



Alabama Department of Examiners of Public Accounts

Report on the **Winston County Board of Education** **Winston County, Alabama**

October 1, 2022 through September 30, 2023

Filed: May 17, 2024

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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 Winston County Board of Education, Winston County, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Kimberly Swafford and Jacob Perdue. I, Kimberly Swafford, 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,

Kimberly A. Swafford
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Winston County Board of Education
October 1, 2022 through September 30, 2023**

The Winston County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Winston County. The members and administrative personnel in charge with governance of the Board are listed in Exhibit 16. The Board is the governmental agency that provides general administration and supervision for Winston County Public Schools, preschool through high school, with the exception of schools administered by the Haleyville 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, 2023.

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:

- ◆ 2023-001: The Board failed to comply with the provisions of the *Code of Alabama 1975*, Section 16-13B-1, requiring all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving forty thousand dollars (\$40,000) or more made by or on behalf of any county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.

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 19) and it is summarized below:

- ◆ 2023-002: The Board failed to properly record all financial transactions. Material adjustments were necessary to properly reflect all transactions on the financial statements and were made when brought to the attention of the Board. This finding was previously reported as Finding 2022-001.

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference. The individuals in attendance were Mark Finley, Board Member; Greg Pendley, Superintendent and Morgan Blankenship, Chief School Financial Officer. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Denise H. Olive, Audit Manager, Kimberly Swafford, Examiner and Jacob Perdue, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
October 1, 2022 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-13B-1, requires all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving forty thousand dollars (\$40,000) or more made by or on behalf of any county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. During the audit period, the Winston County Board of Education (the “Board”) expended \$301,687.03 for bus fuel without letting bids. The Board did not have adequate procedures in place to ensure applicable laws and Board policies related to competitive bidding were followed. As a result, the Board failed to comply with the provisions of the <i>Code of Alabama 1975</i>, Section 16-13B-1.</p> <p><u>Recommendation:</u> The Board should implement stricter procedures to ensure compliance with the <i>Code of Alabama 1975</i>, Section 16-13B-1, relating to the Alabama Competitive Bid Law.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of the Winston County Board of Education,
Superintendent and Chief School Financial Officer
Double Springs, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education, as of and for the year ended September 30, 2023, and related notes to the financial statements, which collectively comprise the Winston County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***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 Winston 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 Winston 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 Winston 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 Winston 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

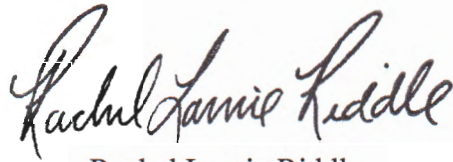
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Net Other Postemployment 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 9 through 14), 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winston County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15), 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 April 22, 2024, on our consideration of the Winston 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 Winston 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 Winston County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 22, 2024

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*Management's Discussion and Analysis
(Required Supplementary Information)*

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

This section of the Winston County Board of Education's annual financial report represents management's discussion and analysis of the Board of Education's overall financial position and operating results of the fiscal year that ended on September 30, 2023. Readers are encouraged to read it in conjunction with the Board of Education's financial statements, which follow this analysis.

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

The Board and its Superintendent have the responsibility for operating, maintaining, and servicing the needs of ten (10) school sites, including four (4) elementary schools, one (1) middle school, four (4) high schools, and one (1) Career Technical School.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations:

- The liabilities and deferred inflows of the Board exceeded its assets and deferred outflows at the close of the 2023 fiscal year by (\$11,294,947.71) (net position). Of this amount, \$16,159,712.27 was net investment in capital assets. \$1,154,024.24 is restricted for future construction projects, debt service and other purposes.
- The total cost of the Board's programs for the year was \$35,630,937.70. The State Foundation Program provided \$17,289,343.00 of that amount, \$3,368,695.86 was local money required by the 10-mill match. The 10-mill match is local tax revenue derived from property taxes, which are required to be coded as state revenues.
- For the General Fund, revenues and other financing sources received during the year were more than total expenditures and other financing uses by \$5,016,042.
- At the end of the current fiscal year fund balance for the General Fund was \$7,379,784.54.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section consists of five parts – *management’s discussion and analysis (this section), the independent auditor’s report, the basic financial statements, required supplementary information, and other supplementary information.*

The Board’s basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide financial statements – The focus of these statements is to provide readers with a broad overview of the Board’s finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board’s overall financial status. It is important to note that all of the activities of the Board reported in the *government-wide financial statements* are classified as governmental activities. These *activities* include the following:

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.

Instructional support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.

Operation and maintenance includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.

Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks, cashiers, and servers’ salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of food service equipment and facilities.

General administration and central support includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

Interest and fiscal charges includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Other includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net position* (on Exhibit #1) is most closely related to a balance sheet. It presents information on all the Board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities* (on Exhibit #2) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Governmental Funds – Governmental fund financial statements begin on Exhibit #3. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. As required under the reporting model, the fund financial statements presented herein display information on each of the Board’s most important governmental funds or major funds. This is required in order to better assess the Board’s accountability for significant governmental programs or certain dedicated revenue. The Board’s major funds are the General Fund and the Special Revenue Fund.

The *fund financial statements* are measured on the modified-accrual basis of accounting, where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board’s immediate financial needs. This is in contrast to the accrual-based, *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statement* and the governmental funds reported in the *fund financial statement* are reconciled on Exhibit 4 and Exhibit 6 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board’s short-term financial decisions.

Notes to the Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential for the statements to fairly represent the Board’s financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin following the financial statements.

After the presentation of the basic financial statements and accompanying notes to the basic financial statements, the new reporting model requires additional *required supplementary information* to be presented following the *notes to the basic financial statements*. In the *required supplementary information*, Exhibit 13 provides comparison of the original adopted budget to the final amended budget of the Board’s general fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management’s ability to project and plan for its operations throughout the year.

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government’s financial position. Refer to Table 1 when reading the following analysis of net position. The Board’s assets and deferred outflows were less than liabilities and deferred inflows by (\$11,294,947.71) as of September 30, 2023.

- Of this figure, over \$16 million reflects the Board’s net investment in capital assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net position is not available for future spending or funding of operations.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

- Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board’s ability to use those net position for day-to-day operations. \$1,154,024.24 is reserved for capital projects, debt service and other purposes.
- The balance of unrestricted net position is a deficit of \$28,608,684.22.
- Table 1: Summary of Net Position

As of September 2022 & 2023
(in millions)

	2022 Governmental <u>Activities</u>	2023 Governmental <u>Activities</u>	2023 Percent <u>of Total</u>
Current & Other Assets	11.40	16.20	36.00
Capital Assets	<u>22.36</u>	<u>28.89</u>	<u>64.00</u>
Total Assets	33.76	45.09	100.00
 Deferred Outflows	 10.86	 20.89	
 Current Liabilities	 3.46	 4.56	 8.00
Non-Current Liabilities	<u>40.11</u>	<u>49.22</u>	<u>92.00</u>
Total Liabilities	43.57	53.78	100.00
 Deferred Inflows	 21.24	 23.49	
 Net Position:			
Invested in Capital Assets, Net of Related Debt	12.95	16.16	
Restricted for Capital Projects	0.34	0.04	
Restricted for Debt Service	0.15	0.39	
Other Purposes	1.53	0.73	
Unrestricted	<u>(35.16)</u>	<u>(28.61)</u>	
Total Net Position	(20.19)	(11.29)	

The State Department of Education recommends that no K-12 school district budget have less than one month operating reserve. We meet this requirement.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on Exhibit #2. Table 2 below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net position as of September 30, 2023.

Table 2: Summary of Changes in Net Position from Operating Results
Fiscal Year Ended September 2022 & 2023
(in millions)

	2022	2023	2023
	Governmental	Governmental	Percent
	Activities	Activities	of Total
Revenues			
Program Revenues:			
Charges for Services	3.22	3.48	8.38
Operating Grants & Contributions	22.40	26.27	60.90
Capital Grants & Contributions	2.01	2.75	5.96
General Revenues:			
Taxes			
Property Taxes	3.11	3.37	8.11
Sales & Use Tax – General	2.92	2.89	7.26
Miscellaneous Taxes	0.12	.19	0.38
Grants & Contributions Not Restricted for Specific Purposes	.000	.000	
Interest	.002	4.39	5.50
Miscellaneous	1.48	1.16	3.30
Gain on Disposition of Capital Assets	<u>.148</u>	<u>.03</u>	<u>0.22</u>
Total Revenues	35.41	44.53	100.00
Expenses (Net)			
Governmental Activities			
Instruction	15.124	17.02	47.58
Instructional Support	5.231	5.83	16.37
Operation & Maintenance	3.107	3.66	10.02
Auxiliary Services			
Food Services	2.432	2.35	7.08
Transportation	3.025	3.17	9.17
General Administration & Central Support	1.565	1.90	5.13
Other	1.129	1.43	3.79
Interest on Long-Term Debt	<u>0.299</u>	<u>.28</u>	<u>0.86</u>
Total Expenses	31.912	35.64	100.00
Increase in Net position	3.501	8.894	
Net position – Beginning, as restated	(23.690)	(20.189)	
Net position – Ending	(20.189)	(11.295)	

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Governmental Activities – As shown in Table 2, the cost of services rendered from the Board’s governmental activities for the year ended September 30, 2023 was \$35.631 million. It is important to note that not all of these costs were borne by the taxpayers of Winston County.

- Some of the cost, \$3.47 million, was paid by users who benefited from services provided during the year, such as school lunches, summer school, and participation in sports activities in the middle and high schools.
- State and federal governments subsidized certain programs with grants and contributions totaling \$29.02 million.
- Other general revenue sources, such as interest earnings and miscellaneous grants and contributions, provided \$5.58 million.
- \$6.45 million of the Board’s total costs of \$35.631 million was financed by district and state taxpayers as follows: \$3.37 million in property taxes, \$2.89 million in sales and use taxes, and \$.19 million in other taxes.

Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for six major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program’s total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities
Fiscal Year Ended September 30, 2023
(in millions)

	2022	2023	2023
	Total Cost	Total Cost	Net Cost
	of Services	of Services	of Services
Instructional Services	15.124	17.018	(1.894)
Instructional Support	5.231	5.832	(0.601)
Operation & Maintenance	3.107	3.660	(0.553)
Auxiliary Services			
Food Service	2.432	2.352	0.080
Transportation	3.025	3.169	(0.144)
General Admin. & Central Support	1.565	1.897	(0.332)
Other	1.129	1.427	(0.298)
Interest on Long-Term Debt	<u>0.299</u>	<u>0.276</u>	<u>0.023</u>
Total Expenses	31.912	35.631	(3.719)

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Fund Level Financial Analysis

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements, which begin with (Exhibit #3).

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on (Exhibits #4 and #6).

- Governmental Fund Balances combined totaled \$9,774,570.47
- Approximately \$7,041,182.02 of this amount constitutes unassigned fund balance of the General Fund. These funds are available at the end of the fiscal year for spending on near-future operations.
- The Special Revenue Fund has a restricted fund balance of \$269,197.10 and a non-spendable fund balance of \$124,475.20 for inventories.
- The Capital Projects Fund has a restricted fund balance of \$385,968.96 for building contracts and for bus fleet renewal.

General Fund – The General Fund is the primary operating fund of the Board. The \$7,379,784.54 fund balance, as a result of operations this year, was primarily from the fiscal restraint efforts of the Board and Superintendent.

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 Child Nutrition, Special Education, Title I, Twenty-First Century Community Learning Centers, and Education Stabilization 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.

Capital Projects Fund – This fund is primarily used for capital improvements of the school system. These funds may also be used for debt service payments related to capital improvements.

Winston County Board of Education
 Management Discussion & Analysis
 September 30, 2023

Budgetary Highlights

As mandated by the State of Alabama, the Board submits to Alabama State Department of Education a balanced budget reflecting the projected Revenues and Expenditure plan for their use prior to the fiscal year commencing October 1 of every year. Over the course of the year, the Board revised the annual operating budgets one time to include many federal grants and carryover funds that were not available at the time of the original budget approval.

Capital Assets and Debt Administration

Capital Assets – The Board’s net investment in capital assets for its governmental activities for the year ended September 30, 2023, amounted to \$16,159,712.27 net of accumulated depreciation and debt related to the acquisition of the assets. The Board’s net investment in capital assets includes, land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, and construction in progress, and is shown in Table 4.

Table 4: Capital Assets
 Fiscal Year Ended September 30, 2023
 (in millions)

	2022 Governmental Activities	2023 Governmental Activities
Land & Land Improvements	0.572	1.923
Buildings & Improvements	30.260	30.260
Equipment & Furniture	8.911	9.644
Construction in Progress	1.481	7.089
Less: Accumulated Depreciation	<u>(18.866)</u>	<u>(20.029)</u>
Total Capital Assets	22.358	28.888

Long-Term Debt – At year-end, the Board had \$50,681,097.65 in general obligation bonds and other long-term debt outstanding. This included both increases and decreases during the current fiscal year.

Winston County Board of Education
Management Discussion & Analysis
September 30, 2023

Economic Factors

The following are currently known Winston County economic factors considered as we move into the 2023-2024 fiscal year.

- Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP). PEEHIP employer costs remained the same as last year at \$9,600 per employee for the 2023 fiscal year. Also, employer contributions to the Teachers Retirement System (TRS) will be less at 12.43% for the 2023 fiscal year.
- Enrollment figures based on our 20 day enrollment report are as follows.

2022-2023	2,187				
2021-2022	2,212	2014-2015	2,354	2007-2008	2,524
2020-2021	2,196	2013-2014	2,360	2006-2007	2,525
2019-2020	2,251	2012-2013	2,379	2005-2006	2,584
2018-2019	2,252	2011-2012	2,391	2004-2005	2,600
2017-2018	2,251	2010-2011	2,417	2003-2004	2,659
2016-2017	2,297	2009-2010	2,488		
2015-2016	2,321	2008-2009	2,515		

Contacting the School Board’s Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Morgan S. Blankenship, Chief School Finance Officer, Winston County Board of Education, P.O. Box 9, Double Springs, Alabama 35553 or by calling (205) 489-5018 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central time. The Board’s website is located at <http://www.winstonk12.org/>.

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Basic Financial Statements

Statement of Net Position
September 30, 2023

	Governmental Activities
<u>Assets</u>	
Cash	\$ 10,217,330.41
Cash with Fiscal Agent	385,329.64
Investments	7,966.09
Ad Valorem Property Taxes Receivable	3,420,335.04
Receivables (Note 4)	2,044,835.35
Inventories	124,475.20
Capital Assets (Note 5):	
Nondepreciable	7,404,544.91
Depreciable, Net	21,483,318.34
Total Assets	<u>45,088,134.98</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	2,221,453.35
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	10,150,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	392,587.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	8,128,384.00
Total Deferred Outflows of Resources	<u>20,892,424.35</u>
<u>Liabilities</u>	
Payables (Note 9)	517,358.76
Accrued Interest Payable	102,173.13
Salaries and Benefits Payable	2,488,007.46
Long-Term Liabilities:	
Portion Payable Within One Year:	
Bonds/Warrants Payable	568,432.47
Notes from Direct Borrowings	881,278.99
Unamortized Bond Premium	7,060.87
Portion Payable After One Year:	
Bonds/Warrants Payable	4,056,822.10
Notes from Direct Borrowings	7,111,585.56
Unamortized Bond Premium	102,970.99
Estimated Liability for Compensated Absences	76,566.67
Net Pension Liability	33,128,000.00
Net OPEB Liability	4,748,380.00
Total Liabilities	<u>\$ 53,788,637.00</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 3,420,335.04
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,039,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	19,027,535.00
Total Deferred Inflows of Resources	<u>23,486,870.04</u>
<u>Net Position</u>	
Net Investment in Capital Assets	16,159,712.27
Restricted for:	
Debt Service	385,968.96
Capital Projects	35,780.46
Other Purposes	732,274.82
Unrestricted	<u>(28,608,684.22)</u>
Total Net Position	<u>\$ (11,294,947.71)</u>

Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
Governmental Activities					
Instruction	\$ 17,018,927.36	\$ 406,280.94	\$ 14,591,324.94	\$ 629,507.00	\$ (1,391,814.48)
Instructional Support	5,831,642.00	265,591.62	4,440,905.32		(1,125,145.06)
Operation and Maintenance	3,659,696.40	130,671.24	2,445,779.83	1,693,512.19	610,266.86
Auxiliary Services:					
Student Transportation Services	3,168,818.89	36,792.73	2,588,944.53	424,536.00	(118,545.63)
Food Services	2,351,657.66	1,705,879.24	244,940.33		(400,838.09)
General Administrative and Central Support	1,897,323.11	10.46	1,211,572.39		(685,740.26)
Interest and Fiscal Charges	275,659.94				(275,659.94)
Other Expenses	1,427,212.34	931,123.69	748,802.34		252,713.69
Total Governmental Activities	<u>\$ 35,630,937.70</u>	<u>\$ 3,476,349.92</u>	<u>\$ 26,272,269.68</u>	<u>\$ 2,747,555.19</u>	<u>(3,134,762.91)</u>
General Revenues:					
Taxes:					
Property Taxes for General Purposes					3,368,695.86
Local Sales Tax					2,887,273.76
Other Taxes					190,114.38
Investment Earnings					4,390,544.57
Gain on Disposition of Capital Assets					30,656.22
Miscellaneous					1,161,769.17
Total General Revenues					<u>12,029,053.96</u>
Changes in Net Position					8,894,291.05
Net Position - Beginning of Year					<u>(20,189,238.76)</u>
Net Position - End of Year					<u>\$ (11,294,947.71)</u>

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

Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 8,433,655.36	\$ 1,645,082.14	\$ 138,592.91	\$ 10,217,330.41
Cash with Fiscal Agent			385,329.64	385,329.64
Investments		7,966.09		7,966.09
Ad Valorem Property Taxes Receivable	3,420,335.04			3,420,335.04
Receivables (Note 4)	1,086,222.35	958,613.00		2,044,835.35
Due from Other Funds	417,184.80			417,184.80
Inventories		124,475.20		124,475.20
Total Assets	<u>13,357,397.55</u>	<u>2,736,136.43</u>	<u>523,922.55</u>	<u>16,617,456.53</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Payables (Note 9)	150,374.28	366,984.48		517,358.76
Due to Other Funds		417,184.80		417,184.80
Salaries and Benefits Payable	2,406,903.69	81,103.77		2,488,007.46
Total Liabilities	<u>2,557,277.97</u>	<u>865,273.05</u>		<u>3,422,551.02</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	3,420,335.04			3,420,335.04
Total Deferred Inflows of Resources	<u>3,420,335.04</u>			<u>3,420,335.04</u>
Fund Balances				
Nonspendable:				
Inventories		124,475.20		124,475.20
Restricted for:				
Debt Service			137,953.59	137,953.59
Capital Projects			385,968.96	385,968.96
Other Purposes	338,602.52	17,469.09		356,071.61
Child Nutrition		251,728.01		251,728.01
Assigned to:				
Local Schools		1,477,191.08		1,477,191.08
Unassigned	7,041,182.02			7,041,182.02
Total Fund Balances	<u>7,379,784.54</u>	<u>1,870,863.38</u>	<u>523,922.55</u>	<u>9,774,570.47</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,357,397.55</u>	<u>\$ 2,736,136.43</u>	<u>\$ 523,922.55</u>	<u>\$ 16,617,456.53</u>

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2023***

Total Fund Balances - Governmental Funds (Exhibit 3)		\$ 9,774,570.47
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.		
The Cost of Capital Assets is	\$ 48,916,833.24	
Accumulated Depreciation is	<u>(20,028,969.99)</u>	28,887,863.25
Long-term liabilities, including net pension and Other Postemployment Benefits (OPEB) obligations and bonds/warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Current Portion of Long-Term Debt	\$ 1,456,772.33	
Noncurrent Portion of Long-Term Debt	<u>49,224,325.32</u>	(50,681,097.65)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Defined Benefit Pension Plan	\$ 12,371,453.35	
Deferred Inflows Related to Defined Benefit Pension Plan	<u>(1,039,000.00)</u>	11,332,453.35
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to OPEB Plan	\$ 8,520,971.00	
Deferred Inflows Related to OPEB Plan	<u>(19,027,535.00)</u>	(10,506,564.00)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Accrued Interest Payable		<u>(102,173.13)</u>
Total Net Position - Governmental Activities (Exhibit 1)		<u><u>\$ (11,294,947.71)</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
State	\$ 20,399,020.00	\$	\$ 2,691,543.19	\$ 23,090,563.19
Federal	310,235.05	7,536,039.34		7,846,274.39
Local	10,952,461.27	2,088,382.40	167,866.96	13,208,710.63
Other	220,103.73	38,968.81		259,072.54
Total Revenues	<u>31,881,820.05</u>	<u>9,663,390.55</u>	<u>2,859,410.15</u>	<u>44,404,620.75</u>
Expenditures				
Current:				
Instruction	13,972,792.21	2,887,131.66		16,859,923.87
Instructional Support	4,852,998.35	1,030,392.42		5,883,390.77
Operation and Maintenance	3,149,319.68	446,750.59	87,163.36	3,683,233.63
Auxiliary Services:				
Student Transportation Services	2,865,373.63	6,466.75		2,871,840.38
Food Services		2,338,054.46		2,338,054.46
General Administrative and Central Support	1,340,146.75	518,029.01		1,858,175.76
Other	608,676.95	799,286.28		1,407,963.23
Capital Outlay	4,532,359.35	1,987,852.64	1,607,098.39	8,127,310.38
Debt Service:				
Principal Retirement	104,518.27		960,903.35	1,065,421.62
Interest and Fiscal Charges	3,100.89		293,493.01	296,593.90
Total Expenditures	<u>31,429,286.08</u>	<u>10,013,963.81</u>	<u>2,948,658.11</u>	<u>44,391,908.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>452,533.97</u>	<u>(350,573.26)</u>	<u>(89,247.96)</u>	<u>12,712.75</u>
Other Financing Sources (Uses)				
Indirect Cost	12,318.34			12,318.34
Long-Term Debt Issued	4,394,854.00			4,394,854.00
Transfers In	123,927.33	247,543.42		371,470.75
Other Financing Sources	89,951.78			89,951.78
Sale of Capital Assets	190,000.00			190,000.00
Transfers Out	(247,543.42)	(123,927.33)		(371,470.75)
Total Other Financing Sources (Uses)	<u>4,563,508.03</u>	<u>123,616.09</u>		<u>4,687,124.12</u>
Net Changes in Fund Balances	5,016,042.00	(226,957.17)	(89,247.96)	4,699,836.87
Fund Balances - Beginning of Year	<u>2,363,742.54</u>	<u>2,097,820.55</u>	<u>613,170.51</u>	<u>5,074,733.60</u>
Fund Balances - End of Year	<u>\$ 7,379,784.54</u>	<u>\$ 1,870,863.38</u>	<u>\$ 523,922.55</u>	<u>\$ 9,774,570.47</u>

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

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, 2023

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 4,699,836.87

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

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

Capital Outlay	\$ 8,127,310.38	
Depreciation Expense	<u>(1,438,370.68)</u>	6,688,939.70

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,065,421.62

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (4,394,854.00)

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 the Sale of Capital Assets	\$ (190,000.00)	
Gain on Disposition of Capital Assets	<u>30,656.22</u>	(159,343.78)

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

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

Accrued Interest Payable, Current Year (Increase)/Decrease	\$	13,873.09	
Compensated Absences, Current Year (Increase)/Decrease		(8,460.87)	
Amortization of Premiums/Deferred Charges on Refunding		7,060.87	
Net (Increase)/Decrease in Pension Expense		(2,053,413.45)	
Net (Increase)/Decrease in Other Postemployment Benefits (OPEB) Expense		<u>3,035,231.00</u>	<u>994,290.64</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 8,894,291.05

Statement of Fiduciary Net Position
September 30, 2023

	Custodial Fund
<u>Assets</u>	
Cash	\$ 241,218.17
Total Assets	<u>241,218.17</u>
<u>Net Position</u>	
Held for External Organizations	<u>\$ 241,218.17</u>

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

Statement of Changes in Fiduciary Net Position
September 30, 2023

	Custodial Fund
<u>Additions</u>	
Other Sources	\$ 559,144.17
Total Additions	<u>559,144.17</u>
<u>Deductions</u>	
Instruction	125,840.29
Instruction Support	112,052.38
Operation and Maintenance	20,208.17
Auxiliary Services:	
Student Transportation	4,150.00
Other	<u>223,201.78</u>
Total Deductions	<u>485,452.62</u>
Changes in Net Position	73,691.55
Net Position - Beginning of Year	<u>167,526.62</u>
Net Position - End of Year	<u>\$ 241,218.17</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major 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, Child Nutrition Program, and the 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Governmental Fund Types

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

The Board reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Custodial Fund** – This fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

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, which only consist of certificates of deposit, are stated at cost.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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

3. Inventories

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

4. 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 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 and Fleet Renewal funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund and the Capital Projects Fund are 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 Improvements	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years

Notes to the Financial Statements
For the Year Ended September 30, 2023

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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond/Warrant premiums are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported gross with the applicable premium reported on separate lines. Issuance costs are reported as an expense in the period incurred.

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

8. Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn one day vacation leave per month up to a maximum of twelve days per school year. A maximum of two unused leave days may be carried over to the next school year. All vacation days must be used prior to an effective resignation date. No cash payments will be made for unused vacation days.

9. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

10. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets, net of 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.
- 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 or its designee makes the 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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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 issuance and collateralization. However, they are classified as "Investments" on the financial statements.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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 the 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's cash with fiscal agent is to be invested in accordance with these applicable statutes.

As of September 30, 2023, cash with fiscal agent includes \$137,953.59 of 2019-A loan funds that are held by the State of Alabama for construction projects. The funds are recorded by the Board as cash with fiscal agent in the Capital Projects Fund. Cash with fiscal agent also includes \$247,376.05 invested in money market funds recorded in the Capital Projects and Debt Service Funds which are valued at amortized cost.

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 values 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 unity 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 that addresses its investment choices.

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 a formal investment policy that limits the amount of securities that can be held by counterparties.

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 a single issuer.

Notes to the Financial Statements
For the Year Ended September 30, 2023

Note 4 – Receivables

On September 30, 2023, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Total Governmental Funds
Receivables:			
Taxes	\$ 873,730.47	\$	\$ 873,730.47
Intergovernmental	212,491.88	958,613.00	1,171,104.88
Total Receivables	\$1,086,222.35	\$958,613.00	\$2,044,835.35

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/01/2022	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 315,107.95	\$	\$	\$ 315,107.95
Construction in Progress	1,481,505.73	6,958,892.21	(1,350,960.98)	7,089,436.96
Total Capital Assets, Not Being Depreciated	1,796,613.68	6,958,892.21	(1,350,960.98)	7,404,544.91
Capital Assets Being Depreciated:				
Buildings and Building Improvements	30,259,848.40			30,259,848.40
Land Improvements – Exhaustible	257,174.81	1,350,960.98		1,608,135.79
Equipment and Furniture	8,910,824.07	1,168,418.17	(434,938.10)	9,644,304.14
Total Capital Assets Being Depreciated	39,427,847.28	2,519,379.15	(434,938.10)	41,512,288.33
Less: Accumulated Depreciation for:				
Building and Building Improvements	(14,410,535.81)	(41,969.50)		(14,968,537.58)
Land Improvements – Exhaustible	(140,274.41)	(558,001.77)		(182,243.91)
Equipment and Furniture	(4,315,383.41)	(838,399.41)	275,594.32	(4,878,188.50)
Total Accumulated Depreciation	(18,866,193.63)	(1,438,370.68)	275,594.32	(20,028,969.99)
Total Capital Assets, Being Depreciated, Net	20,561,653.65	1,081,008.47	(159,343.78)	21,483,318.34
Total Governmental Activities Capital Assets, Net	\$ 22,358,267.33	\$ 8,039,900.68	\$(1,510,304.76)	\$ 28,887,863.25
(*) Additions/Reclassifications and Retirements/Reclassifications include \$1,350,960.98 that was reclassified from Construction in Progress to Land Improvements – Exhaustible.				

Notes to the Financial Statements
For the Year Ended September 30, 2023

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 532,747.13
Instructional Support	18,913.32
Operation and Maintenance	49,385.24
Auxiliary Services:	
Food Services	114,263.24
Student Transportation Services	618,362.30
General Administrative and Central Support	61,939.32
Other	42,760.13
Total Depreciation Expense – Governmental Activities	<u>\$1,438,370.68</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers’ Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the “Plan”), was established as of September 15, 1939, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

Act Number 2019-316, Acts of Alabama, established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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 30th, are paid to a qualified beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2023

C. Contributions

Covered Tier 1 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, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,221,453.35 for the year ended September 30, 2023.

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

At September 30, 2023, the Board reported a liability of \$33,128,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the Board's proportion was 0.213167%, which was an increase of 0.007791% from its proportion measured as of September 30, 2021.

Notes to the Financial Statements
For the Year Ended September 30, 2023

For the year ended September 30, 2023, the Board recognized pension expense of \$4,275,000.00. At September 30, 2023, 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	\$ 728,000.00	\$ 804,000.00
Changes of assumptions	1,503,000.00	
Net difference between projected and actual earnings on pension plan investments	6,648,000.00	
Changes in proportion and difference between Employer contributions and proportionate share of contributions	1,271,000.00	235,000.00
Employer contributions subsequent to the measurement date	2,221,453.35	
Total	\$12,371,453.35	\$1,039,000.00

The \$2,221,453.35 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, 2024. 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, 2024	\$2,589,000
2025	\$2,257,000
2026	\$1,464,000
2027	\$2,801,000
2028	\$ 0
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2023

E. Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, 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, 2021, 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

Notes to the Financial Statements
For the Year Ended September 30, 2023

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	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 Equivalents	5.00%	2.50%
Total	100.00%	

(*) 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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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	\$42,866,000	\$33,128,000	\$24,925,000

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, 2022. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB Statement Number 68 as of September 30, 2022, along with supporting schedules is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68reports/>.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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 PEEHIP 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and dependents are eligible to enroll in 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. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by UHC 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 UHC 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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, 2023, the Board reported a liability of \$4,748,380.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the Board's proportion was 0.27251190%, which was an increase of 0.05405290% from its proportion measured as of September 30, 2021.

Notes to the Financial Statements
For the Year Ended September 30, 2023

For the year ended September 30, 2023, the Board recognized OPEB income of \$2,646,318.00, with no special funding situations. At September 30, 2023, 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	\$ 217,780.00	\$ 9,600,834.00
Changes of assumptions	3,851,585.00	6,911,553.00
Net difference between projected and actual earnings on OPEB plan investments	597,154.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,461,865.00	2,515,148.00
Employer contributions subsequent to the measurement date	392,587.00	
Total	\$8,520,971.00	\$19,027,535.00

The \$392,587.00 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 ending September 30, 2024.

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, 2024	\$(2,907,300)
2025	\$(2,949,440)
2026	\$(1,291,214)
2027	\$(1,238,526)
2028	\$(1,714,604)
Thereafter	\$ (798,067)

Notes to the Financial Statements
For the Year Ended September 30, 2023

E. Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate the Measurement Date	7.00%
Single Equivalent Interest Rate the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75% wage inflation.
(2) Compounded annually, net of investment expense, and includes inflation.
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.

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 (+)/ Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee – Below Median	None	65%
Service Retirees	Teacher – 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
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2021 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.

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

Notes to the Financial Statements
For the Year Ended September 30, 2023

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, 2022, was 7.00%. 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 active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022, and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. 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. Projected future benefit payments for all current plan members are projected through 2120.

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 the Collective Net OPEB Liability	\$3,600,706	\$4,748,380	\$6,155,894

Notes to the Financial Statements
For the Year Ended September 30, 2023

The following table presents the Board’s proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board’s Proportionate Share of the Collective Net OPEB Liability	\$5,870,670	\$4,748,380	\$3,806,250

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, 2022. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.com.

Note 8 – Construction and Other Significant Commitments

The Board is obligated under the following construction commitments:

	Project Cost	Construction Cost Paid	Remaining Balance
Construction Projects:			
Addison High HVAC	\$ 56,000.00	\$ 27,367.63	\$ 28,632.37
Lynn High HVAC	56,000.00	48,649.73	7,350.27
Meek High HVAC	56,000.00	37,808.48	18,191.52
Winston High HVAC	56,000.00	29,399.73	26,600.27
Meek High Bleachers	150,000.00	117,571.32	32,428.68
County Rekey	1,301,695.12	1,301,65.12	
Exterior Doors	469,182.00		469,182.00
ESSER HVAC Phase I	991,180.00	642,294.45	348,885.55
ESSER HVAC Phase II	2,981,373.00		2,981,373.00
Roof Replacement – Meek High, Addison High and Lynn High	551,549.89	551,549.89	
Winston High Flooring	703,134.08	703,134.08	
Capital One Lighting	3,741,066.00	3,629,966.53	111,099.47
Total	<u>\$11,113,180.09</u>	<u>\$7,089,436.96</u>	<u>\$4,023,743.13</u>

Notes to the Financial Statements
For the Year Ended September 30, 2023

Note 9 – Payables

On September 30, 2023, payables for the Board’s individual major funds are as follows:

	Accounts Payable	Total Payables
<u>Governmental Activities:</u>		
General Fund	\$150,374.28	\$150,374.28
Special Revenue Fund	366,984.48	366,984.48
Total Governmental Activities	\$517,358.76	\$517,358.76

Note 10 – Long-Term Debt

The Board issued tax anticipation warrants entitled Series 2013 to provide funds for the acquisition, construction, and renovation of school facilities.

The Board issued Special Tax School Warrants entitled Series 2016 to refund the Series 2007 Special Tax School Warrants.

During the 2015 fiscal year, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2015-B to provide funds to refund a portion of the Capital Improvement Pool Bonds, Series 2008-A.

During the 2019 fiscal year, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued its Capital Outlay Pool Bonds, Series 2019 to provide funds for the acquisition, construction, and renovation of school facilities. In the event of default, whether due to failure to comply with terms and conditions of Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority (the “Authority”) may (1) withhold all leveraged funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

The Board has entered into numerous notes from direct borrowings for the purchase of buses and equipment.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The following is a summary of long-term obligations for the Board for the year ended September 30, 2023:

	Debt Outstanding 10/01/2022	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2023	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds/Warrants Payable:					
Capital Improvement Pool Bonds:					
Series 2015B	\$ 1,179,779.28	\$	\$ (160,168.71)	\$ 1,019,610.57	\$ 168,159.39
Series 2019A	849,280.70		(33,636.70)	815,644.00	35,273.08
Unamortized Premium	117,092.73		(7,060.87)	110,031.86	7,060.87
Special Tax School Warrants:					
Series 2016	900,000.00		(140,000.00)	760,000.00	145,000.00
Series 2013	2,245,000.00		(215,000.00)	2,030,000.00	220,000.00
Sub-Total Bonds/Warrants Payable	5,291,152.71		(555,866.28)	4,735,286.43	575,493.34
Notes from Direct Borrowing	4,114,626.76	4,394,854.00	(516,616.21)	7,992,864.55	881,278.99
Net Pension Liability	19,347,000.00	13,781,000.00		33,128,000.00	
Net OPEB Liability	11,287,369.00		(6,538,989.00)	4,748,380.00	
Compensated Absences	68,105.80	8,460.87		76,566.67	
Total Governmental Activities Long-Term Debt	<u>\$40,108,254.27</u>	<u>\$18,184,314.87</u>	<u>\$(7,611,471.49)</u>	<u>\$50,681,097.65</u>	<u>\$1,456,772.33</u>

Payments on the Series 2013 and 2016 warrants payable are made by the Debt Service Fund with sales taxes. Payments on the Capital Improvement Pool Refunding Bonds 2015-B and 2019-A are made with Public School funds withheld from the Board's allocation from the Alabama Department of Education. The payments on the notes from direct borrowings are paid by state fleet renewal funds and the General Fund.

The Board's outstanding note from direct borrowing, originally issued at \$469,680.00, is secured by six 2018 school buses. The outstanding note contains a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note.

The Board's outstanding note from direct borrowing, originally issued at \$702,605.48, is secured by ten 2019 school buses. The outstanding note contains a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note.

The Board's outstanding note from direct borrowing, originally issued at \$2,280,749.80, is secured by twenty-two 2020 school buses. The outstanding note contains a provision that in the event of default, the bank may (1) declare unpaid principal immediately due and payable, plus interest thereon at the prime rate, (2) proceed by appropriate court action to enforce performance of debt agreement, (3) terminate agreement ceasing the Board's rights to the secured equipment, and (4) foreclose and take possession of the secured equipment to sell for repayment of the note.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The Board's outstanding note from direct borrowing, originally issued at \$935,548.00, is secured by nine 2021 school buses. The outstanding note contains a provision that in the event of default, the bank may declare all indebtedness of borrower to Lender under this Note immediately due and payable without further notice of any kind notwithstanding anything to the contrary.

The Board's outstanding note from direct borrowing, originally issued at \$1,063,655.00 is secured by 13 2022 school buses. The outstanding note contains a provision that in the event of default, the bank may declare all indebtedness of borrower to Lender under this Note immediately due and payable without further notice of any kind notwithstanding anything to the contrary.

The Board's outstanding note from direct borrowing, originally issued at \$641,288.00, is secured by a general obligation of the Winston County Board of Education. The outstanding note contains a provision that in the event of default, the bank may pursue any remedy available under the agreement, at law or in equity.

The Board's outstanding note from direct borrowing, originally issued at \$3,753,566.00, is secured by gymnasium and athletic field lighting upgrades at four schools. The outstanding note contains a provision that in the event of default, the bank may (1) enforce the agreement by appropriate action to collect all payments and other amounts due (2) set off against and take any amounts remaining in the acquisition fund or held in escrow and apply such amounts against the balance of the agreement (3) enter the Board's premises and take possession of the equipment without demand or notice and without court order or any process of law, and remove the same and release or otherwise dispose of the equipment for the Board's account (4) terminate this agreement and repossess the equipment (5) pursue and exercise any other remedy available at law or in equity.

The compensated absences liability will be liquidated by the General Fund or the fund for which the employee worked.

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

Fiscal Year Ending	Warrants Payable		Notes from Direct Borrowings		Total Principal and Interest Requirements to Maturity
	Principal	Warrants	Principal	Interest	
September 30, 2024	\$ 568,432.47	\$160,341.16	\$ 881,278.99	\$ 321,950.60	\$ 1,932,003.22
2025	583,596.49	139,980.79	912,871.53	290,358.07	1,926,806.88
2026	609,115.65	102,135.36	946,773.91	256,455.69	1,914,480.61
2027	634,812.38	90,376.81	981,943.58	221,286.02	1,928,418.79
2028	651,760.60	66,438.29	1,018,524.75	184,704.85	1,921,428.49
2029-2033	1,204,805.98	128,555.01	3,251,471.79	411,801.67	4,996,634.45
2034-2038	304,912.14	44,416.82			349,328.96
2039-2040	67,818.86	2,034.56			69,853.42
Totals	\$4,625,254.57	\$734,278.80	\$7,992,864.55	\$1,686,556.90	\$15,038,954.82

Notes to the Financial Statements
For the Year Ended September 30, 2023

Premium on Debt Issuance

The Board has a premium in connection with the PSCA Capital Improvement Pool Bonds, Series 2019-A. The premium is being amortized using the straight-line method over a period of 239 months.

	Premium
Premium	\$140,628.94
Amount Amortized Prior Year	(23,536.21)
Balance Premium	117,092.73
Current Amount Amortized	(7,060.87)
Balance Premium	<u>\$110,031.86</u>

Pledged Revenues

The Board issued Series 2016 Special Tax School Warrants for the purpose of refunding the Series 2007 Special Tax School Warrants. The Board pledged to repay the 2016 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant the provisions of the ***Code of Alabama 1975***, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$817,625.00 are pledged to repay the principal and interest of the warrants at September 30, 2023. Tax proceeds of the special tax in the amount of \$3,528,006.97 were received by the Board during the fiscal year ended September 30, 2023, of which \$162,750.00 was used to pay principal and interest on the warrants. The Series 2016 Special Tax School Warrants will mature in fiscal year 2028.

The Board issued Series 2013 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 2013 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant the provisions of the ***Code of Alabama 1975***, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$2,271,162.50 are pledged to repay the principal and interest of the warrants at September 30, 2023. Tax proceeds of the special tax in the amount of \$3,528,006.97 were received by the Board during the fiscal year ended September 30, 2023, of which \$167,525.49 was used to pay principal and interest on the warrants. The Series 2013 Special Tax School Warrants will mature in fiscal year 2030.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The Board issued Series 2015-B Capital Improvement Pool Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund a portion of the Series 2008-A Capital Improvement Pool Bonds. Future revenues in the amount of \$1,152,473.35 are pledged to repay the principal and interest on the bonds at September 30, 2023. Proceeds of public school funds in the amount of \$616,216 were received by the Board during the fiscal year ended September 30, 2023, of which \$217,321.59 was used to pay principal and interest on the bonds. This amount represents 76 percent of the pledged funds received by the Board. The Series 2015-B Bonds will mature in fiscal year 2029.

The Board issued Series 2019-A Capital Improvement Pool Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund a portion of the Series 2008-A Capital Improvement Pool Bonds. Future revenues in the amount of \$1,118,272.52 are pledged to repay the principal and interest on the bonds at September 30, 2023. Proceeds of public school funds in the amount of \$616,216 were received by the Board during the fiscal year ended September 30, 2023, of which \$69,975.24 was used to pay principal and interest on the bonds. This amount represents 24 percent of the pledged funds received by the Board. The Series 2019-A Bonds will mature in fiscal year 2039.

Note 11 – 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 is obtained as fleet insurance through Auto-Owners Insurance. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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.

Note 12 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2023, were as follows:

	Interfund Receivables	
	General Fund	Totals
<u>Interfund Payables:</u>		
Special Revenue Fund	\$417,184.80	\$417,184.80
Totals	<u>\$417,184.80</u>	<u>\$417,184.80</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2023, were as follows:

	Transfers In		Totals
	General Fund	Special Revenue Fund	
<u>Transfers Out:</u>			
General Fund	\$	\$247,543.42	\$247,543.42
Special Revenue Fund	123,927.33		123,927.33
Totals	<u>\$123,927.33</u>	<u>\$247,543.42</u>	<u>\$371,470.75</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

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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, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.213167%	0.205376%	0.203913%	0.191847%	0.202276%	0.204093%	0.210548%	0.218319%	0.220452%
Employer's proportionate share of the collective net pension liability	\$ 33,128	\$ 19,347	\$ 25,223	\$ 21,212	\$ 20,111	\$ 20,059	\$ 22,794	\$ 22,849	\$ 20,027
Employer's covered payroll during the measurement period (*)	\$ 14,055	\$ 14,737	\$ 14,293	\$ 13,567	\$ 13,400	\$ 13,385	\$ 13,309	\$ 13,736	\$ 13,842
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	235.70%	131.28%	171.15%	156.35%	150.08%	149.86%	171.27%	166.34%	144.68%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	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 the fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

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, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,221	\$ 1,989	\$ 1,797	\$ 1,759	\$ 1,668	\$ 1,624	\$ 1,597	\$ 1,583	\$ 1,609
Contributions in relation to the contractually required contribution	\$ 2,221	\$ 1,989	\$ 1,797	\$ 1,759	\$ 1,668	\$ 1,624	\$ 1,597	\$ 1,583	\$ 1,609
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 17,581	\$ 14,055	\$ 14,737	\$ 14,293	\$ 13,567	\$ 13,400	\$ 13,385	\$ 13,309	\$ 13,736
Contributions as a percentage of covered payroll	12.63%	14.15%	12.19%	12.31%	12.29%	12.12%	11.93%	11.89%	11.71%

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, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.272512%	0.218459%	0.252698%	0.266931%	0.262791%	0.260553%
Employer's proportionate share of the collective net OPEB liability	\$ 4,748	\$ 11,287	\$ 16,400	\$ 10,071	\$ 21,598	\$ 19,352
Employer's covered-employee payroll during the measurement period (*)	\$ 14,055	\$ 14,737	\$ 14,293	\$ 13,567	\$ 13,400	\$ 13,385
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	33.78%	76.59%	114.74%	74.23%	161.18%	144.58%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll.
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

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 Retirement Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 393	\$ 524	\$ 412	\$ 465	\$ 753	\$ 648
Contributions in relation to the contractually required contribution	\$ 393	\$ 524	\$ 412	\$ 465	\$ 753	\$ 648
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 17,581	\$ 14,055	\$ 14,737	\$ 14,293	\$ 13,567	\$ 13,400
Contributions as a percentage of covered-employee payroll	2.24%	3.73%	2.80%	3.25%	5.55%	4.84%

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

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2023***

Changes in Actuarial Assumptions

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

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.

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2023***

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, 2019, 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	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 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 2022.	

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
State	\$ 18,524,188.00	\$ 19,563,484.03	\$ 20,399,020.00	\$	\$ 20,399,020.00
Federal		100.00	310,235.05		310,235.05
Local	6,893,550.00	7,384,550.00	10,952,461.27		10,952,461.27
Other	150,000.00	150,000.00	220,103.73		220,103.73
Total Revenues	25,567,738.00	27,098,134.03	31,881,820.05		31,881,820.05
Expenditures					
Current:					
Instruction	12,961,915.16	13,835,937.80	13,952,953.28	(1)	13,972,792.21
Instructional Support	4,536,915.84	4,616,407.24	4,806,812.04	(1)	4,852,998.35
Operation and Maintenance	2,682,596.00	5,149,896.86	3,149,432.79	(1)	3,149,319.68
Auxiliary Services:					
Student Transportation Services	2,935,595.00	3,576,883.00	2,861,765.10	(1)	2,865,373.63
General Administrative and Central Support	1,027,632.00	1,386,534.62	1,342,800.58	(1)	1,340,146.75
Other	634,400.00	608,120.83	615,292.98	(1)	608,676.95
Capital Outlay		327,000.00	4,532,359.35		4,532,359.35
Debt Service:					
Principal Retirement	215,000.00	215,000.00	104,518.27		104,518.27
Interest and Fiscal Charges	63,056.25	63,056.25	3,100.89		3,100.89
Total Expenditures	25,057,110.25	29,778,836.60	31,369,035.28		31,429,286.08
Excess (Deficiency) of Revenues Over Expenditures	510,627.75	(2,680,702.57)	512,784.77		(60,250.80)
Other Financing Sources (Uses)					
Indirect Cost	222,680.15	142,140.76	12,318.34		12,318.34
Long-Term Debt Issued		641,288.00	4,394,854.00		4,394,854.00
Transfers In		79,885.95	123,927.33		123,927.33
Other Financing Sources			89,951.78		89,951.78
Sale of Capital Assets			190,000.00		190,000.00
Transfers Out	(130,470.00)	(130,470.00)	(247,543.42)		(247,543.42)
Total Other Financing Sources (Uses)	92,210.15	732,844.71	4,563,508.03		4,563,508.03
Net Changes in Fund Balances	602,837.90	(1,947,857.86)	5,076,292.80		(60,250.80)
Fund Balances - Beginning of Year	3,119,421.00	3,119,421.00	4,710,395.43	(2)	2,363,742.54
Fund Balances - End of Year	\$ 3,722,258.90	\$ 1,171,563.14	\$ 9,786,688.23	\$	\$ 7,379,784.54

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2023

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets salaries and benefits only to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis.

\$ (60,250.80)

Net Decrease in Fund Balance - Budget to GAAP

\$ (60,250.80)

- (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, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Federal	\$ 4,553,732.06	\$ 10,020,804.92	\$ 7,106,799.34	\$	\$ 7,536,039.34
Local	2,156,975.00	2,156,975.00	2,088,382.40		2,088,382.40
Other	35,000.00	35,000.00	468,208.81		38,968.81
Total Revenues	6,745,707.06	12,212,779.92	9,663,390.55		9,663,390.55
Expenditures					
Current:					
Instruction	2,437,024.11	3,752,388.09	2,887,131.66		2,887,131.66
Instructional Support	969,759.94	1,338,512.67	1,030,392.42		1,030,392.42
Operation and Maintenance	84,228.00	153,860.00	446,750.59		446,750.59
Auxiliary Services:					
Student Transportation Services	9,617.00	9,617.00	6,466.75		6,466.75
Food Services	2,500,570.00	2,905,514.00	2,340,357.72	(1)	(2,303.25)
General Administrative and Central Support	469,947.88	807,707.04	518,029.01		518,029.01
Other	613,084.00	749,395.63	799,286.28		799,286.28
Capital Outlay	206,594.13	3,453,847.49	1,987,852.64		1,987,852.64
Total Expenditures	7,290,825.06	13,170,841.92	10,016,267.07		(2,303.25)
Excess (Deficiency) of Revenues Over Expenditures	(545,118.00)	(958,062.00)	(352,876.52)		2,303.25
Other Financing Sources (Uses)					
Transfers In	130,470.00	543,414.00	247,543.42		247,543.42
Transfers Out			(123,927.33)		(123,927.33)
Total Other Financing Sources (Uses)	130,470.00	543,414.00	123,616.09		123,616.09
Net Changes in Fund Balances	(414,648.00)	(414,648.00)	(229,260.43)		2,303.25
Fund Balances - Beginning of Year	2,491,851.00	2,491,851.00	2,181,227.58	(2)	(83,407.03)
Fund Balances - End of Year	\$ 2,077,203.00	\$ 2,077,203.00	\$ 1,951,967.15	\$	(81,103.78)
				\$	\$ 1,870,863.38

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2023

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets salaries and benefits only to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis.

\$ 2,303.25

Net Increase in Fund Balance - Budget to GAAP

\$ 2,303.25

- (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, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	N/A	\$ 304,676.97
National School Lunch Program:			
Cash Assistance	10.555	N/A	1,039,977.98
Non-Cash Assistance (Commodities)	10.555	N/A	144,025.96
COVID-19 Cash Assistance	10.555	N/A	73,038.42
Sub-Total National School Lunch Program			<u>1,257,042.36</u>
Summer Food Service Program for Children	10.559	N/A	555,293.25
Sub-Total Child Nutrition Cluster			<u>2,117,012.58</u>
Child and Adult Care Food Program	10.558	N/A	2,794.12
<u>Passed Through Winston County Commission</u>			
Schools and Roads - Grants to States	10.665	N/A	52,323.51
Total U. S. Department of Agriculture			<u>2,172,130.21</u>
<u>U. S. Department of Transportation</u>			
<u>Passed Through Winston County Commission</u>			
Appalachian Area Development	23.002	N/A	10,765.00
<u>Federal Communications Commission</u>			
<u>Direct Program</u>			
Emergency Connectivity Fund	32.009	N/A	429,240.00
<u>General Services Administration</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Donation of Federal Surplus Property	39.003	N/A	2,895.15
Sub-Total Forward			\$ 2,615,030.36

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 2,615,030.36
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	N/A	642,923.42
Career and Technical Education - Basic Grants to States	84.048	N/A	51,350.08
Rural Education	84.358	N/A	135,166.35
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	639,981.00
COVID-19 Special Education - Grants to States (American Rescue Plan)	84.027X	N/A	21,098.34
Special Education - Preschool Grants	84.173	N/A	18,413.93
COVID-19 Preschool Grants (American Rescue Plan)	84.173X	N/A	9,668.00
Sub-Total Special Education Cluster			689,161.27
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	N/A	35,269.54
Twenty-First Century Community Learning Centers	84.287	N/A	165,551.67
Supporting Effective Instruction State Grants	84.367	N/A	100,573.36
COVID-19 Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N/A	1,523,384.30
COVID-19 American Rescue Plan - Elementary and Secondary Schools Emergency Relief (ARP ESSER) Fund	84.425U	N/A	1,842,249.97
COVID-19 American Rescue Plan - Elementary and Secondary Schools Emergency Relief (ARP-ESSER) Fund - Homeless Children and Youth	84.425W	N/A	13,641.46
Sub-Total COVID-19 Education Stabilization Fund			3,379,275.73
Total U. S. Department of Education			5,199,271.42
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Program</u>			
Head Start	93.600	N/A	16,001.75
<u>Social Security Administration</u>			
<u>Passed Through Alabama Department of Education</u>			
Social Security - Disability Insurance	96.001	N/A	200.00
Total Expenditures of Federal Awards			\$ 7,830,503.53

(N) = Non-Cash Assistance
N/A = Not Applicable or Not Available

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2023***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Winston County Board of Education under programs of the federal government for the year ended September 30, 2023. 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 Winston County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Winston 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 Winston County Board of Education has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2022 through September 30, 2023

Board Members		Term Expires
Hon. Joey Boteler	President	2024
Hon. Allin Bailey	Vice-President	2024
Hon. Mark Finley	Member	2024
Hon. Lamar Frith	Member	2024
Hon. Randy Lee	Member	2024
<u>Administrative Personnel</u>		
Mr. Greg Pendley	Superintendent	2024
Mrs. Morgan Blankenship	Chief School Financial Officer	Indefinite

***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***

Independent Auditor's Report

Members of the Winston County Board of Education,
Superintendent and Chief School Financial Officer
Double Springs, 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 Winston County Board of Education, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Winston County Board of Education's basic financial statements, and have issued our report thereon dated April 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Winston 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 Winston County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winston County Board of Education's internal control.

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

***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***

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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as Finding 2023-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

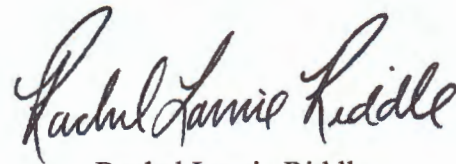
Winston County Board of Education's Response to Findings

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

***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***

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

April 22, 2024

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

Independent Auditor's Report

Members of the Winston County Board of Education,
Superintendent and Chief School Financial Officer
Double Springs, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Winston 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 Winston County Board of Education's major federal programs for the year ended September 30, 2023. The Winston 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 Winston 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, 2023.

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 Winston 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Winston County Board of Education's compliance with the compliance requirements referred to above.

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

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 Winston 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 Winston 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 Winston 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 Winston 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 Winston 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 Winston County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

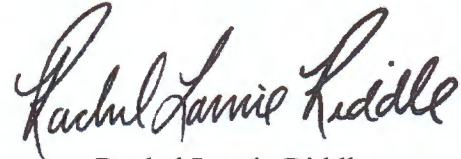
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 22, 2024

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

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?

 X Yes No

Significant deficiency(ies) identified?

 Yes X 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:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.553, 10.555 and 10.559 84.425	Child Nutrition Cluster COVID-19 – 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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2023-002
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

The Board failed to properly record all financial transactions. Material adjustments were necessary to properly reflect all transactions on the financial statements.

Finding 2023-002

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and accurate financial statements to be prepared. During the fiscal year, the Board failed to properly record all financial transactions. PSCA revenues and capital outlay expenditures totaling \$932,367.28 were not recorded. The Board did not have adequate procedures in place to ensure all financial transactions were properly recorded and financial statements were accurately prepared. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The management of the Board was notified of these errors and made adjusting entries to correct the financial statements. This finding was previously reported as Finding 2022-001.

Recommendation

The Board should ensure that all financial activity is properly recorded in the accounting records and that accurate financial statements are prepared.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2023

Winston County
Board of Education

Joey Boteler, President
District 2

Allin Bailey
Vice-President
District 3

Mark Finley
District 1

Lamar Frith
District 5

Randy Lee
District 4

Greg Pendley
Secretary and
Chief Executive Officer



As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Winston County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2023.

Finding

Ref.

No. Status of Prior Audit Findings

2022-001 Finding:

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and accurate financial statements to be prepared. During the fiscal year, the Board failed to properly record all financial transactions. PSCA revenues and capital outlay expenditures totaling \$796,665.42 and revenues and expenditures for a flooring project totaling \$431,105.95 were not recorded. The Board did not have adequate procedures in place to ensure all financial transactions were properly recorded and financial statements were accurately prepared. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The management of the Board was notified of these errors and made adjusting entries to correct the financial statements.

Recommendation:

The Board should ensure that all financial activity is properly recorded in the accounting records and that accurate financial statements are prepared.

Status: This finding will be corrected as of 09/30/2024.

2022-002

Finding:

Title 29, ***U.S. Code of Federal Regulations***, Part 5, Sub-Part A Davis Bacon and Related Acts Provisions and Procedures (the “Davis-Bacon Act”), requires that any construction contract in excess of \$2,000 that is funded wholly or in part by federal funds include prevailing wage rate clauses. The laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for locality of project (prevailing wage rates) by the Department of Labor (DOL) and the contractor or subcontractor must submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

During fiscal year 2022, the Board entered into a construction project contract totaling \$689,002.89 that did not include prevailing wage rate clauses. As of September 30, 2022, the Board had expended \$431,105.95 of COVID-19 Education Stabilization Funds (Elementary and Secondary School Emergency Relief) on the project. The Board did not have controls in place to ensure the Davis-Bacon Act wage rate requirements were included in construction contracts, therefore, the construction project contract was awarded during the fiscal year that did not include prevailing wage rate clauses nor did the contractors submit weekly certified payrolls to the Board. As a result, the Board is not in compliance with the Davis-Bacon Act as it pertains to wage rate requirements.

Recommendation:

The Board should comply with Title 29, U.S. ***Code of Federal Regulations***, Part 5, Sub-Part A Davis Bacon and Related Acts Provisions and Procedures (the “Davis-Bacon Act”) when using COVID-19 Education Stabilization Funds (ESSER) to fund construction contracts in excess of \$2,000.

Status: Corrective action was taken.



Mr. Greg Pendley, Superintendent

Winston County Board of Education

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Auditee Response/Corrective Action Plan

Auditee Response/Corrective Action Plan
For the Year Ended September 30, 2023

Winston County
Board of Education

Joey Boteler, President
District 2

Allin Bailey
Vice-President
District 3

Mark Finley
District 1

Lamar Frith
District 5

Randy Lee
District 4

Greg Pendley
Secretary and
Chief Executive Officer



As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Winston County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2023.

Finding

Ref.

No. Corrective Action Plan Details

2023-002 Finding:

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and accurate financial statements to be prepared. During the fiscal year, the Board failed to properly record all financial transactions. PSCA revenues and capital outlay expenditures totaling \$932,367.28 were not recorded. The Board did not have adequate procedures in place to ensure all financial transactions were properly recorded and financial statements were accurately prepared. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The management of the Board was notified of these errors and made adjusting entries to correct the financial statements. This finding was previously reported as Finding 2022-001.

Response/Views: We agree to the finding.

Corrective Action Planned: PSCA invoices will now be recorded when they are received, instead of when payment documentation is received.

Anticipated Completion Date: This finding has already been corrected as of 09/30/2023.

Contact Person(s): Morgan Blankenship (morganblankenship@wcsclass.com) (205-489-5018)

Reason for the Recurrence: The CSFO was under the impression that PSCA invoices were not to be recorded to the general ledger until payment documentation was received.

Another matter came to our attention while performing our audit that is not included in the Schedule of Findings and Questioned Costs. This matter will be addressed in the Schedule of State and Local Compliance and Other Findings and is included as a finding below.

Finding

Ref.

No.

Corrective Action Plan Details

2023-001 Finding:

The *Code of Alabama 1975*, Section 16-13B-1, requires all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving forty thousand dollars (\$40,000) or more made by or on behalf of any county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. During the audit period, the Winston County Board of Education (the "Board") expended \$301,687.03 for bus fuel without letting bids. The Board did not have adequate procedures in place to ensure applicable laws and Board policies related to competitive bidding were followed. As a result, the Board failed to comply with the provisions of the *Code of Alabama 1975*, Section 16-13B-1.

Response/Views: We agree to the finding.

Corrective Action Planned: The Winston County Board of Education accepted fuel bids in March 2024 for the fiscal year 2024. This bid may be extended up to four additional years.

Anticipated Completion Date: March 2024

Contact Person(s): Morgan Blankenship (morganblankenship@wcsclass.com) (205-489-5018)



Greg Pendley, Superintendent

Winston County Board of Education