



**Daleville City Board  
of Education**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2020**



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# REPORT





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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and the Child Nutrition Fund of Daleville City Board of Education (the "Board"), as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Child Nutrition Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 10, schedules of the employer's proportionate share of the net pension liability and net OPEB liability and schedules of employer contributions, on pages 53 - 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2021, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama  
August 17, 2021

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

## ***Introduction***

The Management's Discussion and Analysis (MD&A) of Daleville City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2020. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Daleville City Board of Education's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

## ***Summary of Significant Accounting Policies***

The Daleville City Board of Education is a public educational agency operating under the applicable laws and regulations of the State of Alabama. A five member Board appointed by the City Council of the City of Daleville, Alabama, governs it. The Daleville City Board of Education prepares its basic financial statements as set forth by the Alabama State Department of Education's financial planning, budgeting and reporting guidelines and the requirements of grants of federal agencies from which it receives funds.

## ***Overview of the Financial Statements***

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements - the *Statement of Net Position* (page 11) and the *Statement of Activities* (page 12). These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Position* presents information on all of the Board's assets and deferred outflows of resources less liabilities and deferred inflows of resources, which result in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.



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

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

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

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

This report also presents budgetary comparison schedules for the general fund and the Child Nutrition Program (CNP) that is prepared in accordance with GAAP.

### ***Financial Analysis of the Board as a Whole***

As noted earlier, the Daleville City Board of Education has no business-type activities. Consequently, the Board's net position is reported as Governmental Activities. Program revenues, specifically operating grants and contributions, are the largest component of total revenues.

Following is a condensed financial analysis, presented in comparative format, of the government-wide net position of the Board as of September 30, 2020 and 2019:

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

**Net Position - Governmental Activities**

<i>September 30,</i>	<b>2020</b>	2019
<b>Assets</b>		
Current and other assets	\$ 3,091,009	\$ 2,179,050
Capital assets, net of depreciation	9,987,566	10,207,059
<b>Total assets</b>	<b>13,078,575</b>	12,386,109
<b>Deferred outflows of resources</b>		
Deferred loss on refunding	455,990	502,054
Deferred outflows related to pension	1,484,415	1,393,197
Deferred outflows related to OPEB	1,025,483	609,863
<b>Total deferred outflows of resources</b>	<b>2,965,888</b>	2,505,114
<b>Liabilities</b>		
Current liabilities	1,336,647	666,562
Noncurrent liabilities	20,282,699	24,408,198
<b>Total liabilities</b>	<b>21,619,346</b>	25,074,760
<b>Deferred inflows of resources</b>		
Unearned property tax revenue	323,615	331,227
Deferred inflows related to pension	652,000	1,376,000
Deferred inflows related to OPEB	5,067,298	945,543
<b>Total deferred inflows of resources</b>	<b>6,042,913</b>	2,652,770
<b>Net position</b>		
Net investment in capital assets	2,605,386	2,513,451
Restricted	438,464	268,744
Unrestricted (deficit)	(14,661,646)	(15,618,502)
<b>Total net position (deficit)</b>	<b>\$ (11,617,796)</b>	\$ (12,836,307)

The Board's liabilities and deferred inflows exceeded its assets and deferred outflows by \$11,617,796 at the close of FY 2020 resulting in a deficit in net position. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. The balance in unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements, is a deficit of \$14,661,646 at the end of FY 2020. The deficit in unrestricted net

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

position is due primarily to the recognition of the Board's proportionate share of the collective net pension and OPEB liabilities due to the implementation of GASB Statement 68 in FY 2015 and GASB 75 in FY 2018. The balances of the pension and OPEB liabilities were \$8,835,000 and \$3,966,198 at September 30, 2020, respectively. Restricted net position, consisting of those net assets restricted by debt covenants, federal program compliance, and future capital projects, is \$438,464 at September 30, 2020.

Following is a condensed schedule of revenues and expenditures from the governmental activities for the year ended September 30, 2020, presented with comparative data for the previous year:

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

<i>Years ended September 30,</i>	<b>2020</b>	2019
<b>Program Revenues</b>		
Charges for services	\$ 696,061	\$ 937,708
Operating grants and contributions	8,960,977	7,914,421
Capital grants and contributions	406,820	344,820
<b>General Revenues</b>		
Local property taxes	657,285	597,857
Sales and use taxes	1,067,332	923,561
Other taxes	9,741	7,525
Other	461,730	379,295
<b>Total revenues</b>	<b>12,259,946</b>	11,105,187
<b>Expenses</b>		
Instructional services	5,913,926	5,847,685
Instructional support services	1,552,309	1,645,680
Operation and maintenance services	864,484	976,140
Transportation services	646,885	744,745
Food services	561,517	647,180
General administration and central support services	872,217	821,421
Interest on long-term debt	319,296	330,087
Other expenses	310,801	313,005
<b>Total expenses</b>	<b>11,041,435</b>	11,325,943
Change in net position	1,218,511	(220,756)
Net position (deficit) beginning of year	(12,836,307)	(12,615,551)
<b>Net position (deficit) end of year</b>	<b>\$ (11,617,796)</b>	\$ (12,836,307)

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

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

- Operating grants and contributions contribute 89% of program revenues and 73% of total revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state fleet renewal funds to replace bus fleet.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues, primarily property taxes, sales tax, and impact aid funds, are used to provide for expenses not covered by program revenues. Due to the location of our school system directly outside a military base, our revenues are impacted by funds received as a direct result of military related students who attend our school system. Impact Aid Funds decreased in FY 2020 by \$8,549.

Instructional services and instructional support expenses are the largest expense function of the Board (68%).

- In addition to teacher salaries and benefits, instructional services include: teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Unallocated depreciation is used to report depreciation expense only for those assets that are used by multiple functions.
- Student transportation services include salaries and benefits for the bus mechanic, transportation director, bus drivers and transportation secretary. These funds also include depreciation of buses, bus maintenance supplies, fuel, bus cell phones, and fleet insurance.
- Food services include salaries and benefits for cooks, servers, cashiers, lunchroom managers, the program director and secretary, as well as professional development for the program staff, donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, lunchroom vehicle and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, office supplies, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest and principal on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for preschool teachers and aides, extended day personnel, and community education coordinator.

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

### Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the FY 2020, the Board's combined governmental funds reported ending fund balances of \$1,922,625 which is an increase from the FY 2019 ending balance of \$1,322,316.

**General Fund** – The general fund is the primary operating fund of the Board. The general fund balance increased by \$331,598. Each school system is required to have a one month general fund operating balance. Daleville City Board of Education met this requirement for FY 2020.

#### General Fund Budgetary Highlights

The original 2020 fiscal year budget, adopted on September 25, 2019, was based on guaranteed revenues and necessary expenditures. Amendment #1 includes the beginning balances, carry-over funds for federal programs and budgeting some state and federal programs that had not been authorized at the time the original budget was due. The Child Nutrition Program was over their two month operating balance which allowed the General Fund to keep some of the Pass-Thru funds. There were also some changes in various funds such as Perkins, Title I and IDEA Part B to bring the budget more in line with actual expenditures. The Daleville City Board of Education approved amendment #1 on March 18, 2020. The comparison of general fund original budget to the final amended budget is on page 17.

#### Capital Assets and Debt Administration

**Capital Assets** – At September 30, 2020, the Board had approximately \$9,987,566 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings, and new construction. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year.

**Capital Projects** – In FY 2020, a new bus was purchased for \$87,285 and improvement were made to the Daleville Middle School driveway in the amount of \$96,069. No assets were sold.

**Long-Term Debt** – At year-end, the Board had \$7,225,000 in outstanding warrants, \$124,010 outstanding principal debt to SunTrust Bank for energy management system/lighting, and \$560,404 for the purchase of eight new buses in FY 2018.

**Estimated Capital Needs** – As of September 30, 2020, the Board's Five-Year Capital Plan, based upon critical needs, totaled \$570,000 throughout the system. These estimated capital needs include \$20,000 to replace gutters and repair metal roof at Daleville High School, \$25,000 to replace technology at Windham, \$50,000 to replace technology at Daleville High, \$400,000 to build a new kitchen at Windham and \$75,000 to update the lunchroom at Daleville High School.

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

**Economic Factors Affecting Next Year's Budget**

**Student Enrollment**

The following table shows the student enrollment figure as of the forty-day report for the 2019-2020 school year was 1,101, which indicates an increase in enrollment of 51 students for the 2020 fiscal year.

<u>Fiscal Year</u>	<u>Enrollment</u>
2020	1,101
2019	1,050
2018	937
2017	1,004
2016	1,076
2015	1,082
2014	1,143
2013	1,185
2012	1,201
2011	1,223

***Contacting the School Board's Financial Management***

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lisa Stamps, Superintendent, Daleville City Board of Education, 626 North Daleville Avenue, Daleville, AL 36322 or by calling (334) 598-2456.



# FINANCIAL STATEMENTS

**Daleville City Board of Education**  
**Statement of Net Position**

<i>September 30, 2020</i>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,234,231
Receivables	1,231,252
Inventories	20,470
Restricted assets	
Cash and cash equivalents	573,673
Prepaid expenses	31,383
Non-depreciable	1,036,013
Depreciable, net	8,951,553
<hr/>	
Total assets	13,078,575
<b>Deferred Outflows of Resources</b>	
Deferred outflows on refunding	455,990
Deferred outflows related to pension	1,484,415
Deferred outflows related to OPEB	1,025,483
<hr/>	
Total deferred outflows of resources	2,965,888
<b>Liabilities</b>	
Accounts payable	428,947
Salaries and benefits payable	408,285
Accrued interest	135,209
Unearned revenue	7,537
Non-current liabilities	
Due within one year	
Notes Payable	356,669
Due in more than one year	
Notes Payable	7,481,501
Other post employment benefits	3,966,198
Net pension liability	8,835,000
<hr/>	
Total liabilities	21,619,346
<b>Deferred Inflows of Resources</b>	
Unearned property tax revenue	323,615
Deferred inflows related to pension	652,000
Deferred inflows related to OPEB	5,067,298
<hr/>	
Total deferred inflows of resources	6,042,913
<b>Net Position</b>	
Net investment in capital assets	2,605,386
Restricted for	
Debt service	438,464
Unrestricted (deficit)	(14,661,646)
<hr/>	
Total net position (deficit)	\$ (11,617,796)

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



**Daleville City Board of Education**  
**Statement of Activities**

*For the year ended September 30, 2020*

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Functions / Programs	Expenses
Instructional services	\$ 5,913,926
Instructional support services	1,552,309
Operation and maintenance services	864,484
Student transportation services	646,885
Food services	561,517
General administrative services	872,217
Interest and fiscal charges	319,296
Other expenses	310,801
<hr/>	
Total	\$ 11,041,435

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

Program Revenues			Net (Expenses)
Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes In Net Position Governmental Activities
\$ 4,310	\$ 5,591,433	\$ 306,908	\$ (11,275)
125,830	1,346,676	-	(79,803)
42,254	732,060	-	(90,170)
15,520	601,534	99,912	70,081
435,220	61,848	-	(64,449)
-	381,314	-	(490,903)
-	-	-	(319,296)
72,927	246,112	-	8,238
<u>\$ 696,061</u>	<u>\$ 8,960,977</u>	<u>\$ 406,820</u>	<u>(977,577)</u>

General Revenues

Taxes

Property taxes, levied for general purposes	657,285
Local sales tax	1,067,332
Other taxes	9,741

Grants and contributions not restricted for specific programs	90,929
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Miscellaneous	370,801
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<u>Total general revenues</u>	<u>2,196,088</u>
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<u>Change in net position</u>	<u>1,218,511</u>
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<u>Net position (deficit), beginning of year</u>	<u>(12,836,307)</u>
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<u>Net position (deficit), end of year</u>	<u>\$ (11,617,796)</u>
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**Daleville City Board of Education  
Balance Sheet – Governmental Funds**

<i>September 30, 2020</i>	General Fund	Child Nutrition Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 1,121,118	\$ 103,982
Receivables	552,310	63,958
Due from other funds	9,147	9,366
Inventories	-	20,470
Prepaid expenses	31,383	-
Restricted assets:		
Cash and cash equivalents	-	-
<b>Total assets</b>	<b>\$ 1,713,958</b>	<b>\$ 197,776</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 203,378	\$ 2,162
Due to other funds	9,366	14,321
Salaries and benefits payable	349,601	12,212
Unearned revenue	-	7,537
<b>Total liabilities</b>	<b>562,345</b>	<b>36,232</b>
<b>Deferred inflows of resources</b>		
Unearned revenue - property taxes	323,615	-
<b>Fund Balances</b>		
Nonspendable	31,383	20,470
Restricted	-	-
Assigned	-	141,074
Unassigned	796,615	-
<b>Total fund balances</b>	<b>827,998</b>	<b>161,544</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,713,958</b>	<b>\$ 197,776</b>

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

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 9,131	\$ 1,234,231
-	614,984	1,231,252
-	5,174	23,687
-	-	20,470
-	-	31,383
564,865	8,808	573,673
<u>\$ 564,865</u>	<u>\$ 638,097</u>	<u>\$ 3,114,696</u>
\$ -	\$ 223,407	\$ 428,947
-	-	23,687
-	46,472	408,285
-	-	7,537
-	269,879	868,456
-	-	323,615
-	-	51,853
564,865	8,808	573,673
-	359,410	500,484
-	-	796,615
564,865	368,218	1,922,625
<u>\$ 564,865</u>	<u>\$ 638,097</u>	<u>\$ 3,114,696</u>

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

*September 30, 2020*

Total fund balances - governmental funds	\$	1,922,625
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 in the funds.		
Governmental capital assets	21,741,205	
Less accumulated depreciation and amortization	(11,753,639)	9,987,566
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and therefore, are deferred on the statement of net position.		455,990
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,484,415
Deferred inflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(652,000)
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,025,483
Deferred inflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(5,067,298)
Long-term liabilities, including bonds payable, bond discounts, accrued interest payable, net pension liability, and OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(8,835,000)	
Notes Payable, due within one year	(356,669)	
Notes Payable, due in more than one year	(7,481,501)	
Other post employment benefits	(3,966,198)	
Accrued interest	(135,209)	(20,774,577)
Net position of governmental activities	\$	(11,617,796)

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

**Daleville City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**

<i>For the year ended September 30, 2020</i>	General Fund	Child Nutrition Fund
<b>Revenues</b>		
State revenues	\$ 7,498,978	\$ -
Federal revenues	157,203	451,640
Local revenues	1,835,803	42,232
Other revenues	181,416	34,739
<b>Total revenues</b>	<b>9,673,400</b>	<b>528,611</b>
<b>Expenditures</b>		
Instructional services	5,019,855	-
Instructional support services	1,332,130	-
Operation and maintenance services	734,188	36,906
Student transportation services	647,984	-
Food services	4,046	637,768
General administrative services	667,215	-
Capital outlay	219,505	-
Debt service		
Principal	-	-
Interest	-	-
Other expenses	233,956	-
<b>Total expenditures</b>	<b>8,858,879</b>	<b>674,674</b>
Excess (deficiency) of revenues over (under) expenditures	814,521	(146,063)
<b>Other Financing Sources (Uses)</b>		
Indirect cost	84,954	-
Other financing sources	1,055	-
Sale of capital assets	-	-
Transfers in	2,983	61,481
Transfers out	(571,915)	-
<b>Net other financing sources (uses)</b>	<b>(482,923)</b>	<b>61,481</b>
<b>Net change in fund balances</b>	<b>331,598</b>	<b>(84,582)</b>
Fund balances, beginning of year	496,400	246,126
<b>Fund balances, end of year</b>	<b>\$ 827,998</b>	<b>\$ 161,544</b>

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

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 406,015	\$ 7,904,993
-	1,318,515	1,927,358
-	332,350	2,210,385
-	-	216,155
-	2,056,880	12,258,891
-	862,973	5,882,828
-	289,348	1,621,478
-	66,847	837,941
-	9,561	657,545
-	-	641,814
-	249,165	916,380
-	-	219,505
50,000	315,383	365,383
196,288	74,900	271,188
-	96,573	330,529
246,288	1,964,750	11,744,591
(246,288)	92,130	514,300
-	-	84,954
-	-	1,055
-	-	-
510,434	29,060	603,958
-	(32,043)	(603,958)
510,434	(2,983)	86,009
264,146	89,147	600,309
300,719	279,071	1,322,316
\$ 564,865	\$ 368,218	\$ 1,922,625

**Daleville City Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds to Statement of Activities**

<u>For the year ended September 30,</u>	<u>2020</u>
Net change in fund balances - total governmental funds	\$ 600,309
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.</p>	(219,493)
<p>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.</p> <p style="padding-left: 20px;">Principal payments on long-term debt</p>	365,383
<p>Accrued interest expense decreased in the current year, which increases net position.</p>	5,846
<p>Discounts, premiums, and deferred losses on refundings do not require the use of current financial resources, and therefore, are not reported as an expenditure in governmental funds</p>	(53,956)
<p>Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decrease net position.</p>	(9,781)
<p>Cash other postemployment benefit obligation contributions reported in the funds were more than the calculated OPEB expense on the statement of activities and therefore increase net position.</p>	530,203
Change in net position of governmental activities	\$ 1,218,511

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



**Daleville City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**

<i>For the year ended September 30, 2020</i>	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
State revenues	\$ 7,102,787	\$ 7,209,680	\$ 7,498,978	\$ 289,298
Federal revenues	217,000	217,000	157,203	(59,797)
Local revenues	1,721,940	1,741,940	1,835,803	93,863
Other revenues	14,000	25,000	181,416	156,416
<b>Total revenues</b>	<b>9,055,727</b>	<b>9,193,620</b>	<b>9,673,400</b>	<b>479,780</b>
<b>Expenditures</b>				
Instructional services	5,149,460	5,186,497	4,979,203	207,294
Instructional support services	1,374,037	1,376,764	1,353,529	23,235
Operation and maintenance services	802,378	866,402	739,521	126,881
Student transportation services	671,448	671,448	646,974	24,474
Food services	-	-	4,046	(4,046)
General administrative services	609,545	609,545	675,628	(66,083)
Capital outlay	-	-	219,505	(219,505)
Other expenses	239,886	239,886	231,188	8,698
<b>Total expenditures</b>	<b>8,846,754</b>	<b>8,950,542</b>	<b>8,849,594</b>	<b>100,948</b>
Excess (deficiency) of revenues over (under) expenditures	208,973	243,078	823,806	580,728
<b>Other Financing Sources (Uses)</b>				
Indirect cost	92,238	95,176	84,954	(10,222)
Other financing sources	-	-	1,055	1,055
Transfers in	-	-	2,983	2,983
Transfers out	(429,024)	(429,024)	(571,915)	(142,891)
<b>Net other financing sources (uses)</b>	<b>(336,786)</b>	<b>(333,848)</b>	<b>(482,923)</b>	<b>(149,075)</b>
<b>Net change in fund balance</b>	<b>(127,813)</b>	<b>(90,770)</b>	<b>340,883</b>	<b>431,653</b>
<b>Fund balance, beginning of year</b>	<b>496,400</b>	<b>496,400</b>	<b>496,400</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 368,587</b>	<b>\$ 405,630</b>	<b>\$ 837,283</b>	<b>\$ 431,653</b>
<b>Reconciliation of GAAP to Budgetary Basis</b>				
GAAP Basis Expenditures	8,846,754	8,950,542	8,858,879	100,948
Non-budgeted accrued salaries				
Instructional services	-	-	(40,652)	40,652
Instructional support services	-	-	21,399	(21,399)
Operation and maintenance services	-	-	5,333	(5,333)
Student transportation services	-	-	(1,010)	1,010
General administrative services	-	-	8,413	(8,413)
Other expenses	-	-	(2,768)	2,768
<b>Budgetary basis expenditures</b>	<b>\$ 8,846,754</b>	<b>\$ 8,950,542</b>	<b>\$ 8,849,594</b>	<b>\$ 110,233</b>

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

**Daleville City Board of Education  
Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Child Nutrition Fund**

<i>For the year ended September 30, 2020</i>	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
<b>Revenues</b>				
Federal revenues	\$ 484,084	\$ 484,084	\$ 451,640	\$ (32,444)
Local revenues	65,550	65,550	42,232	(23,318)
Other revenues	21,300	21,300	34,739	13,439
<b>Total revenues</b>	<b>570,934</b>	<b>570,934</b>	<b>528,611</b>	<b>(42,323)</b>
<b>Expenditures</b>				
Operation and maintenance services	53,900	53,900	36,906	16,994
Food services	663,546	663,546	637,946	25,600
<b>Total expenditures</b>	<b>717,446</b>	<b>717,446</b>	<b>674,852</b>	<b>42,594</b>
Excess (deficiency) of revenues (under) expenditures	(146,512)	(146,512)	(146,241)	271
<b>Other Financing Sources</b>				
Transfers in	184,443	184,443	61,481	(122,962)
<b>Net change in fund balance</b>	<b>37,931</b>	<b>37,931</b>	<b>(84,760)</b>	<b>(122,691)</b>
<b>Fund balance beginning of year</b>	<b>246,126</b>	<b>246,126</b>	<b>246,126</b>	<b>-</b>
<b>Fund balance end of year</b>	<b>\$ 284,057</b>	<b>\$ 284,057</b>	<b>\$ 161,366</b>	<b>\$ (122,691)</b>
<b>Reconciliation of GAAP to Budgetary Basis</b>				
GAAP Basis Expenditures	717,446	717,446	674,674	42,594
Non-budgeted accrued salaries				
Food services	-	-	178	178
<b>Budgetary basis expenditures</b>	<b>\$ 717,446</b>	<b>\$ 717,446</b>	<b>\$ 674,852</b>	<b>\$ 42,772</b>

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

## Daleville City Board of Education Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Daleville City Board of Education (the "Board"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

#### ***Reporting Entity***

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

The Board's primary function is to oversee the education of students within the City of Daleville, Alabama. The Board provides education at the elementary, middle and high school levels. The Board is a legally separate agency of the State of Alabama.

The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2020 as a special revenue fund.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. The Board does not allocate indirect expenses to the various functions. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

## Daleville City Board of Education Notes to Financial Statements

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

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

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

The Board reports the following major governmental funds:

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

**Child Nutrition** accounts for the funds received from the State Department of Education and received from other sources which are to be used to provide breakfast and lunch to students.

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

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

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

1. IDEA – Part B
2. Preschool Ages 3 – 5 Part B
3. Vocational Education – Basic Grant
4. Title I Part A
5. Title II Part A Supporting Effective Instruction
6. Title III English Language Acquisition
7. Title IV - Student Support and Academic Achievement
8. Title VI Rural Education
9. Education Stabilization Fund – CARES Act ESSER
10. CARES Act – Coronavirus Relief Fund (Health)
11. CARES Act – Coronavirus Relief Fund (Devices)
12. Local School Activity Funds

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

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

## Daleville City Board of Education Notes to Financial Statements

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

#### ***Measurement Focus, Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the Board approved the budget and submitted it on September 25, 2019 for the 2020 fiscal year.

## Daleville City Board of Education Notes to Financial Statements

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

#### ***Budgetary Information (continued)***

##### *Budgetary Basis of Accounting (continued)*

The 2020 budget was amended primarily to budget carryover federal funds, adjust federal allocations, and budget additional state and other grant funds that became available after submission of the original budget.

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

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve-month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted expenditures on the financial statements. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements.

#### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position***

##### *Cash and Cash Equivalents*

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### *Investments*

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

##### *Receivables and Allowance for Doubtful Accounts*

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

## Daleville City Board of Education Notes to Financial Statements

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

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

##### *Property Tax Calendar*

The Dale County Commission (the "Commission") levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

##### *Inventories*

Inventories are valued at cost using the first-in/first-out ("FIFO") method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

##### *Prepaid Items*

Prepaid items, such as insurance premiums, are accounted for using the interperiod allocation method for both the government-wide financial statements and the governmental funds financial statements. Under this method, the cash outlay is reported as an asset in the governmental funds balance sheet and amortized ratably over the number of months the payment benefits.

##### *Interfund Loans and Transfers*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds"

##### *Restricted Assets*

Restricted assets at September 30, 2020 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled \$573,673.

##### *Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their acquisition value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

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

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

*Capital Assets (continued)*

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

Capital Asset Classes	Capitalization Threshold	Estimated Useful Life
Land improvements – exhaustible	\$ 50,000	10 - 30 years
Buildings	50,000	20 - 50 years
Building improvements	50,000	7 - 30 years
Equipment	5,000	5 - 10 years
Vehicles	5,000	8 - 10 years

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has three items reported in this category, deferred outflow on refunding of debt, deferred outflows related to pension and deferred outflows related to OPEB. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension and OPEB result from pension and OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between actual and expected experience.

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



## Daleville City Board of Education Notes to Financial Statements

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

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

##### *Compensated Absences*

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

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

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

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

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

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

##### *Long-Term Obligations*

In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

## Daleville City Board of Education Notes to Financial Statements

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

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

##### *Long-Term Obligations (continued)*

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

##### *Pensions*

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

##### *Other Post-Employment Benefits (OPEB) Liability*

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

##### *Net Position and Fund Balances*

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

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

*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.

## Daleville City Board of Education Notes to Financial Statements

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

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

##### *Net Position and Fund Balances (continued)*

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

Fund balances are reported in the fund financial statements in accordance with GASB 54. The intent of GASB 54 is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the Board's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

*Nonspendable* - Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* - Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

*Assigned* - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

*Unassigned* - All other spendable amounts.

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

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

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

*Net Position and Fund Balances (continued)*

Fund balances at September 30, 2020 are as follows:

	General Fund	Child Nutrition Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ -	\$ 20,470	\$ -	\$ -	\$ 20,470
Prepaid expenses	31,383	-	-	-	31,383
Restricted:					
Debt service	-	-	564,865	8,808	573,673
Assigned:					
Child Nutrition	-	141,074	-	-	141,074
Subsequent years' budget	-	-	-	359,410	359,410
Unassigned	796,615	-	-	-	796,615
	<u>\$ 827,998</u>	<u>\$ 161,544</u>	<u>\$ 564,865</u>	<u>\$ 368,218</u>	<u>\$ 1,922,625</u>

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *net change in fund balances - governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

***Use of Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 17, 2021 and determined there were no events that occurred that required disclosure.

## Daleville City Board of Education Notes to Financial Statements

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

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

In May 2020, the GASB issued Statement No. 95 (“GASB 95”), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the Board’s financial statements.

#### ***Pronouncements Issued But Not Yet Effective***

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

In January 2017, the GASB issued Statement No. 84 (“GASB 84”), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (“GASB 87”), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (“GASB 89”), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

## Daleville City Board of Education Notes to Financial Statements

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

#### *Pronouncements Issued But Not Yet Effective (continued)*

In August 2018, the GASB issued Statement No. 90 ("GASB 90"), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91 ("GASB 91"), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 ("GASB 92"), *Omnibus 2020*. The objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 ("GASB 93"), *Replacement of Interbank Offered Rates*. The purpose of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of

## Daleville City Board of Education Notes to Financial Statements

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

#### *Pronouncements Issued But Not Yet Effective (continued)*

an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 ("GASB 94"), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96 ("GASB 96"), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97 ("GASB 97"), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board.

## Daleville City Board of Education Notes to Financial Statements

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

#### ***Pronouncements Issued But Not Yet Effective (continued)***

typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (“IRC”) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

The Board is evaluating the requirements of the above statements and the impact on reporting.

### **Note 2: DETAILED NOTES ON ALL FUNDS**

#### ***Deposits and Investments***

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal deposit insurance or by the Security for Alabama Funds Enhancement Program (“SAFE Program”). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14.

Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer’s Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (“FDIC”). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.



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

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

***Accounts Receivable***

Receivables at September 30, 2020 consist of the following:

	General	Child Nutrition Fund	Other Governmental Funds	Total
State Department of Education				
Basic Grant	\$ -	\$ -	\$ 25,215	\$ 25,215
IDEA, Part B	-	-	89,094	89,094
Pre-School Part B - Ages 3-5	-	-	557	557
Title I, Part A	-	-	104,142	104,142
Title I, Part A - School Improvement	-	-	177,048	177,048
Title III, English Lang. Acq., Lang. Enhance. & Acad.	-	-	12,178	12,178
Title IV, Student Support and Academic Achievement	-	-	45,836	45,836
Title V, Part A of the Higher Education Act	-	-	7,321	7,321
COVID Relief and CARES Act	-	-	151,317	151,317
School Lunch Program	-	63,958	-	63,958
Dale County Rev. Commissioner	337,389	-	-	337,389
City of Daleville	69,063	-	-	69,063
Dale County Board of Education	102,252	-	-	102,252
Other	43,606	-	2,276	45,882
<b>Total receivables</b>	<b>\$ 552,310</b>	<b>\$ 63,958</b>	<b>\$ 614,984</b>	<b>\$ 1,231,252</b>

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

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

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

**Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 912,578	\$ -	\$ -	\$ 912,578
Construction in progress	-	123,435	-	123,435
Capital assets, not being depreciated	912,578	123,435	-	1,036,013
Capital assets, being depreciated				
Exhaustible land Improvements	945,156	96,069	-	1,041,225
Buildings	11,533,360	-	41,943	11,491,417
Building improvements	6,019,607	-	(41,943)	6,061,550
Furniture and equipment	552,926	-	-	552,926
Vehicles	1,470,789	87,285	-	1,558,074
Total capital assets being depreciated	20,521,838	183,354	-	20,705,192
Less accumulated depreciation for				
Exhaustible land improvements	610,884	32,376	-	643,260
Buildings	5,040,904	207,690	-	5,248,594
Building improvements	4,374,489	189,598	-	4,564,087
Furniture and equipment	454,141	2,763	-	456,904
Vehicles	746,939	93,855	-	840,794
Total accumulated depreciation	11,227,357	526,282	-	11,753,639
Total capital assets being depreciated, net	9,294,481	(342,928)	-	8,951,553
Governmental activities capital assets, net	\$ 10,207,059	\$ (219,493)	\$ -	\$ 9,987,566
Depreciation expense was charged to governmental functions as follows				
Instructional services				\$ 344,305
Instructional support services				18,654
Operation and maintenance services				8,244
Student transportation services				130,036
Food services				15,738
General and administrative				9,305
Total governmental activities depreciation expense				\$ 526,282

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

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

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

During the year ended September 30, 2020, the following changes occurred in long-term liabilities reported in the statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Warrants Payable					
Limited Obligation School					
Warrant Series 2009	\$ 110,000	\$ -	\$ (55,000)	\$ 55,000	\$ -
School Refunding					
Warrant Series 2013	1,515,000	-	(175,000)	1,340,000	175,000
School Refunding					
Warrant Series 2015	5,725,000	-	(50,000)	5,675,000	100,000
School Warrant					
Series 2015-A	155,000	-	-	155,000	-
Unamortized					
bond discounts	(79,135)	-	7,891	(71,244)	(7,340)
<b>Total warrants payable</b>	<b>7,425,865</b>	<b>-</b>	<b>(272,109)</b>	<b>7,153,756</b>	<b>267,660</b>
Other liabilities					
Capital leases					
Buses	619,817	-	(59,413)	560,404	61,582
TAC Equipment	149,980	-	(25,970)	124,010	27,427
<b>Total other liabilities</b>	<b>769,797</b>	<b>-</b>	<b>(85,383)</b>	<b>684,414</b>	<b>89,009</b>
<b>Total long-term liabilities</b>	<b>\$ 8,195,662</b>	<b>\$ -</b>	<b>\$ (357,492)</b>	<b>\$ 7,838,170</b>	<b>\$ 356,669</b>

***Limited Obligation School Warrant Series 2009***

On April 1, 2009, the City of Daleville, on behalf of the Board, issued \$5,345,000 of Limited Obligation School Warrants Series 2009 with interest rates ranging between 3.25% and 5.00% to purchase land, construct a gymnasium, and construct or renovate various other facilities. The net proceeds of \$4,989,259 (after a bond discount of \$110,770 and issuance, underwriting and insurance cost of \$244,791) were deposited into the capital project fund for the new buildings. As described below, a portion of the Limited Obligation School Warrants Series 2009 was refunded with the Board's issuance of School Refunding Warrant Series 2015.

Annual debt service requirements to maturity for the Limited Obligation School Warrant Series 2009 are as follows:

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

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

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

***Limited Obligation School Warrant Series 2009 (continued)***

<i>Year Ending September 30,</i>	Principal		Interest	
2021	\$	-	\$	2,200
2022		55,000		1,100
	\$	55,000	\$	3,300

***School Refunding Warrant Series 2013***

On October 1, 2013, the Board issued \$2,350,000 of School Refunding Warrant Series 2013, with interest rates ranging between 1.00% and 3.40% to refund and retire, on an advanced basis, the Limited Obligation School Warrants, Series 2004, dated January 1, 2004, finance certain capital improvements, and pay the expenses of issuing the Series 2013 Warrants. The Limited Obligation School Warrant Series 2004, with an average interest rate of 4.399%, was issued by the Board to advance refund \$230,000 of Capital Outlay Tax Anticipation Warrants Series 1986 with an average interest rate of 7.50%, to advance refund \$1,115,000 of Capital Outlay Tax Anticipation Warrants Series 1995 with an average interest rate of 5.65%, and to construct a new band building and a new physical education building. The net proceeds of \$2,253,430 (after a bond discount of \$18,820 and issuance, underwriting and insurance cost of \$77,750) were used to deposit \$133,764 into the capital project fund for capital improvements and to deposit \$2,119,666 in irrevocable trusts with escrow agents to provide for all future debt service payments on the Series 2004 Warrants. As a result, the Series 2004 Warrants are considered to be defeased and the liabilities for those warrants have been removed from the financial statements.

As a result of the refunding of the School Refunding Warrant Series 2013, the Board has recorded a deferred outflow of resources of \$37,430 in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants. The unamortized portion of these costs as of September 30, 2020 was \$7,401.

Annual debt service requirements to maturity for the School Refunding Warrant Series 2013 are payable as follows:

<i>Year Ending September 30,</i>	Principal		Interest	
2021	\$	175,000	\$	37,109
2022		180,000		32,890
2023		185,000		28,050
2024		190,000		22,705
2025		195,000		16,928
2026-2027		415,000		14,093
	\$	1,340,000	\$	151,775

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

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

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

***School Refunding Warrant Series 2015***

On January 1, 2015, the Board issued \$5,905,000 of School Refunding Warrant Series 2015, with interest rates ranging between 1.00% and 3.75% to refund and retire, on an advanced basis, a portion of the Limited Obligation School Warrants Series 2009, dated April 1, 2009, and pay the expenses of issuing the Series 2015 Warrants. The net proceeds of \$5,638,219 (after a bond discount of \$103,097 and issuance, underwriting and insurance cost of \$163,684) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Series 2009 Warrants. As a result, the Refunded Series 2009 Warrants are considered to be defeased and the liabilities for those warrants have been removed from the financial statements.

As a result of the refunding of the School Refunding Warrant Series 2015, the Board has recorded deferred outflow of resources of \$689,639 in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants. The unamortized portion of these costs as of September 30, 2020 was \$448,589.

Annual debt service requirements to maturity for the School Refunding Warrant Series 2015 are payable as follows:

<i>Year Ending September 30,</i>	Principal	Interest
2021	\$ 100,000	\$ 187,106
2022	50,000	185,706
2023	105,000	184,001
2024	115,000	181,466
2025	115,000	178,706
2026-2030	1,295,000	812,845
2031-2035	2,020,000	528,132
2036-2039	1,875,000	143,719
	<b>\$ 5,675,000</b>	<b>\$ 2,401,681</b>

***School Warrant Series 2015-A***

On May 1, 2015, the Board issued \$155,000 of School Warrant Series 2015-A, with an interest rate of 4.00% to renovate classrooms at Daleville High School and pay the expenses of issuing the Series 2015-A Warrants. The net proceeds of \$150,294 (after a bond discount of \$4,706) were deposited into the capital projects funds for classroom renovations.

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

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

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

***School Warrant Series 2015-A (continued)***

Annual debt service requirements to maturity for the School Warrant Series 2015-A are payable as follows:

<i>Year Ending September 30,</i>	<i>Principal</i>		<i>Interest</i>	
2021	\$	-	\$	6,200
2022		-		6,200
2023		-		6,200
2024		-		6,200
2025		-		6,200
2026-2030		-		31,000
2031-2035		-		31,000
2036-2039		155,000		21,700
	\$	155,000	\$	114,700

The Non-Refunded Series 2009 Warrants and titles to new buildings are in the name of the City of Daleville. The Board has a lease arrangement with the City of Daleville for lease payments equal to the debt service requirements of the warrants, and a bargain purchase arrangement to buy the buildings for \$100 when the warrants are paid. The warrants and fixed assets are treated as liabilities and assets of the Board on these financial statements.

The Series 2013, Series 2015, Series 2015-A, and Non-Refunded Series 2009 Warrants are payable, as to both principal and interest, out of the proceeds of sales tax levied by Dale County and the City of Daleville.

***Capital Leases***

The Board has entered into a lease agreement as lessee for financing the acquisition of eight school buses. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of buses equals the net present value of lease payments, and the Board has a nominal purchase option at the end of the lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

The Board has entered into a lease agreement as lessee for financing the acquisition of Energy Saving TAC equipment. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of equipment equals the net present value of lease payments, and the Board has a nominal purchase option at the end of the lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

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

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

***Capital Leases (continued)***

The following is an analysis of equipment under a capital lease as of September 30, 2020:

		Capital Assets
Eight 2018 school buses (net of accumulated depreciation of \$183,944)	\$	497,291
Energy Saving TAC equipment (net of accumulated depreciation of \$342,611)		228,408
Total	\$	725,699

The following is a schedule of the total lease service on the Board's capital lease obligations:

<i>Year Ending September 30,</i>	Principal	Interest
2021	\$ 89,009	\$ 27,146
2022	92,795	23,360
2023	96,750	19,405
2024	105,601	15,274
2025	71,077	10,959
2026-2028	229,182	16,930
	\$ 684,414	\$ 113,074

In prior years, the Board defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. At September 30, 2020, \$5,090,000 of bonds outstanding are considered defeased.

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

Due to/from other funds at September 30, 2020 consisted of the following amounts:

Receivable Fund	Payable Fund	Amount
Child Nutrition	General	\$ 9,366
Nonmajor governmental	Child Nutrition	5,174
General	Child Nutrition	9,147
		\$ 23,687

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

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

***Interfund Receivables, Payables and Transfers (continued)***

Amounts due are for reimbursement of expenses.

Interfund transfers consisted of the following for the year ended September 30, 2020:

Transfers Out	Transfers In				Total
	General	Child Nutrition	Debt Service	Nonmajor Governmental	
General	\$ -	\$ 61,481	\$ 510,434	\$ -	\$ 571,915
Nonmajor governmental	2,983	-	-	29,060	32,043
	<u>\$ 2,983</u>	<u>\$ 61,481</u>	<u>\$ 510,434</u>	<u>\$ 29,060</u>	<u>\$ 603,958</u>

Interfund transfers are for debt service and to meet the operational needs of the Board.

**Note 3: RETIREMENT PLAN**

***Description of Plan***

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

***Funding Requirements***

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



## Daleville City Board of Education Notes to Financial Statements

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

#### ***Funding Requirements (continued)***

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, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% 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 \$716,415 for the year ended September 30, 2020.

#### ***Plan Membership and Benefits***

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit.

Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the TRS Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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

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

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

At September 30, 2020, the Board reported a liability of \$8,835,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of

September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the System's proportion was 0.079908%, which was a decrease of 0.000652% from its proportion measured as of September 30, 2018.

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return (net of pension plan investment expense)	7.70%

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females 78 and older.

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

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

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

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

	Long-Term Target Allocation	Expected Rate of Return*
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\* Includes assumed rate of inflation of 2.50%

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.

***Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions***

For the year ended September 30, 2020, the Board recognized pension expense of \$726,197. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 131,000	\$ 293,000
Changes of assumptions	272,000	-
Net difference between projected and actual earnings on pension plan investments	308,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,000	359,000
Employer contributions subsequent to the measurement date	716,415	-
<b>Total</b>	<b>\$ 1,484,415</b>	<b>\$ 652,000</b>

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

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

***Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions (continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension's expense as follows:

*Year Ended September 30,*

2021	\$	559,415
2022		(73,000)
2023		168,000
2024		183,000
2025		(5,000)
Thereafter		-

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 11,995,000	\$ 8,835,000	\$ 6,162,000

***Pension Plan Financial Statements***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

## Daleville City Board of Education Notes to Financial Statements

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

#### ***Description of Plan***

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 ("PEEHIP Board") to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan ("PEEHIP"). In accordance with GASB, the Trust is considered a component unit of the State of Alabama ("State") and is included in the State's Comprehensive Annual Financial Report.

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

#### ***Benefits Provided***

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

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

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer.

## Daleville City Board of Education Notes to Financial Statements

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

#### ***Benefits Provided (continued)***

The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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").

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. 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.

#### ***Contributions***

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

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

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

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

***Contributions (continued)***

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

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

At September 30, 2020, the Board reported a liability of \$3,966,198 for its proportionate share of the net OPEB liability. The net OPEB liability measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the Board's proportion was 0.105127%, which was an increase of 0.005324% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the System recognized OPEB expense of (\$338,485), with no special funding situations. At September 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 131,324	\$ 3,041,109
Changes of assumptions	189,608	1,642,822
Net difference between projected and actual earnings on OPEB plan investments	8,182	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	504,651	383,367
Employer contributions subsequent to the measurement date	191,718	-
<b>Total</b>	<b>\$ 1,025,483</b>	<b>\$ 5,067,298</b>

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

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

***OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued)***

\$191,718 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, 2021.

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

*Year Ended September 30,*

2021	\$	(907,069)
2022		(907,069)
2023		(896,676)
2024		(682,151)
2025		(715,492)
Thereafter		(125,076)

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

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		3.00%
Municipal Bond Index rate at the prior measurement date		4.18%
Projected year for fiduciary net position (“FNP”) to be depleted		2055
Singe equivalent interest rate the measurement date		5.50%
Singe equivalent interest rate the prior measurement date		4.44%
Healthcare cost trend rate		
Pre-Medicare eligible		6.75%
Medicare eligible		**
Ultimate trend rate		
Pre-Medicare eligible		4.75% in 2026
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

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



## Daleville City Board of Education Notes to Financial Statements

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

#### *OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued)*

Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated claims costs, and updated participation assumptions were used in this report.

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.

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

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

***OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued)***

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	30.00%	4.40%
U.S. large stocks	38.00%	8.00%
U.S. mid stocks	8.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	15.00%	9.50%
Cash	5.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\*Geometric mean, includes 2.5% inflation

***Discount Rate***

The discount rate (also known as the Single Equivalent Interest Rate (“SEIR”), as described by GASB 74) used to measure the total OPEB liability at September 30, 2019 was 5.50%.

The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. 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, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. 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 2117. The long term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

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

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

***Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

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

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare eligible)
Net OPEB liability	\$ 3,180,177	\$ 3,966,198	\$ 4,956,155

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 4,794,069	\$ 3,966,198	\$ 3,290,100

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 5: RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund ("SIF"), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence. The SIF purchases commercial insurance for claims, which in the aggregate exceed \$3.5 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools ("ARMS"), a public entity risk pool. ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for vehicle liability and fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

## **Daleville City Board of Education Notes to Financial Statements**

### **Note 5: RISK MANAGEMENT (Continued)**

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund ("PEEHIF") administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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

### **Note 6: COMMITMENTS AND CONTINGENCIES**

During the ordinary course of its operation, the Board is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Board, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Board or results of activities.

The Board had no open construction commitments at September 30, 2020.

**Daleville City Board of Education  
Required Supplementary Information  
Schedule of the Employer's Proportionate Share of the Net Pension Liability  
Teacher's Retirement System of Alabama**

<i>As of September 30,</i>	<b>2020</b>	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	<b>0.079908%</b>	0.080560%	0.079647%	0.083729%	0.088792%	0.091323%
Employer's proportionate share of the collective net pension liability	<b>\$ 8,835,000</b>	\$ 8,010,000	\$ 7,828,000	\$ 9,064,000	\$ 9,293,000	\$ 8,296,000
Employer's covered payroll	<b>\$ 5,724,456</b>	\$ 5,390,756	\$ 5,287,698	\$ 5,338,874	\$ 5,626,038	\$ 5,796,024
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	<b>154.34%</b>	148.59%	148.04%	169.77%	165.18%	143.13%
Plan fiduciary net position as a percentage of the total pension liability	<b>69.85%</b>	72.29%	71.50%	67.93%	67.51%	71.01%

\* Employer's covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For FY 2020, the measurement period is October 1, 2018 through September 30, 2019.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**Daleville City Board of Education  
Required Supplementary Information  
Schedule of Employer Contributions  
Teacher's Retirement System of Alabama**

<i>For the year ended September 30,</i>	<b>2020</b>	2019	2018	2017	2016	2015
Contractually required contribution**	\$ 716,415	\$ 694,197	\$ 646,693	\$ 623,458	\$ 629,458	\$ 655,209
Contributions in relation to the actuarially determined contribution	<b>716,415</b>	694,197	646,693	623,458	629,458	655,209
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll*	<b>\$ 6,508,939</b>	\$ 5,724,456	\$ 5,390,756	\$ 5,287,698	\$ 5,338,874	\$ 5,626,038
Contributions as a percentage of covered payroll	<b>11.01%</b>	12.13%	12.00%	11.79%	11.79%	11.65%

\* Employer's covered payroll is the total payroll on which contributions to the pension plan are based for those employees who are participating in the pension plan.

\*\* The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the TRS, this would not include amounts paid to TRS for the Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid to TRS for the Employer's portion of the Normal Cost and Accrued Liability.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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

<i>As of September 30,</i>	<b>2020</b>	2019	2018
Employer's proportion of the net OPEB liability	<b>0.105127%</b>	0.099803%	0.097563%
Employer's proportionate share of the collective net OPEB liability	<b>\$ 3,966,198</b>	\$ 8,202,536	\$ 7,246,422
Employer's covered payroll during the measurement period*	<b>\$ 5,724,456</b>	\$ 5,390,756	\$ 5,287,698
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	<b>69.29%</b>	152.16%	137.04%
Plan fiduciary net position as a percentage of the total collective OPEB liability	<b>28.14%</b>	14.81%	15.37%

\*Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020, the measurement period is October 1, 2018 through September 30, 2019.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**Daleville City Board of Education  
Required Supplementary Information  
Schedule of Employer Contributions – OPEB  
Alabama Retired Education Employees’ Health Care Trust**

<i>For the year ended September 30,</i>	<b>2020</b>	2019	2018
Contractually required contribution	\$ 191,718	\$ 300,502	\$ 247,196
Contributions in relation to the actuarially determined contribution	<b>191,718</b>	300,502	247,196
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll*	\$ 6,508,939	\$ 5,724,456	\$ 5,390,756
Contributions as a percentage of covered payroll	<b>2.95%</b>	5.25%	4.59%

\*Employer’s covered payroll is the total payroll of those employees who are participating in the plan.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*Changes in actuarial assumptions.* In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience. In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

*Recent Plan Changes.* Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan. The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions were calculated as of September 30, 2016, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%

(Continued)



**Daleville City Board of Education  
Required Supplementary Information  
Schedule of Employer Contributions – OPEB (Continued)  
Alabama Retired Education Employees' Health Care Trust**

Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation



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

Members of the Board  
Daleville City Board of Education  
Daleville, 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, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and the Child Nutrition Program of the Daleville City Board of Education (the "Board") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 17, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to the Board's management in a separate letter dated August 17, 2021.

### **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.

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

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

Enterprise, Alabama  
August 17, 2021



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

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

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

We have audited Daleville City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Board's major federal programs for the year ended September 30, 2020. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

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

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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

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

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

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

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

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

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

Enterprise, Alabama  
August 17, 2021

**Daleville City Board of Education  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>Social Security Administration</b>				
Passed through State Department of Education Disability Insurance/SSI Cluster				
Social Security - Disability Insurance	96.001	126	\$ -	\$ 80
<b>U.S. Department of Education</b>				
Direct Program				
Impact Aid	84.041	N/A	-	90,929
Passed through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	126	-	761,020
Improving Teacher Quality State Grants	84.367	126	-	18,853
English Language Acquisition State Grants	84.365B	126	-	15,882
Rural Education	84.358B	126	-	17,239
Career and Technical Education - Basic Grants to States	84.048	126	-	27,163
Student Support and Academic Enrichment Program	84.424A	126	-	49,682
COVID-19 - Education Stabilization Fund - CARES Act ESSER	84.425D	126	-	40,932
Subtotal			-	930,771
Special Education Cluster				
Special Education Grants to States	84.027	126	-	308,476
Special Education Preschool Grants	84.173	126	-	5,180
Subtotal Special Education Cluster (IDEA)			-	313,656
Total U.S. Department of Education			-	1,335,356

(Continued)

*See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.*

**Daleville City Board of Education  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
Child Nutrition Cluster				
School Breakfast Program (SBP)	10.553	126	-	99,607
National School Lunch Program*	10.555	126	-	37,030
National School Lunch Program	10.555	126	-	286,594
Subtotal Child Nutrition Cluster				423,231
State Administrative Expenses for Child Nutrition	10.560	126	-	2,017
Fresh Fruit and Vegetable Program*	10.582	126	-	26,391
Total U.S. Department of Agriculture				451,639
<b>U.S. Department of Treasury</b>				
Passed through State Department of Education				
COVID-19 - Coronavirus Relief Fund	21.019	126	-	74,088
<b>U.S. Department of Defense</b>				
Direct Programs				
ROTC Language and Culture Training Grants	12.357	N/A	-	66,195
Total expenditures of federal awards			\$ -	\$ 1,927,358

\*National School Lunch Program and Fresh Fruit and Vegetable Program - No actual cash transactions.

*See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.*

**Daleville City Board of Education**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

**Note 1: BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed in the schedule of expenditures of federal awards (the "SEFA" or the "Schedule"). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Board has obtained Catalog of Federal Domestic Assistance ("CFDA") numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are separately identified in the SEFA and are the following:

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

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

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



**Daleville City Board of Education  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020**

**Note 2: INDIRECT COSTS**

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

**Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

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

- The Board's fiscal year end may differ from the program's year-end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports.

**Note 4: FEDERAL PASS-THROUGH FUNDS**

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

**Note 5: SCHOOL-WIDE PROGRAM**

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

**Note 6: CONTINGENCIES**

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of August 17, 2021, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**Daleville City Board of Education  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020**

**Note 7: DONATED FOOD PROGRAM**

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$63,421 for fiscal year 2020.

**Note 8: LOANS AND LOAN GUARANTEES**

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ending September 30, 2020.

**Note 9: SUBRECIPIENTS**

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2020.

**Daleville City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2020**

**Section I: Summary of Auditors' Results**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued   | Unmodified    |
| 2. Internal control over financial reporting:                                    |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted?                     | No            |

**Federal Awards**

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major programs  | Unmodified    |
| 2. Internal control over major programs:   |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?                             | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No            |

4. Identification of major programs

CFDA Number	Federal Program
10.553 and 10.555	Child Nutrition Cluster

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520                        | Yes       |

**Section II: Financial Statements Findings**

No such findings in the current year.

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

No such findings in the current year.