | <u>\$2,086,796.99</u> |

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## *Notes to the Financial Statements*

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

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#### **Note 10 – Lease Obligations**

##### **Capital Leases**

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,356,368.00 at September 30, 2021. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2021.

| Fiscal Year Ending                          | Governmental<br>Activities |
|---------------------------------------------|----------------------------|
| September 30, 2022                          | \$ 165,011.63              |
| 2023                                        | 165,011.63                 |
| 2024                                        | 165,011.63                 |
| 2025                                        | 165,011.63                 |
| 2026                                        | 165,011.63                 |
| 2027-2029                                   | 495,034.89                 |
| Total Minimum Lease Payments                | 1,320,093.04               |
| Less: Amount Representing Interest          | (207,522.88)               |
| Present Value of Net Minimum Lease Payments | \$1,112,570.16             |

#### **Note 11 – Long-Term Debt**

During fiscal year 2012, the Board issued the Capital Outlay Tax Anticipation Warrants, Series 2012, in the amount of \$755,000.00. The warrants were issued for the purpose of currently refunding the Board's 2005 sale-leaseback agreement with the Dallas County Commission and paying all issuance expenses of the warrants. This warrant was paid off in fiscal year 2021.

The Board's outstanding notes from direct borrowings, originally issued at \$511,594.00 is secured by six 2017 school buses. The outstanding notes contain a provision that in the event of default, the bank may declare unpaid installment payments immediately due and payable.

The Board's outstanding notes from direct borrowings, originally issued at \$94,756.00 is secured by one 2017 school bus. The outstanding notes contain a provision that in the event of default, the bank may declare unpaid installment payments immediately due and payable.

The Board's outstanding notes from direct borrowings, originally issued at \$415,830.00 is secured by five 2019 school buses. The outstanding notes contain a provision that in the event of default, the bank may declare unpaid installment payments immediately due and payable.

## *Notes to the Financial Statements*

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

During fiscal year 2020, the Board entered into a capital lease in the amount of \$1,335,698.00 that provided funding for fourteen school buses.

During fiscal year 2021, the Board issued a restatement to beginning balances to reflect a Sales Tax Payable to the Selma City Board of Education for sales taxes that were due in prior years that have not been paid by the Dallas County Board of Education. The Sales Tax Payable was recorded at \$1,178,526.63. The Dallas County Board of Education will pay the Selma City Board of Education \$10,000 per from the General Fund until the liability is fully satisfied in fiscal year 2031.

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

|                                                             | Debt<br>Outstanding<br>10/01/2020 (*) | Issued/<br>Increased | Repaid/<br>Decreased | Debt<br>Outstanding<br>09/30/2021 | Amounts<br>Due Within<br>One Year |
|-------------------------------------------------------------|---------------------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| <u>Governmental Activities:</u>                             |                                       |                      |                      |                                   |                                   |
| Warrants Payable:                                           |                                       |                      |                      |                                   |                                   |
| Capital Outlay Tax Anticipation                             |                                       |                      |                      |                                   |                                   |
| Warrants, Series 2012                                       | \$ 755,000.00                         | \$                   | \$ (755,000.00)      | \$                                | \$                                |
| Total Warrants Payable                                      | 755,000.00                            |                      | (755,000.00)         |                                   |                                   |
| Other Liabilities:                                          |                                       |                      |                      |                                   |                                   |
| Capital Lease Payable                                       | 1,228,852.84                          |                      | (116,282.68)         | 1,112,570.16                      | 120,893.76                        |
| Notes from Direct Borrowings                                | 682,498.86                            |                      | (97,687.62)          | 584,811.24                        | 100,767.86                        |
| Sales Tax Payable                                           | 1,178,526.63                          |                      | (60,000.00)          | 1,118,526.63                      | 120,000.00                        |
| Net Pension Liability                                       | 28,924,000.00                         | 4,874,000.00         |                      | 33,798,000.00                     |                                   |
| Net OPEB Liability                                          | 14,068,727.00                         | 7,591,118.00         |                      | 21,659,845.00                     |                                   |
| Total Other Liabilities                                     | 46,082,605.33                         | 12,465,118.00        | (273,970.30)         | 58,273,753.03                     | 341,661.62                        |
| Total Governmental Activities                               |                                       |                      |                      |                                   |                                   |
| Long-Term Liabilities                                       | \$46,837,605.33                       | \$12,465,118.00      | \$(1,028,970.30)     | \$58,273,753.03                   | \$341,661.62                      |
| (*) As restated, to record Sales Tax Payable (see Note 14). |                                       |                      |                      |                                   |                                   |

Payments on the capital leases and notes from direct borrowings are related to the purchase of school buses are paid from Fleet Renewal Funds. Payments on the sales tax payable are paid from the General Fund.

## *Notes to the Financial Statements*

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

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

| Fiscal Year Ending | Capital Lease<br>Contracts Payable |              | Sales Tax Payable |          | Notes from<br>Direct Borrowings |             | Total Principal<br>and Interest<br>Due at Maturity |
|--------------------|------------------------------------|--------------|-------------------|----------|---------------------------------|-------------|----------------------------------------------------|
|                    | Principal                          | Interest     | Principal         | Interest | Principal                       | Interest    |                                                    |
| September 30, 2022 | \$ 120,893.76                      | \$ 44,117.87 | \$ 120,000.00     | \$       | \$100,767.86                    | \$18,857.17 | \$ 404,636.66                                      |
| 2023               | 125,687.68                         | 39,323.95    | 120,000.00        |          | 103,948.94                      | 15,676.09   | 404,636.66                                         |
| 2024               | 130,671.70                         | 34,339.93    | 120,000.00        |          | 107,234.28                      | 12,390.75   | 404,636.66                                         |
| 2025               | 135,853.36                         | 29,158.27    | 120,000.00        |          | 110,627.39                      | 8,997.64    | 404,636.66                                         |
| 2026               | 141,240.49                         | 23,771.14    | 120,000.00        |          | 114,131.99                      | 5,493.04    | 404,636.66                                         |
| 2027-2031          | 458,223.17                         | 36,811.72    | 518,526.63        |          | 48,100.78                       | 1,873.22    | 1,063,535.52                                       |
| Totals             | \$1,112,570.16                     | \$207,522.88 | \$1,118,526.63    | \$       | \$584,811.24                    | \$63,287.91 | \$3,086,718.82                                     |

#### **Note 12 – Risk Management**

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

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## *Notes to the Financial Statements*

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

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#### *Note 13 – Interfund Transactions*

##### *Interfund Receivables and Payables*

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

|                           | Interfund<br>Receivable<br>General<br>Fund | Totals       |
|---------------------------|--------------------------------------------|--------------|
| <u>Interfund Payable:</u> |                                            |              |
| Special Revenue Fund      | \$934,158.54                               | \$934,158.54 |
| Totals                    | \$934,158.54                               | \$934,158.54 |

##### *Interfund Transfers*

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

|                      | Transfers Out   |                            |              |
|----------------------|-----------------|----------------------------|--------------|
|                      | General<br>Fund | Special<br>Revenue<br>Fund | Total        |
| <u>Transfers In:</u> |                 |                            |              |
| General Fund         | \$              | \$25,261.11                | \$ 25,261.11 |
| Special Revenue Fund | 828,613.71      |                            | 828,613.71   |
| Totals               | \$828,613.71    | \$25,261.11                | \$853,874.82 |

The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

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## *Notes to the Financial Statements*

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

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#### **Note 14 – Restatements**

##### **Implementation of GASB 84**

During the fiscal year ended September 30, 2021, the Board adopted new accounting guidance by implementing the provisions of GASB Statement Number 84, ***Fiduciary Activities***, which established criteria for identifying and reporting fiduciary activities. The implementation of the statement has resulted in changing the presentation of the financial statements by reclassifying funds previously reported as agency funds to governmental funds sources. There was no impact on beginning fund balance/net position as a result of the implementation of the accounting guidance.

##### **Sales Tax Payable**

For fiscal year 2021, the Board made a prior period adjustment to record sales tax payable in the amount of \$1,178,526.63 due to the Selma City Board of Education which required the restatement of the September 30, 2020, net position in Governmental Activities. These sales taxes were due in prior years but not remitted to the Selma City Board of Education. The Board will repay \$10,000 per month until the entire balance has been remitted to the Selma City Board of Education. This payable has a significant impact on the Board's financial statements.

The impact of the restatement is as follows:

|                                                                                     |                          |
|-------------------------------------------------------------------------------------|--------------------------|
| Governmental Activities Net Position, September 30, 2020,<br>as Previously Reported | \$(44,113,230.00)        |
| <b><u>Restatement Due to Recording of Sales Tax Payable:</u></b>                    |                          |
| Sales Tax Payable                                                                   | (1,178,526.63)           |
| Governmental Activities Net Position, September 30, 2020,<br>as Restated            | <u>\$(45,291,756.63)</u> |

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## *Required Supplementary Information*

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

|                                                                                                               | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|---------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Employer's proportion of the collective net pension liability                                                 | 0.273233% | 0.261596% | 0.275145% | 0.283574% | 0.286211% | 0.295485% | 0.301482% |
| Employer's proportionate share of the collective net pension liability \$                                     | 33,798 \$ | 28,924 \$ | 27,357 \$ | 27,871 \$ | 30,985 \$ | 30,925 \$ | 27,388    |
| Employer's covered payroll during the measurement period (*) \$                                               | 19,319 \$ | 18,583 \$ | 18,315 \$ | 18,727 \$ | 18,197 \$ | 18,688 \$ | 19,109    |
| Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll | 174.95%   | 155.65%   | 149.37%   | 148.83%   | 170.28%   | 165.48%   | 143.33%   |
| Plan fiduciary net position as a percentage of the total collective pension liability                         | 67.72%    | 69.85%    | 72.29%    | 71.50%    | 67.93%    | 67.51%    | 71.01%    |

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

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

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

|                                                                      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|----------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Contractually required contribution                                  | \$ 2,411  | \$ 2,361  | \$ 2,273  | \$ 2,209  | \$ 2,220  | \$ 2,152  | \$ 2,180  |
| Contributions in relation to the contractually required contribution | \$ 2,411  | \$ 2,361  | \$ 2,273  | \$ 2,209  | \$ 2,220  | \$ 2,152  | \$ 2,180  |
| Contribution deficiency (excess)                                     | \$        | \$        | \$        | \$        | \$        | \$        | \$        |
| Employer's covered payroll                                           | \$ 19,961 | \$ 19,319 | \$ 18,583 | \$ 18,315 | \$ 18,727 | \$ 18,197 | \$ 18,688 |
| Contributions as a percentage of covered payroll                     | 12.08%    | 12.22%    | 12.23%    | 12.06%    | 11.85%    | 11.83%    | 11.67%    |

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

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

|                                                                                                                                | 2021      | 2020      | 2019      | 2018      |
|--------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Employer's proportion of the collective net OPEB liability                                                                     | 0.333749% | 0.372902% | 0.366480% | 0.368546% |
| Employer's proportionate share of the collective net OPEB liability                                                            | \$ 21,660 | \$ 14,069 | \$ 30,120 | \$ 27,373 |
| Employer's covered-employee payroll during the measurement period (*)                                                          | \$ 19,319 | \$ 18,583 | \$ 18,315 | \$ 18,727 |
| Employer's proportionate share of the collective net OPEB liability (asset)<br>as a percentage of its covered-employee payroll | 112.12%   | 75.71%    | 164.46%   | 146.17%   |
| Plan fiduciary net position as a percentage of the total collective OPEB liability                                             | 19.80%    | 28.14%    | 14.81%    | 15.37%    |

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

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

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

|                                                                      | 2021      | 2020      | 2019      | 2018      |
|----------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Contractually required contribution                                  | \$ 566    | \$ 656    | \$ 1,066  | \$ 903    |
| Contributions in relation to the contractually required contribution | \$ 566    | \$ 656    | \$ 1,066  | \$ 903    |
| Contribution deficiency (excess)                                     | \$        | \$        | \$        | \$        |
| Employer's covered-employee payroll                                  | \$ 19,961 | \$ 19,319 | \$ 18,583 | \$ 18,315 |
| Contributions as a percentage of covered-employee payroll            | 2.84%     | 3.40%     | 5.74%     | 4.93%     |

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

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

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**Changes in Actuarial Assumptions**

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

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

**Recent Plan Changes**

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

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

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

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

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

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

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

|                                                   | Budgeted Amounts |                  | Actual Amounts   |                   | Budget to GAAP | Actual Amounts |
|---------------------------------------------------|------------------|------------------|------------------|-------------------|----------------|----------------|
|                                                   | Original         | Final            | Budgetary Basis  | Differences       | GAAP Basis     |                |
| <b>Revenues</b>                                   |                  |                  |                  |                   |                |                |
| State                                             | \$ 22,979,687.71 | \$ 22,522,592.00 | \$ 23,386,690.31 | \$                | \$             | 23,386,690.31  |
| Federal                                           | 61,090.00        | 61,090.00        | 271,492.86       |                   |                | 271,492.86     |
| Local                                             | 3,957,250.00     | 3,976,094.76     | 4,793,489.83     | 34,828.44         |                | 4,828,318.27   |
| Other                                             | 45,000.00        | 45,000.00        | 64,013.46        |                   |                | 64,013.46      |
| Total Revenues                                    | 27,043,027.71    | 26,604,776.76    | 28,515,686.46    | 34,828.44         |                | 28,550,514.90  |
| <b>Expenditures</b>                               |                  |                  |                  |                   |                |                |
| Current:                                          |                  |                  |                  |                   |                |                |
| Instruction                                       | 13,516,959.00    | 13,388,534.85    | 13,472,183.27    | 596,590.03        |                | 14,068,773.30  |
| Instructional Support                             | 5,544,323.44     | 5,776,340.20     | 6,601,013.00     | 101,977.86        |                | 6,702,990.86   |
| Operation and Maintenance                         | 2,287,774.00     | 2,297,368.50     | 2,318,919.04     | (16,238.63)       |                | 2,302,680.41   |
| Auxiliary Services:                               |                  |                  |                  |                   |                |                |
| Student Transportation                            | 3,294,033.00     | 3,294,033.00     | 3,107,337.59     | 171,036.83        |                | 3,278,374.42   |
| Food Service                                      |                  |                  | 5,024.00         |                   |                | 5,024.00       |
| General Administrative                            | 1,066,892.00     | 1,066,892.00     | 1,171,543.85     | 13,241.69         |                | 1,184,785.54   |
| Other                                             | 881,496.00       | 988,566.06       | 1,052,365.31     | 55,755.84         |                | 1,108,121.15   |
| Capital Outlay                                    | 526,776.00       | 685,151.63       | 742,429.33       |                   |                | 742,429.33     |
| Debt Service                                      |                  |                  |                  |                   |                |                |
| Principal Retirement                              |                  |                  | 60,000.00        |                   |                | 60,000.00      |
| Total Expenditures                                | 27,118,253.44    | 27,496,886.24    | 28,530,815.39    | 922,363.62        |                | 29,453,179.01  |
| Excess (Deficiency) of Revenues Over Expenditures | (75,225.73)      | (892,109.48)     | (15,128.93)      | (887,535.18)      |                | (902,664.11)   |
| <b>Other Financing Sources (Uses)</b>             |                  |                  |                  |                   |                |                |
| Indirect Cost                                     | 276,339.02       | 285,143.70       | 66,476.34        |                   |                | 66,476.34      |
| Transfers In                                      |                  |                  | 25,261.11        |                   |                | 25,261.11      |
| Other Financing Sources                           |                  |                  | 375,624.70       |                   |                | 375,624.70     |
| Transfers Out                                     | (828,613.71)     | (828,613.71)     | (828,613.71)     |                   |                | (828,613.71)   |
| Total Other Financing Sources (Uses)              | (552,274.69)     | (543,470.01)     | (361,251.56)     |                   |                | (361,251.56)   |
| Net Change in Fund Balances                       | (627,500.42)     | (1,435,579.49)   | (376,380.49)     | (887,535.18)      |                | (1,263,915.67) |
| Fund Balances - Beginning of Year                 | 1,122,211.31     | 3,070,750.44     | 3,070,750.44     | (1,755,925.13)    |                | 1,314,825.31   |
| Fund Balances - End of Year                       | \$ 494,710.89    | \$ 1,635,170.95  | \$ 2,694,369.95  | \$ (2,643,460.31) | \$             | 50,909.64      |

**Explanation of differences:**

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

\$ (887,535.18)

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

|                                                   | Budgeted Amounts |                  | Actual Amounts  | Budget to GAAP  | Actual Amounts  |
|---------------------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
|                                                   | Original         | Final            | Budgetary Basis | Differences     | GAAP Basis      |
| <b>Revenues</b>                                   |                  |                  |                 |                 |                 |
| Federal                                           | \$ 11,731,201.36 | \$ 11,842,972.28 | \$ 9,503,070.97 | \$              | \$ 9,503,070.97 |
| Local                                             | 861,319.00       | 867,809.00       | 538,846.06      |                 | 538,846.06      |
| Other                                             | 71,200.00        | 71,200.00        | 11,303.40       |                 | 11,303.40       |
| Total Revenues                                    | 12,663,720.36    | 12,781,981.28    | 10,053,220.43   |                 | 10,053,220.43   |
| <b>Expenditures</b>                               |                  |                  |                 |                 |                 |
| Current:                                          |                  |                  |                 |                 |                 |
| Instruction                                       | 4,995,129.08     | 4,970,576.87     | 4,005,060.65    |                 | 4,005,060.65    |
| Instructional Support                             | 3,338,487.40     | 3,283,969.08     | 2,281,494.62    |                 | 2,281,494.62    |
| Operation and Maintenance                         | 720,441.19       | 695,746.50       | 619,904.78      | 79.57           | 619,984.35      |
| Auxiliary Services:                               |                  |                  |                 |                 |                 |
| Student Transportation                            | 208,630.00       | 58,630.00        | 7,209.49        |                 | 7,209.49        |
| Food Service                                      | 2,461,185.73     | 2,469,760.73     | 1,456,416.21    | 16,296.13       | 1,472,712.34    |
| General Administrative                            | 428,250.61       | 421,390.56       | 434,003.87      |                 | 434,003.87      |
| Other                                             | 878,653.37       | 1,037,683.40     | 1,752,823.20    |                 | 1,752,823.20    |
| Capital Outlay                                    | 2,000.00         | 2,000.00         |                 |                 |                 |
| Total Expenditures                                | 13,032,777.38    | 12,939,757.14    | 10,556,912.82   | 16,375.70       | 10,573,288.52   |
| Excess (Deficiency) of Revenues Over Expenditures | (369,057.02)     | (157,775.86)     | (503,692.39)    | (16,375.70)     | (520,068.09)    |
| <b>Other Financing Sources (Uses)</b>             |                  |                  |                 |                 |                 |
| Transfers In                                      | 918,118.71       | 918,118.71       | 828,613.71      |                 | 828,613.71      |
| Other Financing Sources                           |                  |                  | 1,561.51        |                 | 1,561.51        |
| Transfers Out                                     | (89,505.00)      | (89,505.00)      | (25,261.11)     |                 | (25,261.11)     |
| Total Other Financing Sources (Uses)              | 828,613.71       | 828,613.71       | 804,914.11      |                 | 804,914.11      |
| Net Change in Fund Balances                       | 459,556.69       | 670,837.85       | 301,221.72      | (16,375.70)     | 284,846.02      |
| Fund Balances - Beginning of Year                 | 626,460.56       | 593,262.20       | 593,262.20      | (90,196.30)     | 503,065.90      |
| Fund Balances - End of Year                       | \$ 1,086,017.25  | \$ 1,264,100.05  | \$ 894,483.92   | \$ (106,572.00) | \$ 787,911.92   |

**Explanation of differences:**

The Board budgets expenditures to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis.

\$ (16,375.70)

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## *Supplementary Information*

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

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</b>    | <b>Federal<br/>Assistance<br/>Listing<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> | <b>Total<br/>Federal<br/>Expenditures</b> |
|------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| <b><u>U. S. Department of Agriculture</u></b>                          |                                                      |                                              |                                           |
| <b><u>Passed Through Alabama Department of Education</u></b>           |                                                      |                                              |                                           |
| Child Nutrition Cluster:                                               |                                                      |                                              |                                           |
| School Breakfast Program                                               | 10.553                                               | N/A                                          | \$ 157,692.01                             |
| National School Lunch Program:                                         |                                                      |                                              |                                           |
| Cash Assistance                                                        | 10.555                                               | N/A                                          | 364,341.84                                |
| COVID-19 Cash Assistance                                               | 10.555                                               | N/A                                          | 204,865.66                                |
| Non-Cash Assistance (Commodities)                                      | 10.555                                               | N/A                                          | 89,482.46                                 |
| Sub-Total National School Lunch Program                                |                                                      |                                              | 658,689.96                                |
| Summer Food Service Program for Children                               | 10.559                                               | N/A                                          | 542,307.19                                |
| Total Child Nutrition Cluster                                          |                                                      |                                              | 1,358,689.16                              |
| Fresh Fruit and Vegetable Program                                      | 10.582                                               | N/A                                          | 16,958.00                                 |
| Child and Adult Care Food Program                                      | 10.558                                               | N/A                                          | 28,106.01                                 |
| State Administrative Expenses for Child Nutrition                      | 10.560                                               | N/A                                          | 6,042.52                                  |
| Total U. S. Department of Agriculture                                  |                                                      |                                              | 1,409,795.69                              |
| <b><u>U. S. Department of Treasury</u></b>                             |                                                      |                                              |                                           |
| <b><u>Passed Through Alabama Department of Education</u></b>           |                                                      |                                              |                                           |
| COVID-19 Coronavirus Relief Fund                                       | 21.019                                               | N/A                                          | 399,520.59                                |
| Total U. S. Department of Treasury                                     |                                                      |                                              | 399,520.59                                |
| <b><u>U. S. Department of Education</u></b>                            |                                                      |                                              |                                           |
| <b><u>Passed Through Alabama Department of Education</u></b>           |                                                      |                                              |                                           |
| Title I Grants to Local Educational Agencies                           | 84.010                                               | N/A                                          | 3,581,279.09                              |
| Special Education Cluster:                                             |                                                      |                                              |                                           |
| Special Education - Grants to States                                   | 84.027                                               | N/A                                          | 970,868.30                                |
| Special Education - Preschool Grants                                   | 84.173                                               | N/A                                          | 39,586.90                                 |
| Total Special Education Cluster                                        |                                                      |                                              | 1,010,455.20                              |
| Career and Technical Education -- Basic Grants to States               | 84.048                                               | N/A                                          | 75,845.00                                 |
| Education for Homeless Children and Youth                              | 84.196                                               | N/A                                          | 33,049.29                                 |
| Twenty-First Century Community Learning Centers                        | 84.287                                               | N/A                                          | 236,423.50                                |
| Rural Education                                                        | 84.358                                               | N/A                                          | 52,035.20                                 |
| Supporting Effective Instruction State Grants                          | 84.367                                               | N/A                                          | 284,106.21                                |
| School Improvement Grants                                              | 84.377                                               | N/A                                          | 169,785.91                                |
| Student Support and Academic Enrichment Program                        | 84.424A                                              | N/A                                          | 171,468.51                                |
| COVID-19 Education Stabilization Fund:                                 |                                                      |                                              |                                           |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund             | 84.425C                                              | N/A                                          | 93,133.91                                 |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D                                              | N/A                                          | 2,190,967.60                              |
| Total COVID-19 Education Stabilization Fund                            |                                                      |                                              | 2,284,101.51                              |
| Total U. S. Department of Education                                    |                                                      |                                              | 7,898,549.42                              |
| Sub-Total Forward                                                      |                                                      |                                              | \$ 9,707,865.70                           |

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

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</b>                                                 | <b>Federal<br/>Assistance<br/>Listing<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> | <b>Total<br/>Federal<br/>Expenditures</b> |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| Sub-Total Brought Forward                                                                                           |                                                      |                                              | \$ 9,707,865.70                           |
| <b><u>Social Security Administration</u></b><br><b><u>Passed Through Alabama Department of Education</u></b>        |                                                      |                                              |                                           |
| Social Security - Disability Insurance                                                                              | 96.001                                               | N/A                                          | 420.00                                    |
| Total Social Security Administration                                                                                |                                                      |                                              | 420.00                                    |
| <b><u>Other Federal Assistance</u></b><br><b><u>U. S. Department of Defense</u></b><br><b><u>Direct Program</u></b> |                                                      |                                              |                                           |
| Army ROTC                                                                                                           | N/A                                                  | N/A                                          | 66,278.13                                 |
| Total U. S. Department of Defense                                                                                   |                                                      |                                              | 66,278.13                                 |
| Total Expenditures of Federal Awards                                                                                |                                                      |                                              | \$ 9,774,563.83                           |

N/A = Not Available/Not Applicable

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

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

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### **Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Dallas County Board of Education under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of the Dallas County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Dallas County Board of Education.

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

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

### **Note 3 – Indirect Cost Rate**

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

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## *Additional Information*

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

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| <b>Board Members</b>                   |                                | <b>Term Expires</b> |
|----------------------------------------|--------------------------------|---------------------|
| Hon. William D. Minor                  | President                      | 2022                |
| Hon. Mark A. Story                     | Vice-President                 | 2022                |
| Hon. Mamie W. Solomon                  | Member                         | 2024                |
| Hon. Leroy Miles, Jr.                  | Member                         | 2026                |
| Hon. Melvin F. Brown                   | Member                         | 2026                |
| <b><u>Administrative Personnel</u></b> |                                |                     |
| Hattie R. Shelton                      | Superintendent                 | June 30, 2022       |
| Sandra Allen-Purdie                    | Chief School Financial Officer | June 30, 2022       |

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dallas County Board of Education, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Dallas County Board of Education's basic financial statements and have issued our report thereon dated March 24, 2023.

### **Report on Internal Control Over Financial Reporting**

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

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

---

# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2021-003 and 2021-004 that we consider to be significant deficiencies.

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

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

## **Dallas County Board of Education's Response to Findings**

***Government Auditing Standards*** require the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying Auditee Response/Corrective Action Plan. The Dallas County Board of Education's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Dallas County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

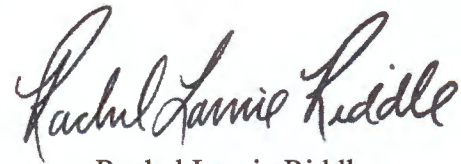
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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 24, 2023

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

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## **Independent Auditor's Report**

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

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

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

We have audited the Dallas County Board of Education's (the "Board") compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2021. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we

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

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

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

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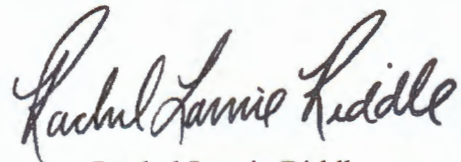
### **Report on Internal Control Over Compliance**

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

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 24, 2023

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## ***Schedule of Findings and Questioned Costs***

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

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#### **Section I – Summary of Examiner’s Results**

##### **Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

##### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

| <b>Assistance Listing Numbers</b>   | <b>Name of Federal Programs or Clusters</b>                                                                   |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------|
| 10.553, 10.555 and 10.559<br>21.019 | Child Nutrition Cluster<br>COVID-19 Coronavirus Relief Fund<br><u>COVID-19 – Education Stabilization Fund</u> |
| 84.425C                             | COVID-19 Governor’s Emergency<br>Education Relief (GEER) Fund                                                 |
| 84.425D                             | COVID-19 Elementary and Secondary<br>School Emergency Relief (ESSER) Fund                                     |

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## ***Schedule of Findings and Questioned Costs***

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

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#### **Section I – Summary of Examiner’s Results**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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

**Reference Number:** 2021-003  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

**The Board did not properly reconcile bank accounts balances to cash each month.**

#### **Finding**

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to regular reconciliation of bank statements. The Dallas County Board of Education’s (the “Board”) Accounting Manual requires the Chief School Financial Officer to be responsible for verifying bank statements are reconciled to the financial records on a monthly basis to ensure accurate monthly financial statements are prepared. The following problems were noted with bank reconciliations:

- ◆ Evidence of the Chief School Financial Officer’s verification of the bank reconciliations was not on file for the November 2020 Operating bank account and the July 2021 Payroll bank account.
- ◆ The July 2021 Payroll bank account reconciliation reflected “other reconciling items” that were not properly supported.
- ◆ The September 2021 Operating bank account reconciliation was not properly reconciled to cash recorded in the general ledger.

Procedures were not in place to ensure bank reconciliations were verified by management and maintained for review; reconciling items were properly supported; and bank reconciliations were reconciled to the general ledger. As a result, the Board’s bank accounts were not always properly reconciled to cash recorded on the general ledger.

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## ***Schedule of Findings and Questioned Costs***

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

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#### **Recommendation**

The Board should ensure the bank accounts are properly reconciled each month.

#### **Views of Responsible Officials of the Auditee**

The Board agrees with the finding.

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

|                                 |                        |
|---------------------------------|------------------------|
| <b>Reference Number:</b>        | 2021-004               |
| <b>Type of Finding:</b>         | Internal Control       |
| <b>Internal Control Impact:</b> | Significant Deficiency |
| <b>Compliance Impact:</b>       | None                   |

**The Board did not properly account for and record capital assets.**

#### **Finding**

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the proper accounting for and recording of capital assets. The Dallas County Board of Education's (the "Board") Accounting Manual requires capital assets to be inventoried annually, all capital assets to be entered into the fixed asset accounting system, and all disposal or deletion of capital assets to be properly accounted for in the fixed asset accounting system. The following matters were noted:

- ◆ A physical inventory of capital assets was not completed for the audit period.
- ◆ Capital assets were noted as purchased in the Board's minutes, but the capital assets were not entered into the fixed asset accounting system.
- ◆ A capital asset was noted as being sold, but the deletion of the capital asset was not properly accounted for in the fixed asset accounting system.
- ◆ In a physical location of capital assets, a capital asset was noted to be in use by the Board. However, the capital asset was not recorded in the fixed asset accounting system.
- ◆ Documentation was not provided to support an addition to Construction in Progress.

Procedures were not in place to ensure compliance with the Board's Accounting Manual regarding capital assets. As a result, the Board's capital assets were not always properly accounted for or recorded.

---

## ***Schedule of Findings and Questioned Costs***

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

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#### **Recommendation**

The Board should ensure all capital assets are properly accounted for and recorded.

#### **Views of Responsible Officials of the Auditee**

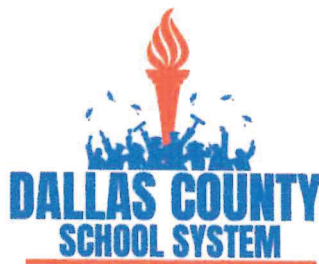
The Board agrees with the finding.

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

No matters were reportable.

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## *Summary Schedule of Prior Audit Findings*



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## Summary Schedule of Prior Audit Findings

### For the Year Ended September 30, 2021

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, and the Dallas County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2021.

**Finding  
Ref.  
No.**

**Status of Prior Audit Finding**

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2020-001

The *Code of Alabama 1975*, Section 40-12-4, allows a county governing body to levy a county license tax for school purposes. On December 1, 2012, the Dallas County Commission passed a resolution authorizing a one-half cent sales tax to be collected for the Dallas County Board of Education for educational purposes. The *Code of Alabama 1975*, Section 40-12-4(b), states "In all counties having more than one local board of education, revenues collected under the provisions of this section shall be distributed within such county on the same basis of the total calculated costs for the Foundation Program for those local boards of education within the county." An Attorney General's Opinion dated December 10, 1984, concluded that the *Code of Alabama 1975*, Section 40-12-4, cannot be used to propose a county-wide sales tax earmarked solely for county schools and excluding the city school system. The Board began receiving the additional one-half cent sales tax in the 2013 fiscal year. No distribution of the one-half cent sales tax was remitted to the Selma City Board of Education for taxes received from the inception of the tax through June 8, 2014. The amount due to the Selma City Board of Education for this period has been calculated to be \$1,178,526.63. An adequate system of internal controls ensures proper recordation procedures for financial transactions. The Board did not have controls in place to ensure the liability for this amount was recorded and reflected on the financial statements. This unrecorded liability resulted in a material misstatement of the financial statements for the Governmental Activities and General Fund. This finding was previously reported as Finding 2014-002, Finding 2018-001, and Finding 2019-001.

**Response:**

A legislative bill authored by Senator Hank Sanders to resolve the matter was not introduced as planned nor was a referendum that was planned and sponsored by the Dallas County Commission introduced. Negotiations to resolve the matter with Selma

City Board of Education are still active. This ongoing matter was the reason this liability was not recorded and reflected on our financial statement.

The Dallas County Board has made the adjustment and the unrecorded liability will be reflected on the financial statements for the Governmental Activities and General Fund. The Dallas County Board continues to send monthly installment payments of \$10,000.00 per month to the Selma City Board of Education.

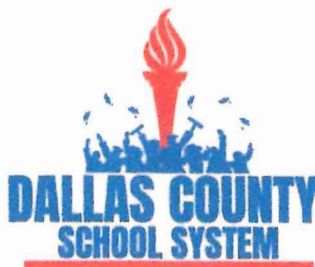
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## *Auditee Response/Corrective Action Plan*



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## *Auditee Response/Corrective Action Plan*

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

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Dallas County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

**Finding  
Ref.  
No.**

**Corrective Action Plan Details**

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**2021-003**

***Finding:***

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to regular reconciliation of bank statements. The Dallas County Board of Education's (the "Board") Accounting Manual requires the Chief School Financial Officer to be responsible for verifying bank statements are reconciled to the financial records on a monthly basis to ensure accurate monthly financial statements are prepared. The following problems were noted with bank reconciliations:

- ◆ Evidence of the Chief School Financial Officer's verification of the bank reconciliations was not on file for the November 2020 Operating bank account and the July 2021 Payroll bank account.
- ◆ The July 2021 Payroll bank account reconciliation reflected "other reconciling items" that were not properly supported.
- ◆ The September 2021 Operating bank account reconciliation was not properly reconciled to cash recorded in the general ledger.

Procedures were not in place to ensure bank reconciliations were verified by management and maintained for review; reconciling items were properly supported; and bank reconciliations were reconciled to the general ledger. As a

result, the Board's bank accounts were not always properly reconciled to cash recorded on the general ledger.

***Recommendation:***

The Board should ensure the bank accounts are properly reconciled each month.

***Response/Views:*** Dallas County Board of Education agree with the finding.

***Corrective Action Planned:*** Dallas County Board has an Accounting Manual to ensure bank accounts are properly reconciled. All bank accounts of the Dallas County Board of Education are reconciled between the bank account statement and the books on a monthly basis.

***Anticipated Completion Date:*** The CSFO will conduct professional development training with the staff on Accounting policy manual no later than April 27, 2023.

***Contact Person(s):*** The Chief School Financial Officer

**2021-004**

***Finding:***

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the proper accounting for and recording of capital assets. The Dallas County Board of Education's (the "Board") Accounting Manual requires capital assets to be inventoried annually, all capital assets to be entered into the fixed asset accounting system, and all disposal or deletion of capital assets to be properly accounted for in the fixed asset accounting system. The following matters were noted:

- ◆ A physical inventory of capital assets was not completed for the audit period.
- ◆ Capital assets were noted as purchased in the Board's minutes, but the capital assets were not entered into the fixed asset accounting system.
- ◆ A capital asset was noted as being sold, but the deletion of the capital asset was not properly accounted for in the fixed asset accounting system.
- ◆ In a physical location of capital assets, a capital asset was noted to be in use by the Board. However, the capital asset was not recorded in the fixed asset accounting system.
- ◆ Documentation was not provided to support an addition to Construction in Progress.

Procedures were not in place to ensure compliance with the Board's Accounting Manual regarding capital assets. As a result, the Board's capital assets were not always properly accounted for or recorded.

***Recommendation:***

The Board should ensure all capital assets are properly accounted for and recorded. The CSFO will develop procedures to ensure all capital assets are properly accounted for and recorded. Procedures will be reviewed with staff members in a professional learning session that includes physical inventory or capital assets, deletions and location of capital assets.

***Response/Views:*** Dallas County Board of Education agree with the finding.

***Corrective Action Planned:*** The Board will ensure that all capital assets are recorded and all documentations are provided.

***Anticipated Completion Date:*** April 27, 2023

***Contact Person(s):*** Chief Financial Officer.

Other matters came to our attention while performing our audit that are not included in the Schedule of Findings and Questioned Costs. These matters will be addressed in the Schedule of State and Local Compliance and Other Findings and are included as findings below.

| Finding<br>Ref.<br>No. | Corrective Action Plan Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2021-001               | <p data-bbox="402 1146 518 1173"><b><i>Finding:</i></b></p> <p data-bbox="402 1182 1455 1612">The <i>Code of Alabama 1975</i>, Title 39, commonly referred to as the Public Works Law, contains various legal requirements related to public works projects. Public works projects include the construction, installation, repair, renovation or maintenance of public roads, in whole or in part, with public funds. During the fiscal year ended September 30, 2021, the Dallas County Board of Education (the "Board") entered into a contract for the installation of intercom systems at various local schools totaling \$100,174.27. The Board was unable to provide documentation to indicate that the contract was procured in accordance with the Public Works Law. The Board did not have procedures in place to ensure compliance with the Public Works Law. As a result, the Board entered into a public works contract without adhering to the requirements of the Public Works Law.</p> <p data-bbox="402 1659 643 1686"><b><i>Recommendation:</i></b></p> <p data-bbox="402 1694 1455 1759">The Board should ensure all public works projects are competitively bid in accordance with Title 39 of the <i>Code of Alabama 1975</i>.</p> <p data-bbox="402 1801 1433 1831"><b><i>Response/Views:</i></b> The Dallas County Board of Education agree with the finding.</p> |

**Corrective Action Planned:** The Board will have policies and procedures in place to ensure compliance with the Public Works Law. These procedures will be submitted to the board for action, approval and immediate implementation no later than May 25, 2023.

**Anticipated Completion Date:** May 25, 2023

**Contact Person(s):** Chief School Financial Officer.

**2021-002**

**Finding:**

The *Code of Alabama 1975*, Section 16-13B-1(a), requires all expenditures of funds of whatever nature for labor, service, work or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000.00 or more, made by or on behalf of any city or county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest possible bidder. Additionally, the Dallas County Board of Education's (the "Board") Policy Manual states, "The Board and its employees shall comply with the State Bid Law when making needed purchases". During the fiscal year ended September 30, 2021, the Board purchased a) portable air purifiers totaling \$27,027.00, b) tankless water heaters totaling \$15,336.00, c) and bus wi-fi totaling \$64,000.00 without the use of competitive bidding. The Board did not have adequate procedures in place to ensure the applicable laws and Board policies relating to competitive bidding were followed. As a result, the Board failed to comply with the provisions of the *Code of Alabama 1975*, Section 16-13B-1.

**Recommendation:**

The Board should comply with the *Code of Alabama 1975*, Section 16-13B-1 and applicable Board policies.

**Response/Views:** Dallas County Board of Education agree with the finding

**Corrective Action Planned:** The Board will have policies and procedures in place in reference to complying with the bid law. The CSFO will conduct professional development training with the staff on Board Policy compliance with 'the State Bid Law no later than April 27, 2023.

**Anticipated Completion Date:** April 27, 2023

**Contact Person(s):** Dallas County Superintendent, Directors and Chief School Finance Officer.

A handwritten signature in blue ink, appearing to read "Anthony Sampson", written over a horizontal line.

3 Apr 2023

Anthony Sampson, Superintendent  
Dallas County Board of Education