



# Alabama Department of Examiners of Public Accounts

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

October 1, 2021 through September 30, 2022

Filed: October 13, 2023

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ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

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

Dear Madam:

An audit was conducted on the Escambia County Board of Education, Escambia County, Alabama, for the period October 1, 2021 through September 30, 2022, by Examiners David A. Quick and Miranda J. Taylor. I, David A. Quick, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

David A. Quick  
Examiner of Public Accounts

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## Department of **Examiners of Public Accounts**

### **SUMMARY**

#### **Escambia County Board of Education October 1, 2021 through September 30, 2022**

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

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

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2022.

### **AUDIT FINDINGS**

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

- ◆ 2022-001: The Board failed to publish financial information in a timely manner in accordance with the *Code of Alabama 1975*, Section 16-8-37.

A problem was found with the Board's internal controls over financial reporting and/or its internal controls over compliance for its federal assistance programs (Exhibit 17) and it is summarized below:

- ◆ 2022-002: The Board failed to properly reconcile the General bank account.

**EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Michele McClung; Chief School Financial Officer Rochelle Richardson; Former Chief School Financial Officer Julie Madden; and Board Members Danny Benjamin, Cindy Jackson, Sherry Digmon, Mike Edwards, Coleman Wallace and Loumeek White. Also in attendance were representatives from the Department of Examiners of Public Accounts Ashli Page, Assistant Director of County Division; Cindy Wilson, Audit Manager; and David Quick, Examiner.

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*Schedule of State and Local  
Compliance and Other Findings*

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

### ***October 1, 2021 through September 30, 2022***

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Ref. No.	Finding/Noncompliance
2022-001	<p><b><u>Finding:</u></b></p> <p>The <i>Code of Alabama 1975</i>, Section 16-8-37, requires the county board of education to publish in the county newspaper a complete statement of receipts by source and disbursements by function for the fiscal year and a statement of outstanding indebtedness at fiscal year-end annually during the month of October. The Board did not publish the statement of receipts by source and disbursements by function or the statement of outstanding indebtedness for the fiscal year ended 2022 until June 28, 2023. The Chief School Financial Officer did not publish the financial information in October 2022. The Board failed to publish financial information timely in accordance with the <i>Code of Alabama 1975</i>, Section 16-8-37.</p> <p><b><u>Recommendation:</u></b></p> <p>The Board should publish a complete statement of receipts by source and disbursements by function and a statement of outstanding indebtedness at fiscal year-end annually during the month of October as required by the <i>Code of Alabama 1975</i>, Section 16-8-37.</p>

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

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

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

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Escambia County Board of Education, as of and for the year ended September 30, 2022, and related notes to the financial statements, which collectively comprise the Escambia County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Escambia County Board of Education, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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



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

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

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

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

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

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

### **Required Supplementary Information**

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

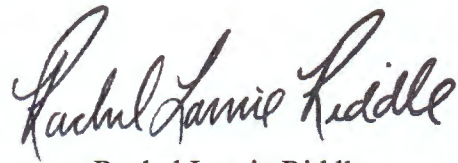
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated September 25, 2023, on our consideration of the Escambia County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Escambia County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the Escambia County Board of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Rachel Laurie Riddle". The signature is written in a cursive, flowing style.

Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 25, 2023

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# *Basic Financial Statements*

# ***Statement of Net Position*** ***September 30, 2022***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 11,669,988.65
Cash with Fiscal Agent	940,345.38
Investments	4,589,668.89
Ad Valorem Property Taxes Receivable	5,800,000.00
Receivables (Note 4)	8,937,581.93
Inventories	155,224.94
Capital Assets (Note 5):	
Nondepreciable	1,308,916.16
Depreciable, Net	40,417,291.51
Total Assets	<u>73,819,017.46</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	1,321,469.02
Employer Pension Contribution	3,157,289.19
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	4,897,000.00
Employer Other Postemployment Benefit (OPEB) Contribution	928,099.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	9,290,006.00
Total Deferred Outflows of Resources	<u>19,593,863.21</u>
<b><u>Liabilities</u></b>	
Accounts Payable	5,300.63
Salaries and Benefits Payable	4,050,031.90
Accrued Interest Payable	148,227.84
Long-Term Liabilities (Note 8):	
Portion Payable Within One Year	1,205,679.37
Portion Payable After One Year	75,972,507.15
Total Liabilities	<u>81,381,746.89</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	5,800,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	12,698,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	21,645,578.00
Total Deferred Inflows of Resources	<u>\$ 40,143,578.00</u>

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

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	<b>Governmental Activities</b>
<hr/>	
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 21,003,610.03
Restricted for:	
Debt Service	792,117.54
Capital Projects	1,052,979.72
Child Nutrition	732,998.94
Other Purposes	1,419,491.20
Unrestricted	<u>(53,113,641.65)</u>
Total Net Position	<u><u>\$ (28,112,444.22)</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<b>Governmental Activities</b>						
Instruction	\$ 25,666,588.66	\$ 600,547.97	\$ 21,280,977.61	\$ 660,539.25	\$	(3,124,523.83)
Instructional Support	9,563,007.60	393,420.81	7,174,929.83			(1,994,656.96)
Operation and Maintenance	6,306,362.97	171,843.34	3,906,076.39	471,171.75		(1,757,271.49)
Auxiliary Services:						
Student Transportation	4,470,317.90	26,375.12	4,412,644.95	583,737.00		552,439.17
Food Service	4,458,661.94	3,514,543.49	413,637.15			(530,481.30)
General Administration and Central Support	3,143,104.47	50,908.78	1,230,588.50	41,593.00		(1,820,014.19)
Interest on Long-Term Debt	535,082.74					(535,082.74)
Other	1,261,670.50	264,199.30	1,091,785.40			94,314.20
Total Governmental Activities	<u>\$ 55,404,796.78</u>	<u>\$ 5,021,838.81</u>	<u>\$ 39,510,639.83</u>	<u>\$ 1,757,041.00</u>		<u>(9,115,277.14)</u>
<b>General Revenues:</b>						
Taxes:						
Property Taxes for General Purposes						6,972,134.26
Sales and Use Taxes for General Purposes						3,757,569.60
Alcohol Beverage Tax						71,781.99
Miscellaneous Taxes						306,003.91
Grants and Contributions Not Restricted for Specific Programs						61,655.19
Investment Earnings						221,780.92
Gain on Disposition of Capital Assets						35,939.10
Miscellaneous						9,476,692.66
Total General Revenues						<u>20,903,557.63</u>
Changes in Net Position						11,788,280.49
Net Position - Beginning of Year						<u>(39,900,724.71)</u>
Net Position - End of Year					\$	<u>(28,112,444.22)</u>

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



***Balance Sheet***  
***Governmental Funds***  
***September 30, 2022***

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 6,870,973.07	\$ 1,461,963.00	\$ 3,337,052.58	\$ 11,669,988.65
Cash with Fiscal Agent			940,345.38	940,345.38
Investments	4,490,663.71	99,005.18		4,589,668.89
Ad Valorem Property Taxes Receivable	5,800,000.00			5,800,000.00
Receivables (Note 4)	276,724.99	8,660,856.94		8,937,581.93
Interfund Receivables	8,287,989.24	327,234.06		8,615,223.30
Inventories		155,224.94		155,224.94
Total Assets	25,726,351.01	10,704,284.12	4,277,397.96	40,708,033.09
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	5,300.63			5,300.63
Interfund Payables	327,234.06	8,287,989.24		8,615,223.30
Salaries and Benefits Payable	3,865,276.78	184,755.12		4,050,031.90
Total Liabilities	4,197,811.47	8,472,744.36		12,670,555.83
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable Revenues - Property Taxes	5,800,000.00			5,800,000.00
Total Deferred Inflows of Resources	5,800,000.00			5,800,000.00
<b><u>Fund Balances</u></b>				
Nonspendable:				
Inventories		155,224.94		155,224.94
Restricted for:				
Debt Service			940,345.38	940,345.38
Capital Projects	55,434.00		3,337,052.58	3,392,486.58
Child Nutrition Program		577,774.00		577,774.00
Other Purposes	1,386,300.27	33,190.93		1,419,491.20
Assigned to:				
Local Schools		1,465,349.89		1,465,349.89
Unassigned	14,286,805.27			14,286,805.27
Total Fund Balances	15,728,539.54	2,231,539.76	4,277,397.96	22,237,477.26
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 25,726,351.01	\$ 10,704,284.12	\$ 4,277,397.96	\$ 40,708,033.09

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

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2022***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 22,237,477.26

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

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

Cost of Assets	\$ 86,997,994.10	
Less: Accumulated Depreciation	<u>(45,271,786.43)</u>	41,726,207.67

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. 1,321,469.02

Deferred outflows and inflows of resources related to pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds. (4,643,710.81)

Deferred outflows and inflows of resources related to other postemployment benefits  
(OPEB) are applicable to future periods and, therefore, are not reported in the  
governmental funds. (11,427,473.00)

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

Current Portion of Long-Term Debt	\$ 1,205,679.37	
Noncurrent Portion of Long-Term Debt	<u>75,972,507.15</u>	(77,178,186.52)

Interest on long-term debt is not accrued in the funds but rather is recognized as an  
expenditure when due. (148,227.84)

Total Net Position - Governmental Activities (Exhibit 1) \$ (28,112,444.22)

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2022**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State	\$ 29,684,302.25	\$	\$ 1,754,052.00	\$ 31,438,354.25
Federal	156,436.87	13,047,726.12		13,204,162.99
Local	11,961,672.79	1,947,272.84	2,065.96	13,911,011.59
Other	7,006,426.44	52,918.82		7,059,345.26
Total Revenues	48,808,838.35	15,047,917.78	1,756,117.96	65,612,874.09
<b>Expenditures</b>				
Current:				
Instruction	21,545,227.09	4,944,312.07		26,489,539.16
Instructional Support	7,051,332.93	3,159,272.64		10,210,605.57
Operation and Maintenance	5,637,923.39	501,777.17	492,515.80	6,632,216.36
Auxiliary Services:				
Student Transportation	3,829,344.31	1,170,928.81		5,000,273.12
Food Service		3,967,003.21		3,967,003.21
General Administration and Central Support	2,936,689.83	448,542.50	41,593.00	3,426,825.33
Other	806,848.37	632,261.30		1,439,109.67
Capital Outlay	475,181.71	23,540.00		498,721.71
Debt Service:				
Principal Retirement	540,000.00		635,652.03	1,175,652.03
Interest and Fiscal Charges	232,296.00		245,854.26	478,150.26
Total Expenditures	43,054,843.63	14,847,637.70	1,415,615.09	59,318,096.42
Excess (Deficiency) of Revenues Over Expenditures	5,753,994.72	200,280.08	340,502.87	6,294,777.67
<b>Other Financing Sources (Uses)</b>				
Indirect Cost	132,559.18			132,559.18
Transfers In	85,874.82	11,724.86		97,599.68
Other Financing Sources	1,544,264.08			1,544,264.08
Sale of Capital Assets	37,459.40			37,459.40
Transfers Out	(11,724.86)	(85,874.82)		(97,599.68)
Total Other Financing Sources (Uses)	1,788,432.62	(74,149.96)		1,714,282.66
Net Changes in Fund Balances	7,542,427.34	126,130.12	340,502.87	8,009,060.33
Fund Balances - Beginning of Year	8,186,112.20	2,105,409.64	3,936,895.09	14,228,416.93
Fund Balances - End of Year	\$ 15,728,539.54	\$ 2,231,539.76	\$ 4,277,397.96	\$ 22,237,477.26

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

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***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2022***

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Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 8,009,060.33

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$498,721.71) differed from depreciation (\$2,439,969.65) in the current period. (1,941,247.94)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,175,652.03

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

Proceeds from Sale of Capital Assets	\$ (37,459.40)	
Gain on Disposition of Capital Assets	<u>35,939.10</u>	(1,520.30)

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

Net Change in Accrued Interest Payable	\$ (8,594.91)	
Net Change in Amortization of Deferred Amounts on Refunding	65,527.39	
Net Change in Pension Expense	(1,583,157.85)	
Net Change in Other Postemployment Benefits Expense	<u>(3,020,111.00)</u>	
		<u>4,546,336.37</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 11,788,280.49

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

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

### ***For the Year Ended September 30, 2022***

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

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

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

#### **Fund Financial Statements**

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

The Board reports the following major governmental funds:

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

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

#### **Governmental Fund Types**

- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. This includes allocations received from the Alabama Department of Education which are restricted as well as proceeds from the 2021 Tax Anticipation Taxable Warrants.

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

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

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

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

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

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

### ***For the Year Ended September 30, 2022***

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

##### **1. Deposits and Investments**

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

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

##### **2. Receivables**

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

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

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

##### **3. Inventories**

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



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

### ***For the Year Ended September 30, 2022***

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#### **4. Restricted Assets**

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

#### **5. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ 1	N/A
Land Improvements	\$50,000	10 years
Buildings	\$50,000	10 – 50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years

#### **6. Deferred Outflows of Resources**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **7. Long-Term Obligations**

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

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

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

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

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

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

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

#### **E. Pensions**

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

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

### ***For the Year Ended September 30, 2022***

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

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

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

##### **Budgets**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Note 3 – Deposits and Investments**

##### **A. Deposits**

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

All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

##### **B. Cash with Fiscal Agent**

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

The Board reports cash with fiscal agent on its balance sheet. As of September 30, 2022, the Board had the following cash with fiscal agent:

Investment	Maturity	Amortized Cost
Regions Trust Cash Sweep (money market accounts)	N/A	\$940,345.38
Total		<u>\$940,345.38</u>
N/A = Not Applicable		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-funded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Board invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investor Services, Inc. The Board does not have a formal investment policy requiring investments to be rated in the highest rating category. Ratings from the Regions Trust Cash Sweep were not available.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have an investment policy that limits the amount of securities that can be held by counterparties. The Board's deposits are held by the counterparty but not in the name of the Board.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Board does not have a formal investment policy that places limits on the amount the Board may invest in any one issuer.

#### **Note 4 – Receivables**

On September 30, 2022, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
<b><u>Receivables:</u></b>			
Accounts	\$276,724.99	\$ 8,299.40	\$ 285,024.39
Intergovernmental		8,652,557.54	8,652,557.54
Total Receivables	<u>\$276,724.99</u>	<u>\$8,660,856.94</u>	<u>\$8,937,581.93</u>

# Notes to the Financial Statements

## For the Year Ended September 30, 2022

### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/01/2021	Additions	Retirements	Balance 09/30/2022
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 945,187.39	\$ 177,514.67	\$	\$ 1,122,702.06
Land Improvements (Inexhaustible)	163,114.10			163,114.10
Construction in Progress	23,100.00			23,100.00
Total Capital Assets, Not Being Depreciated	1,131,401.49	177,514.67		1,308,916.16
Capital Assets, Being Depreciated:				
Land Improvements (Exhaustible)	348,269.00	42,359.01		390,628.01
Buildings and Improvements	70,307,094.29	234,618.03		70,541,712.32
Equipment	14,864,537.61	44,230.00	(152,030.00)	14,756,737.61
Total Capital Assets, Being Depreciated	85,519,900.90	321,207.04	(152,030.00)	85,689,077.94
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	(348,269.00)			(348,269.00)
Buildings and Improvements	(32,822,329.12)	(1,598,030.65)		(34,420,359.77)
Equipment	(9,811,728.36)	(841,939.00)	150,509.70	(10,503,157.66)
Total Accumulated Depreciation	(42,982,326.48)	(2,439,969.65)	150,509.70	(45,271,786.43)
Total Capital Assets, Being Depreciated, Net	42,537,574.42	(2,118,762.61)	(1,520.30)	40,417,291.51
Total Governmental Activities Capital Assets, Net	\$ 43,668,975.91	\$ (1,941,247.94)	\$ (1,520.30)	\$ 41,726,207.67

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$1,646,491.83
Instructional Support	111,034.68
Auxiliary Services:	
Food Service	107,356.82
Student Transportation	575,086.32
Total Depreciation Expense – Governmental Activities	<u>\$2,439,969.65</u>

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

### ***For the Year Ended September 30, 2022***

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

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

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, pursuant to the ***Code of Alabama 1975***, Section 16-25-1 through Section 16-25-34 (Act Number 419, Acts of Alabama 1939), for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits, equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30<sup>th</sup>, are paid to a qualified beneficiary.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **C. Contributions**

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.43% of annual pay for Tier 1 members and 11.32% 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 \$3,157,289.19 for the year ended September 30, 2022.

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

At September 30, 2022, the Board reported a liability of \$29,962,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Board's proportion was 0.318057%, which was a decrease of 0.030422% from its proportion measured as of September 30, 2020.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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For the year ended September 30, 2022, the Board recognized pension expense of \$1,326,000.00. At September 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,387,000.00	\$ 1,746,000.00
Changes of assumptions	3,145,000.00	
Net difference between projected and actual earnings on pension plan investments		7,072,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	365,000.00	3,880,000.00
Employer contributions subsequent to the measurement date	3,157,289.19	
Total	\$8,054,289.19	\$12,698,000.00

The \$3,157,289.19 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2023	\$(1,484,000.00)
2024	\$(1,382,000.00)
2025	\$(2,316,000.00)
2026	\$(2,619,000.00)
2027	\$ 0.00
Thereafter	\$ 0.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### *E. Actuarial Assumptions*

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of Pension Plan Investment Expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, 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, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with the year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages<63, 96% ages>67; Phasing down 63-67 Female: 112% ages <69 98%> age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disable Retirees	Teacher Disability	Male: +8, Female: +3	None

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.00%		

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

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

### ***For the Year Ended September 30, 2022***

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

The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's Proportionate Share of Collective Net Pension Liability	\$44,101	\$29,962	\$18,053
(Dollar amounts in thousands)			

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

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

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

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

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

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

### ***For the Year Ended September 30, 2022***

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Group Medicare Advantage plan replaced the UHC contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by Humana 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. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

#### **C. Contributions**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

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

At September 30, 2022, the Board reported a liability of \$22,832,613.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the Board's proportion was 0.441909%, which was a decrease of 0.002048% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Board recognized OPEB income of \$2,091,235, with no special funding situations. At September 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 540,220	\$ 7,943,509
Changes of assumptions	8,131,615	8,850,117
Net difference between projected and actual earnings on OPEB plan investments		712,229
Changes in proportion and differences between employer contributions and proportionate share of contributions	618,171	4,139,723
Employer contributions subsequent to the measurement date	928,099	
Total	<u>\$10,218,105</u>	<u>\$21,645,578</u>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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The \$928,099 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, 2023.

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

Year Ending:	
September 30, 2023	\$(4,009,656)
2024	\$(3,211,917)
2025	\$(3,349,595)
2026	\$ (704,150)
2027	\$ (399,659)
Thereafter	\$ (680,595)

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

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

Inflation	2.50%
Projected Salary Increases <sup>(1)</sup>	3.25% - 5.00%
Long-Term Investment Rate of Return <sup>(2)</sup>	7.00%
Municipal Bond Index Rate at the Measurement Date	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate the Measurement Date	3.97%
Single Equivalent Interest Rate the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

(<sup>1</sup>) Includes 2.75% wage inflation.  
(<sup>2</sup>) Compounded annually, net of investment expense, and includes inflation.  
(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning with the year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Active Members	Teacher Employee – Below Median	None	65%
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages<63, 96% ages>67; Phasing down 63-67 Female: 112% ages <69 98%> age 74; Phasing down 69-74
Disable Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

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, 2020 valuation.

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

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

(\*) Geometric mean, includes 2.5% inflation

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

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2021, was 3.97%. 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. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021, and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group until reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. 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 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's Proportionate Share of Collective Net OPEB Liability	\$17,916,128	\$22,832,613	\$29,167,029

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Board's Proportionate Share of the Collective Net OPEB Liability	\$28,085,124	\$22,832,613	\$18,619,520

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

# *Notes to the Financial Statements*

## *For the Year Ended September 30, 2022*

### **Note 8 – Long-Term Debt**

On April 1, 2013, the Board issued \$24,160,000 in Tax Anticipation Refunding Warrants, Series 2013 with interest rates from 2.00% to 5.00%, to refund/redeem the Series 2009 Warrants and provide funds for acquiring and constructing certain capital improvements. During fiscal year 2021, the Board issued 2021 series warrants to refund \$19,070,000 of the 2013 series warrants.

On January 21, 2021, the Board issued Series 2021 Tax Anticipation Taxable Warrants in the amount of \$22,915,000 to be used to (1) advance refund a portion (\$19,070,000) of the outstanding Tax Anticipation Warrants, Series 2013, (2) acquire, construct, and equip certain capital improvements to the Board's educational facilities, (3) purchase a municipal bond insurance policy, and (4) pay issuance expenses.

The Board has also entered into a note from direct borrowing for the purchase of buses.

The following is a summary of long-term obligations for the Board for the year ended September 30, 2022:

	Debt Outstanding 10/01/2021	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
Series 2013 Warrants	\$ 1,225,000.00	\$	\$ (600,000.00)	\$ 625,000.00	\$ 625,000.00
Series 2021 Refunding Warrants	22,915,000.00		(325,000.00)	22,590,000.00	325,000.00
Total Warrants Payable	24,140,000.00		(925,000.00)	23,215,000.00	950,000.00
<b>Other Liabilities:</b>					
Note from Direct Borrowing	1,419,225.55		(250,652.03)	1,168,573.52	255,679.37
Net Pension Liability	43,106,000.00		(13,144,000.00)	29,962,000.00	
Net OPEB Liability	28,812,191.00		(5,979,578.00)	22,832,613.00	
Total Other Liabilities	73,337,416.55		(19,374,230.03)	53,963,186.52	255,679.37
Total Governmental Activities Long-Term Liabilities	\$97,477,416.55	\$	\$(20,299,230.03)	\$77,178,186.52	\$1,205,679.37

Payments on the Series 2013 and 2021 Warrants are made by the General Fund and the Debt Service Fund with local funds and Public School Funds.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

Payments on the note from direct borrowing are made from the Fleet Renewal Fund allocation received from the Alabama Department of Education. This note, originally issued at \$2,506,449.00, is secured by nine 2018 International school buses and one 2018 International special needs bus, and contains a provision that in the event of default, the lender may (1) declare all debt payments immediately due and payable, (2) may take possession of security equipment until time event of default is cured, (3) may dispose of security equipment applying proceeds to all costs of preparing equipment for sale, expenses of sale, and outstanding balance of debt, (4) when proceeds of sales are not sufficient, may take any other remedy available at law, (5) may apply any funds held by the lender to the debt and (6) pursue any other remedy available to lender at law or in equity.

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

Fiscal Year Ending	Tax Anticipation Warrants		Note From Direct Borrowing		Total Principal and Interest Requirements to Maturity
	Principal	Interest			
September 30, 2023	\$ 950,000.00	\$ 423,764.50	\$ 255,679.37	\$20,904.67	\$ 1,650,348.54
2024	970,000.00	406,084.00	260,807.56	15,776.48	1,652,668.04
2025	970,000.00	402,301.00	266,038.57	10,545.47	1,648,885.04
2026	975,000.00	396,657.25	271,374.54	5,209.50	1,648,241.29
2027	985,000.00	388,862.00	114,673.48	570.40	1,489,105.88
2028-2032	5,125,000.00	1,753,939.75			6,878,939.75
2033-2037	5,600,000.00	1,274,517.50			6,874,517.50
2038-2042	6,280,000.00	594,467.75			6,874,467.75
2043	1,360,000.00	18,428.00			1,378,428.00
Totals	\$23,215,000.00	\$5,659,021.75	\$1,168,573.52	\$53,006.52	\$30,095,601.79

### Deferred Loss on Refunding

The Board has a deferred charge on refunding in connection with the issuance of its Series 2021 Tax Anticipation Taxable Warrants. The deferred loss on refunding is being amortized using the straight-line method over a period of twenty-three years.

	Deferred Loss on Refunding
Total Deferred Loss on Refunding	\$1,425,220.69
Amount Amortized Prior Years	(38,224.28)
Balance Deferred Loss on Refunding	1,386,996.41
Current Amount Amortized	(65,527.39)
Balance Deferred Loss on Refunding	\$1,321,469.02

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Pledged Revenues**

The Board issued Tax Anticipation Warrants, Series 2013 which are pledged to be repaid from its 1) sales tax revenues, 2) 1 mill county-wide ad valorem taxes and 3) 3 mill district ad valorem taxes. Future revenues in the amount of \$640,625.00 are pledged to repay the principal and interest on the warrants at September 30, 2022. Pledged funds in the amount of \$643,250.00 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2022. This amount represents 19% of the pledged funds received by the Board during this fiscal year. The Series 2013 warrants will mature in fiscal year 2023.

The Board issued Tax Anticipation Taxable Warrants, Series 2021, payable on a parity of lien with the remaining Tax Anticipation Warrants, Series 2013, which are pledged to be repaid from its 1) sales tax revenues, 2) 1 mill county-wide ad valorem taxes and 3) 3 mill district ad valorem taxes. Future revenues in the amount of \$28,233,396.75 are pledged to repay the principal and interest on the warrants at September 30, 2022. Pledged funds in the amount of \$733,968.25 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2022. This amount represents 2% of the pledged funds received by the Board during this fiscal year. The Series 2021 warrants will mature in fiscal year 2043.

#### **Defeased Debt**

In fiscal year 2021, the Board defeased a portion of (\$19,070,000.00) the Tax Anticipation Refunding Warrants, Series 2013 by placing the proceeds of the new warrants (2021) in an irrevocable trust to provide for all future debt service payments of the defeased warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2022, the total of \$19,070,000.00 of warrants outstanding are considered defeased and will be called on December 1, 2022.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Note 9 – Risk Management**

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

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

Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Note 10 – Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2022, were as follows:

	<u>Interfund Receivables</u>		
	General Fund	Special Revenue Fund	Totals
<u>Interfund Payables:</u>			
General Fund	\$	\$327,234.06	\$ 327,234.06
Special Revenue Fund	8,287,989.24		8,287,989.24
Totals	<u>\$8,287,989.24</u>	<u>\$327,234.06</u>	<u>\$8,615,223.30</u>

#### **Note 11 – Subsequent Events**

On March 23, 2023, the Board approved to award the bid for mechanical upgrades at Escambia County Middle School to Walker Construction & Consulting Services, LLC for \$1,452,720.00.

On June 29, 2023, the Board approved to award the bid for field house renovations at Escambia County High School to Triptek Construction, LLC for \$2,693,700.00.

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## *Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.318057%	0.348479%	0.367321%	0.358662%	0.361031%	0.360391%	0.362161%	0.364403%
Employer's proportionate share of the collective net pension liability	\$ 29,962	\$ 43,106	\$ 40,614	\$ 35,660	\$ 35,484	\$ 39,016	\$ 37,903	\$ 33,104
Employer's covered payroll during the measurement period (*)	\$ 25,238	\$ 24,821	\$ 24,196	\$ 23,951	\$ 23,977	\$ 22,987	\$ 22,944	\$ 23,140
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	118.72%	173.67%	167.85%	148.89%	147.99%	169.73%	165.20%	143.06%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)  
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021.

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

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,157	\$ 3,031	\$ 3,010	\$ 2,941	\$ 2,866	\$ 2,826	\$ 2,709	\$ 2,673
Contributions in relation to the contractually required contribution	\$ 3,157	\$ 3,031	\$ 3,010	\$ 2,941	\$ 2,866	\$ 2,826	\$ 2,709	\$ 2,673
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 26,243	\$ 25,238	\$ 24,821	\$ 24,196	\$ 23,951	\$ 23,977	\$ 22,987	\$ 22,944
Contributions as a percentage of covered payroll	12.03%	12.01%	12.13%	12.15%	11.97%	11.79%	11.78%	11.65%

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

***Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.441909%	0.443957%	0.508708%	0.498777%	0.492478%
Employer's proportionate share of the collective net OPEB liability	\$ 22,833	\$ 28,812	\$ 19,192	\$ 40,993	\$ 36,578
Employer's covered-employee payroll during the measurement period (*)	\$ 25,238	\$ 24,821	\$ 24,196	\$ 23,951	\$ 23,977
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	90.47%	116.08%	79.32%	171.15%	152.55%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021.

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

***Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 928	\$ 762	\$ 880	\$ 1,446	\$ 1,229
Contributions in relation to the contractually required contribution	\$ 928	\$ 762	\$ 880	\$ 1,446	\$ 1,229
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 26,243	\$ 25,238	\$ 24,821	\$ 24,196	\$ 23,951
Contributions as a percentage of covered-employee payroll	3.54%	3.02%	3.55%	5.98%	5.13%

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

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## ***Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB) For the Year Ended September 30, 2022***

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### **Changes in Actuarial Assumptions**

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%

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

### **Recent Plan Changes**

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

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

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



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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2022***

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

The actuarially determined contribution rates in the Schedule of Employer's Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2018, 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	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation
(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.	

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<b>Revenues</b>						
State	\$ 28,126,975.00	\$ 29,696,271.00	\$ 29,684,302.25		\$	\$ 29,684,302.25
Federal			156,436.87			156,436.87
Local	11,012,589.00	11,012,589.00	11,961,672.79			11,961,672.79
Other	7,015,000.00	7,015,000.00	7,006,426.44			7,006,426.44
Total Revenues	46,154,564.00	47,723,860.00	48,808,838.35			48,808,838.35
<b>Expenditures</b>						
Current:						
Instruction	22,349,023.00	22,479,023.00	21,013,708.94	(1)	(531,518.15)	21,545,227.09
Instructional Support	7,161,140.00	7,345,839.00	6,934,329.84	(1)	(117,003.09)	7,051,332.93
Operation and Maintenance	6,223,842.00	7,150,296.00	5,630,137.30	(1)	(7,786.09)	5,637,923.39
Auxiliary Services:						
Student Transportation	3,560,132.00	3,560,132.00	3,775,721.61	(1)	(53,622.70)	3,829,344.31
General Administration and Central Support	3,031,791.00	3,441,791.00	2,934,403.48	(1)	(2,286.35)	2,936,689.83
Other	669,556.00	941,085.00	767,741.67	(1)	(39,106.70)	806,848.37
Capital Outlay	671,866.00	684,356.00	475,181.71			475,181.71
Debt Service:						
Principal Retirement	540,000.00	540,000.00	540,000.00			540,000.00
Interest and Fiscal Charges	452,219.00	452,219.00	232,296.00			232,296.00
Total Expenditures	44,659,569.00	46,594,741.00	42,303,520.55		(751,323.08)	43,054,843.63
Excess (Deficiency) of Revenues Over Expenditures	1,494,995.00	1,129,119.00	6,505,317.80		(751,323.08)	5,753,994.72
<b>Other Financing Sources (Uses)</b>						
Indirect Cost	810,300.00	814,021.00	132,559.18			132,559.18
Transfers In	100,840.00	102,040.00	85,874.82			85,874.82
Other Financing Sources	138,385.00	1,526,371.00	1,544,264.08			1,544,264.08
Sale of Capital Assets		37,459.00	37,459.40			37,459.40
Transfers Out	(1,099,335.00)	(1,099,335.00)	(11,724.86)			(11,724.86)
Total Other Financing Sources (Uses)	(49,810.00)	1,380,556.00	1,788,432.62			1,788,432.62
Net Changes in Fund Balances	1,445,185.00	2,509,675.00	8,293,750.42		(751,323.08)	7,542,427.34
Fund Balances - Beginning of Year	10,318,584.00	11,272,913.22	11,242,584.13	(2)	(3,056,471.93)	8,186,112.20
Fund Balances - End of Year	\$ 11,763,769.00	\$ 13,782,588.22	\$ 19,536,334.55		\$ (3,807,795.01)	\$ 15,728,539.54

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2022***

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

Except for the following, the Board budgets on the modified accrual basis of accounting:

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

\$ (751,323.08)

Net Change in Fund Balance - Budget to GAAP

\$ (751,323.08)

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Special Revenue Fund***  
***For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b>Revenues</b>					
Federal	\$ 27,462,063.66	\$ 29,639,100.13	\$ 13,047,726.12	\$	\$ 13,047,726.12
Local	2,351,591.00	2,351,591.00	1,947,272.84		1,947,272.84
Other	40,822.00	40,822.00	52,918.82		52,918.82
Total Revenues	29,854,476.66	32,031,513.13	15,047,917.78		15,047,917.78
<b>Expenditures</b>					
Current:					
Instruction	11,270,055.25	10,573,093.24	4,944,312.07		4,944,312.07
Instructional Support	2,862,179.50	4,966,957.41	3,159,272.64		3,159,272.64
Operation and Maintenance	4,140,325.95	4,153,814.95	501,777.17		501,777.17
Auxiliary Services:					
Student Transportation	1,808,994.86	1,814,056.86	1,170,928.81		1,170,928.81
Food Service	3,312,145.00	3,312,145.00	3,934,950.68	(1) (32,052.53)	3,967,003.21
General Administration and Central Support	2,363,438.00	2,539,365.24	448,542.50		448,542.50
Other	5,394,879.10	6,142,853.43	632,261.30		632,261.30
Capital Outlay	63,210.00	136,263.00	23,540.00		23,540.00
Total Expenditures	31,215,227.66	33,638,549.13	14,815,585.17	(32,052.53)	14,847,637.70
Excess (Deficiency) of Revenues Over Expenditures	(1,360,751.00)	(1,607,036.00)	232,332.61	(32,052.53)	200,280.08
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,347,167.00	1,347,533.00	11,724.86		11,724.86
Transfers Out	(350,238.00)	(350,238.00)	(85,874.82)		(85,874.82)
Other Fund Uses	(13,199.00)	(13,199.00)			
Total Other Financing Sources (Uses)	983,730.00	984,096.00	(74,149.96)		(74,149.96)
Net Changes in Fund Balances	(377,021.00)	(622,940.00)	158,182.65	(32,052.53)	126,130.12
Fund Balances - Beginning of Year	1,933,842.00	2,269,222.77	2,258,112.23	(2) (152,702.59)	2,105,409.64
Fund Balances - End of Year	\$ 1,556,821.00	\$ 1,646,282.77	\$ 2,416,294.88	\$ (184,755.12)	\$ 2,231,539.76

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2022***

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

Except for the following, the Board budgets on the modified accrual basis of accounting:

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

\$ (32,052.53)

Net Change in Fund Balance - Budget to GAAP

\$ (32,052.53)

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2022***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Education</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 2,083,365.49
Student Support and Academic Enrichment Program	84.424	N/A	150,564.35
Career and Technical Education - Basic Grants to States	84.048	N/A	136,121.84
Rural Education	84.358	N/A	59,001.32
Supporting Effective Instruction - State Grants	84.367	N/A	380,116.88
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	N/A	42,836.32
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	N/A	2,956,483.24
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	N/A	2,483,257.58
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	84.425W	N/A	1,004.73
Sub-Total COVID-19 Education Stabilization Fund			<u>5,483,581.87</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	974,700.13
COVID-19 Special Education - Grants to States (American Rescue Plan Act)	84.027X	N/A	76,382.83
Special Education - Preschool Grants	84.173	N/A	5,886.26
Sub-Total Special Education Cluster			<u>1,056,969.22</u>
Total U. S. Department of Education Forward			<u>9,349,720.97</u>
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Child Nutrition Cluster:			
Severe Needs Breakfast	10.553	N/A	877,511.00
National School Lunch Program:			
Cash Assistance	10.555	N/A	2,579,311.07
Non-Cash Assistance (Commodities)	10.555	N/A	315,501.92
Sub-Total National School Lunch Program			<u>2,894,812.99</u>
Sub-Total Child Nutrition Cluster			<u>3,772,323.99</u>
State Pandemic Electronic Benefits Transfer (P-EBT) Administrative Costs Grant	10.649	N/A	2,752.96
State Administrative Expenses for Child Nutrition	10.560	N/A	14,187.14
<b><u>Passed Through Escambia County Commission</u></b>			
Schools and Roads - Grants to States	10.665	N/A	36,771.60
Total U. S. Department of Agriculture			<u>3,826,035.69</u>
Sub-Total Forward			\$ 13,175,756.66



***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2022***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 13,175,756.66
<b><u>Social Security Administration</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N/A	980.00
<b><u>General Services Administration</u></b>			
<b><u>Passed Through Alabama Department of</u></b>			
<b><u>Economic and Community Affairs</u></b>			
Donation of Federal Surplus Personal Property	39.003	N/A	732.96
Total Expenditures of Federal Awards			<u>\$ 13,177,469.62</u>

N/A= Not Available/Not Applicable

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

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## ***Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2022***

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

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Escambia County Board of Education under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of the Escambia County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Escambia County Board of Education.

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

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

### **Note 3 – Indirect Cost Rate**

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

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2021 through September 30, 2022***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Danny Benjamin	President	2024
Hon. Cindy Jackson	Vice-President	2022
Hon. Kevin Hoomes	Member	2026
Hon. Sherry Digmon	Member	2022
Hon. Mike Edwards	Member	2024
Hon. Coleman Wallace	Member	2024
Hon. Loumeek White	Member	2026
Hon. Danny Benjamin	President	2024
<b><u>Administrative Personnel</u></b>		
Michele McClung	Superintendent	2024
Julie Madden (*)	Chief School Financial Officer	
Rochelle Richardson (**)	Chief School Financial Officer	
(*) CSFO retired on June 30, 2022		
(**) CSFO beginning July 1, 2022		

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

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## **Independent Auditor's Report**

Members of the Escambia County Board of Education,  
Superintendent and Chief School Financial Officer  
Brewton, 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 (***Government Auditing Standards***), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Escambia County Board of Education, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Escambia County Board of Education's basic financial statements, and have issued our report thereon dated September 25, 2023.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-002 that we consider to be a significant deficiency.

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

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

### **Escambia County Board of Education's Response to the Findings**

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

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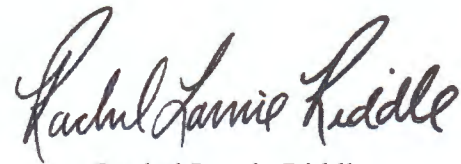
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 25, 2023

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

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## **Independent Auditor's Report**

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

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

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

We have audited the Escambia County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Escambia County Board of Education's major federal programs for the year ended September 30, 2022. The Escambia County Board of Education's major federal programs are identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Escambia County Board of Education complied, in all material respects, with the 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, 2022.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

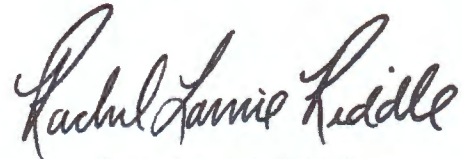
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 25, 2023

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

### ***For the Year Ended September 30, 2022***

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

##### **Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

##### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Programs or Clusters</b>
10.553 and 10.555 84.425C, 84.425D, 84.425U and 84.425W	Child Nutrition Cluster Education Stabilization Fund

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

\$750,000.00

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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

### ***For the Year Ended September 30, 2022***

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

**Reference Number:** 2022-002  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

#### **Finding**

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to regular reconciliation of bank statements. The Escambia County Board of Education's (the "Board") Policies and Procedures Manual requires all Board and school accounts to be reconciled to the financial records. The September 2022 General bank account reconciliation was not properly reconciled to cash recorded in the general ledger. Procedures were not in place to ensure transactions were properly recorded in the general ledger and bank accounts were accurately reconciled to the general ledger each month. As a result, the amounts reflected as cash on the general ledger were not substantiated by the cash in each bank account and errors occurred that were not detected and corrected.

#### **Recommendation**

The Board should ensure the bank accounts are properly reconciled to the general ledger cash balances each month.

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

The Board agreed with the finding.

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

No matters were reportable.

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## *Auditee Response/Corrective Action Plan*



## Escambia County Board of Education

Superintendent – Ms. Michele McClung  
301 Belleville Ave. Brewton, AL 36426

### Board of Directors

Danny Benjamin, President – District 2  
Cindy Jackson, Vice President – District 4  
Kevin Hoomes, – District 1  
Mike Edwards – District 3  
Loumeek White – District 5  
Sherry Digmon – District 6  
Coleman Wallace – District 7

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### ***Auditee Response/Corrective Action Plan***

***For the Year Ended September 30, 2022***

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As required by the ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***, 2 CFR 200.511(c), the Escambia County Board of Education has prepared and hereby submits the following Corrective Action Plan for the finding which is included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

#### **Finding**

#### **Ref.**

#### **No.**

#### **Corrective Action Plan Details**

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**2022-001**

#### ***Finding:***

The **Code of Alabama 1975**, Section 16-8-37, requires the county board of education to publish in the county newspaper a complete statement of receipts by source and disbursements by function for the fiscal year and a statement of outstanding indebtedness at fiscal year-end annually during the month of October. The Board did not publish the statement of receipts by source and disbursements by function or the statement of outstanding indebtedness for the fiscal year ended 2022 until June 28, 2023. The Chief School Financial Officer did not publish the financial information in October 2022. The Board failed to publish financial information timely in accordance with the Code of Alabama 1975, Section 16-8-37.

#### ***Recommendation:***

The Board should publish a complete statement of receipts by source and disbursements by function and a statement of outstanding indebtedness at fiscal year-end annually during the month of October as required by the Code of Alabama 1975, Section 16-8-37.

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

***Corrective Action Planned:*** The Financials detailing a complete statement of receipts by source and disbursements by function and a statement of outstanding indebtedness at fiscal year-end will be published in the Local Newspaper annually.

***Anticipated Completion Date:*** October 15, 2023

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



**2022-002**

**Finding:**

The **Code of Alabama 1975**, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to regular reconciliation of bank statements. The Escambia County Board of Education's (the "Board") Policies and Procedures Manual requires all Board and school accounts to be reconciled to the financial records. The September 2022 General bank account reconciliation was not properly reconciled to cash recorded in the general ledger. Procedures were not in place to ensure transactions were properly recorded in the general ledger and bank accounts were accurately reconciled to the general ledger each month. As a result, the amounts reflected as cash on the general ledger were not substantiated by the cash in each bank account and errors occurred that were not detected and corrected.

**Recommendation:**

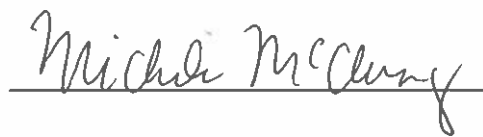
The Board should ensure the bank accounts are properly reconciled to the general ledger cash balances each month.

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

**Corrective Action Planned:** The General Account Bank Reconciliations will be monitored monthly and at Year End close to assure that the accounts are reconciled to the financial records.

**Anticipated Completion Date:** This will be an ongoing process completed monthly

**Contact Person(s):** Accountant / Chief Financial Officer

A handwritten signature in dark ink, reading "Michele McClung", is written over a horizontal line.

Michele McClung, Superintendent  
Escambia County Board of Education