



Alabama Department of Examiners of Public Accounts

Report on the **Demopolis City Board of Education** **Marengo County, Alabama**

October 1, 2022 through September 30, 2023

Filed: June 7, 2024

AUDEMUS JURA NOSTRA DEFENDERE
ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Madam:

An audit was conducted on the Demopolis City Board of Education, Marengo County, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Miranda Taylor and Denise Owens. I, Miranda Taylor, 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,

A handwritten signature in black ink that reads 'miranda jaylor'.

Miranda J. Taylor
Examiner of Public Accounts

rb

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Summary | A |
| <p>Contains items pertaining to federal, state and local legal compliance, Board operations and other matters.</p> | |
| Independent Auditor’s Report | C |
| <p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p> | |
| Management’s Discussion and Analysis | H |
| <p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the entity introducing the basic financial statements and providing an analytical overview of the entity’s financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p> | |
| <u>Basic Financial Statements</u> | 1 |
| <p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board’s financial position and results of operations in accordance with GAAP.</p> | |
| Exhibit #1 | 2 |
| Exhibit #2 | 3 |
| Exhibit #3 | 4 |
| Exhibit #4 | 5 |
| Exhibit #5 | 6 |
| Exhibit #6 | 7 |
| Notes to the Financial Statements | 8 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| <u>Required Supplementary Information</u> | 39 |
| Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information. | |
| Exhibit #7 Schedule of the Employer’s Proportionate Share of the Collective Net Pension Liability | 40 |
| Exhibit #8 Schedule of the Employer’s Contributions – Pension | 41 |
| Exhibit #9 Schedule of the Employer’s Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees’ Health Care Trust | 42 |
| Exhibit #10 Schedule of the Employer’s Contributions Other Postemployment Benefits (OPEB) Alabama Retired Education Employees’ Health Care Trust | 43 |
| Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB) | 44 |
| Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 46 |
| Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund | 47 |
| <u>Supplementary Information</u> | 48 |
| Contains financial information and notes relative to federal financial assistance. | |
| Exhibit #13 Schedule of Expenditures of Federal Awards | 49 |
| Notes to the Schedule of Expenditures of Federal Awards | 51 |

Table of Contents

| | <i>Page</i> |
|--|-------------|
| <u>Additional Information</u> | 52 |
| <p>Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.</p> | |
| Exhibit #14 | 53 |
| Board Members and Administrative Personnel – a listing of the Board members and administrative personnel. | |
| Exhibit #15 | 54 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements. | |
| Exhibit #16 | 56 |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Board complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program. | |
| Exhibit #17 | 60 |
| Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> . | |



Department of
Examiners of Public Accounts

SUMMARY

**Demopolis City Board of Education
Marengo County, Alabama
October 1, 2022 through September 30, 2023**

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

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. The audit was performed at the request of the Demopolis City Board of Education pursuant to the provisions of the *Code of Alabama 1975*, Section 16-13A-7(a)(3).

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.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Tony Willis; Chief School Financial Officer Morgan Nelson and Board Members Betsy Stephens and Bobby Armstead. A telephone conference was held with Board Members J. Olen Kerby, Jr., Harris Hurst and Carolyn Moore. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Bodie Pickens, Audit Manager and Miranda Taylor, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Members of the Demopolis City Board of Education,
Superintendent and Chief School Financial Officer
Demopolis, 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 Demopolis City Board of Education, a component unit of the City of Demopolis, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Demopolis City Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Demopolis City 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 Demopolis City 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 Demopolis City 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 Demopolis City 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

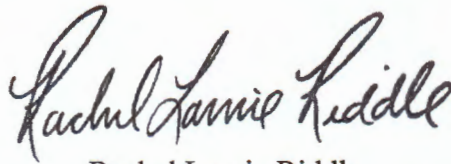
Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated May 16, 2024, on our consideration of the Demopolis City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Demopolis City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the Demopolis City Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 16, 2024

This Page Intentionally Blank

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) of the Demopolis City Board of Education’s financial performance provides an overall review of the Board’s financial activities for the fiscal year ending September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board’s financial statements, which follow this narrative.

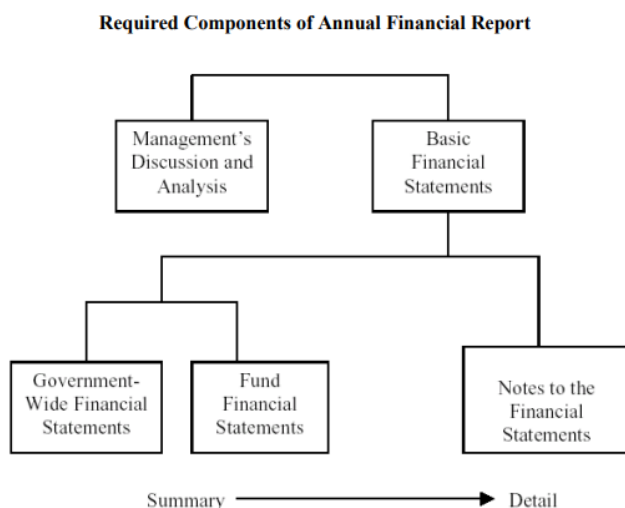
The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34; *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the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

FINANCIAL HIGHLIGHTS

- Capital outlays during the audit period were \$3,933,936 for building improvements and equipment.
- During the year, expenses exceeded revenues by \$415,839, bringing total fund balance to \$11,653,639. The ending fund balance includes accrued salaries as of September 30, 2023.
- During the year, revenue increased overall by 5% compared to 2022, with an increase of 4% in state funds, a decrease of 19% in federal funds, and an increase of 27% in local revenue.
- Expenditures increased by 15% for the second year in a row, with the biggest increase being allocated to capital outlay.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report for the Board consists of five parts – management’s discussion and analysis (this section), the independent auditors’ 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. This report also includes supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. 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, 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 social workers, school nurses, and professional development expenses.

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

Auxiliary services include student transportation expenses for bus driver salaries and benefits, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses, and fleet insurance. All of our buses and vans are used for field trips and after school activities. Also included are 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 office support includes salaries and benefits for the superintendent, assistants, clerical and financial staff, curriculum 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 include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

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

Government-wide financial 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, liabilities and deferred inflows of resources 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 for governmental entities closer to the financial reporting methods used in the private 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* 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) and deferred inflows of resources with the difference 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* 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 requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board are classified as governmental funds.

Governmental Funds – These statements account for basically the same governmental activities reported in the government-wide financial statements. Until now, fund information has been reported in the aggregate by type of fund. As required under the new reporting model, the new 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, Special Revenue Fund, Debt Service Fund and Capital Projects Fund.

The fund financial statements are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, 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 is reconciled on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities reports. 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.

After the presentation of the basic financial statements, the new reporting model requires additional required supplementary information to be presented following the notes to the basic financial statements. The required supplementary information provides a comparison of the original adopted budget to the final amended budget of the Board’s General Fund and Special Revenue Fund, which are 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 Board’s financial position. Refer to Table 1 when reading the following analysis of net position. The Board’s net position was in a deficit for 2023, with liabilities and deferred inflows of resources totaling \$52,651,073.

- Restricted net position is reported separately to show the external legal constraints from enabling legislation that limit the Board’s ability to use that net position for day-to-day operations. The amount of \$2,332,248 is reserved for debt service and the funds have been placed in escrow accounts apart from the Board, \$2,500,806 is reserved for special purposes set by revenue sources and \$629,708 is reserved for construction projects underway at year end. The balance of unrestricted net position is \$(22,687,063).

Table 1: Summary of Net Position
September 30, 2022 and 2023
(in millions)

| | Governmental Activities | | Percent |
|-------------------------------------|-------------------------|----------|---------------------|
| | FY 2022 | FY 2023 | Change 2022-2023 |
| Current Assets | \$16.52 | \$8.78 | -46.88% |
| Capital Asset, Net | 18.13 | 28.42 | 56.73% |
| Total Assets | 34.65 | 37.19 | 7.33% |
| Deferred Outflows of Resources | 9.23 | 15.00 | 62.46% |
| Current Liabilities | 2.33 | 2.43 | 4.21% |
| Long-Term Liabilities | 29.40 | 34.10 | 16.00% |
| Total Liabilities | 31.73 | 36.53 | 15.13% |
| Total Deferred Inflows of Resources | 15.71 | 16.12 | 2.60% |
| Net Position | | | |
| Net Investment in Capital Assets | 13.61 | 16.71 | 22.75% |
| Restricted for Debt Service | 2.10 | 2.33 | 11.05% |
| Restricted for Capital Projects | 0.53 | 0.63 | 18.90% |
| Restricted for Other Purposes | 1.39 | 1.14 | -17.99% |
| Unrestricted | (21.19) | (21.27) | 0.37% |
| Total Net Position | (\$3.56) | (\$0.46) | -87.01% |

The State Department of Education recommends that no K-12 school district budget have less than one-month reserve. Since we have an unrestricted reserve of \$6.26 million, we have met this requirement.

Table 2: Statement of Activities
September 30, 2022 and 2023
(in millions)

| | <u>Governmental Activities</u> | | <u>Percent Change</u> |
|---|--------------------------------|----------------|-----------------------|
| | <u>FY 2022</u> | <u>FY 2023</u> | <u>2022-2023</u> |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | 2.27 | 2.06 | -9.25% |
| Operating grants and contributions | 19.95 | 20.34 | 1.93% |
| Capital grants and contributions | 1.44 | 0.89 | -38.19% |
| General Revenues: | | | |
| Property taxes for general purposes | 2.24 | 2.54 | 13.17% |
| Local sales taxes | 2.37 | 3.84 | 62.03% |
| Other taxes | 0.12 | 0.12 | -1.67% |
| Grants and contributions not restricted to specific purposes | 0.01 | 0.00 | -52.50% |
| Investment earnings | 0.08 | 0.01 | -88.41% |
| Miscellaneous | 1.03 | 1.03 | 0.00% |
| Total Assets | 29.51 | 30.82 | 4.44% |
| Expenses | | | |
| Governmental Activities | | | |
| Instructional services | 14.80 | 16.05 | 8.45% |
| Instructional support services | 3.92 | 4.61 | 17.60% |
| Operation and maintenance | 2.03 | 2.16 | 6.40% |
| Student transportation services | 0.22 | 0.25 | 12.16% |
| Food services | 1.70 | 2.01 | 18.41% |
| General administrative services | 1.37 | 1.64 | 19.71% |
| Interest and fiscal charges | 0.11 | 0.10 | -12.73% |
| Other expenses | 1.12 | 1.08 | -8.04% |
| Total expenses | 25.27 | 27.86 | 10.25% |
| Changes in Net Position | 4.24 | 2.96 | -30.19% |
| Net Position - beginning of year | (7.80) | (3.56) | 54.36% |
| Net Position - end of year | (3.56) | (0.46) | 86.99% |

During the current fiscal year, the Board's net position increased by \$3,093,570.53. Revenues increased over the past fiscal year, and while expenses also increased, revenues were still greater.

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 \$27.86 million. It is important to note that not all of these costs were borne by the taxpayers of Demopolis City Schools.

- Some of the cost, \$2.06 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 operating grants and contributions totaling \$20.34 million.
- Other general revenue sources, such as interest earnings, unrestricted grants, donations, CNP rebates, etc. provided \$1.93 million in revenues.

Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for 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 Services
September 30, 2022 and 2023
(in millions)

| | Total Costs of Services | | Percentage Change | Net Costs of Services | | Percentage Change |
|---------------------------------|-------------------------|--------------|-------------------|-----------------------|---------------|-------------------|
| | 2022 | 2023 | 2022-2023 | 2022 | 2023 | 2022-2023 |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| Instructional services | 14.80 | 16.05 | 8.45% | 0.60 | (1.89) | -415.53% |
| Instructional support services | 3.92 | 4.61 | 17.90% | (0.28) | (0.78) | -72.24% |
| Operation and maintenance | 2.03 | 2.16 | 6.40% | (0.73) | (0.07) | -90.30% |
| Student transportation services | 0.22 | 0.25 | 13.18% | (0.08) | (0.13) | 45.35% |
| Food services | 1.70 | 2.01 | 18.24% | 0.15 | (0.29) | -293.24% |
| General administrative services | 1.37 | 1.64 | 20.59% | (0.67) | (1.07) | 60.66% |
| Interest and fiscal charges | 0.11 | 0.97 | -8.04% | (0.11) | (0.10) | -9.43% |
| Other expenses | 1.12 | 1.04 | 10.25% | (0.49) | (0.25) | -49.18% |
| Total expenses | 25.27 | 27.87 | 6.04% | (1.61) | (4.58) | 183.77% |

FINANCIAL ANALYSIS OF THE SCHOOL BOARD FUNDS

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.

Table 4: Summary of Changes in Fund Balance - General Fund
September 30, 2022 and 2023
(in millions)

| | General Fund | | Percentage |
|--|---------------------|-----------------|-------------------|
| | 2022 | 2023 | 2022-2023 |
| <u>Revenues</u> | | | |
| State | \$15,238,769.17 | \$16,452,133.24 | 7.96% |
| Federal | 201,712.91 | 184,801.73 | -8.38% |
| Local | 4,950,375.04 | 6,722,960.32 | 35.81% |
| Other | 21,942.84 | 17,202.72 | -21.60% |
| Total Revenues | \$20,412,799.96 | \$23,377,098.01 | 14.52% |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | 12,394,538.17 | 12,687,142.58 | 2.36% |
| Instructional Support | 2,838,908.38 | 3,383,132.66 | 19.17% |
| Operation and Maintenance | 1,538,714.91 | 1,754,601.18 | 14.03% |
| Auxiliary Services: | | | |
| Student Transportation | 149,402.50 | 163,062.14 | 9.14% |
| General Administrative and Central Support | 1,042,546.95 | 1,383,834.42 | 32.74% |
| Other | 649,257.38 | 619,023.58 | -4.66% |
| Capital Outlay | 217,133.42 | 720,299.53 | 231.73% |
| Debt Service: | | | |
| Principal Retirement | 143,355.65 | 53,692.89 | -62.55% |
| Interest and Fiscal Charges | 9,433.45 | 3,991.11 | -57.69% |
| Total Expenditures | 18,983,290.81 | 20,768,780.09 | 9.41% |
| Excess (Deficiency) of Revenues Over Expenditures | 1,429,509.15 | 2,608,317.92 | 82.46-% |
| <u>Other Financing Sources (Uses)</u> | | | |
| Indirect Cost | 176,711.06 | 205,628.89 | 16.36% |
| Transfers In | 107,085.09 | 115,131.19 | 7.51% |
| Transfers Out | (237,880.86) | (3,396,706.47) | -1327.9% |
| Total Other Financing Sources (Uses) | 45,915.29 | (3,075,946.39) | -6799.18% |
| Net Changes in Fund Balances | 1,475,424.44 | (467,628.47) | 131.69% |
| Fund Balances - Beginning of Year | 6,344,833.80 | 7,820,258.24 | 23.25% |
| Fund Balances - End of Year | \$ 7,820,258.24 | \$ 7,352,629.77 | -5.98% |

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 the *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position* and *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities*). The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board’s governmental funds reported combined ending fund balances of \$11.653 million.

- Approximately \$6.26 million of this amount constitutes the unassigned fund balance of the General Fund, an decrease of \$.918 million.
- The remaining \$5.40 million belongs to other federal and state funded programs, including the Child Nutrition program, Debt Service Fund, and Capital Projects Fund.

General Fund – The general fund is the primary operating fund of the Board. The \$467,628 decrease in the fund balances as a result of operations this year was primarily from:

- Increase in revenues on the state, federal, and local levels of 15%
- Significant increase in capital outlay of \$3.0 million, where general fund monies were used to offset what capital funds could not cover.

Debt Service Fund – This fund represents funds set aside in escrow accounts to pay long-term debt obligations as they mature. The balance in this fund is \$2,332,248. The net change to fund balance was an increase of \$232,551 and was primarily due to revenue from State sources.

Capital Projects Fund – This represents funds set aside for capital improvements. The balance of this fund was \$629,708. The increase in fund balance of \$100,095 was primarily due to revenues transferred from the general fund to pay for capital outlay and debt service.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the Board had invested \$21,045,838 in a broad range of capital assets, including renovation of buildings, school furniture, instructional equipment, renovation of the school's networking system, and computer hardware and software.

Table 5: Capital Assets
September 30, 2022 and 2023
(in thousands)

| | Governmental Activities | | Percentage |
|--------------------------------|-------------------------|---------|---------------------|
| | 2023 | 2022 | Change 2022-2023 |
| Land | 0.40 | 0.40 | 0.00% |
| Buildings and Improvements | 34.82 | 34.25 | 1.66% |
| Equipment | 2.86 | 2.89 | -0.97% |
| Vehicles | 0.61 | 0.57 | 7.73% |
| Construction in Progress | 4.22 | 0.88 | 380.55% |
| Less: accumulated depreciation | (21.87) | (20.86) | 4.85% |
| Total Capital Assets | 21.01 | 18.13 | 16.11% |

This year's major capital asset additions included (dollars in millions):

- Westside Multipurpose building, DHS Baseball Dugout, and the fire alarm system at USJ were all completed.
- DHS Restrooms are being renovated and new security doors/rooms are being added to DMS, USJ, and DHS.
- Schneider Electric has updated all four campuses plus the central office with LED lights and light sensors, and are still working on the geothermal system at DHS.

The Board's fiscal year 2024 capital budget projects spending another \$3.22 million for capital projects, principally to update HVAC systems at WES, USJ, and DMS. The Board has also approved track renovations and DHS, updating the oldest building at DMS with new paint and floors, and updating bathrooms and paint at WES. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At year-end, the Board had \$4.2 million in bonds and notes outstanding - a decrease of \$228,594 from fiscal year 2022. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by September 15 of each year. The budget for fiscal year 2023 was due by September 15, 2022. The Board adopted the original fiscal year 2023 budget on September 6, 2022. Over the course of the year, the Board revised the annual operating budget twice to include carryover funds, other state allocations, and federal grants that were not available at the time of the original budget approval.

General Fund – The comparison of general fund original budget to the final amended budget is included in the *Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual*. The differences between the original and the amended budget amounts were minor for all fund sources. The increase in overall expenditures can be briefly summarized as follows:

- Amendment #1 was necessary to budget various federal program and state fund carryover amounts, allocation changes, grant allocations, and additional expenditures.
- Amendment #2 was necessary to make sure we were allocating funding to the correct expense categories.

Demopolis City Board of Education
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 | Budget to GAAP | Actual Amounts |
|---|------------------|----------------|-----------------|----------------|----------------|
| | Original | Final | Budgetary Basis | Differences | GAAP Basis |
| Revenues | | | | | |
| State | 13,822,647.00 | 13,901,036.00 | 16,452,133.24 | 0.00 | 16,452,133.24 |
| Federal | 35,000.00 | 35,000.00 | 184,801.73 | 0.00 | 184,801.73 |
| Local | 4,848,790.00 | 4,848,790.00 | 6,722,960.32 | 0.00 | 6,722,960.32 |
| Other | 10,000.00 | 10,000.00 | 47,202.72 | 0.00 | 47,202.72 |
| Total Revenues | 18,716,437.00 | 18,794,826.00 | 23,377,098.01 | 0.00 | 23,377,098.01 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instructional | 12,479,616.05 | 12,507,600.05 | 12,611,039.70 | 76,102.88 | 12,687,142.58 |
| Instructional Support | 3,216,414.17 | 3,226,548.17 | 3,303,309.52 | 79,823.14 | 3,383,132.66 |
| Operation and Maintenance | 1,561,750.77 | 1,564,350.77 | 1,754,291.44 | 309.74 | 1,754,601.18 |
| Auxiliary Services: | | | | | |
| Student Transportation | 162,070.00 | 162,070.00 | 162,519.71 | 542.43 | 163,062.14 |
| Food Service | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| General Administrative | 961,278.50 | 986,897.70 | 1,378,585.15 | 5,249.27 | 1,383,834.42 |
| Other | 549,346.00 | 563,621.00 | 618,209.42 | 814.16 | 619,023.58 |
| Capital Outlay | | | | | |
| Personal Property | 15,000.00 | 15,000.00 | 0.00 | 0.00 | 0.00 |
| Real Property | 660,805.00 | 0.00 | 720,299.53 | 0.00 | 720,299.53 |
| Debt Service: | | | | | |
| Principal Retirement | 88,395.42 | 88,395.42 | 53,692.89 | 0.00 | 53,692.89 |
| Interest and Fiscal Charges | 7,536.18 | 7,536.18 | 3,991.11 | 0.00 | 3,991.11 |
| Debt Issuance Costs/Other Debt Service | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Expenditures | 19,702,212.09 | 19,122,019.29 | 20,605,938.47 | 162,841.62 | 20,768,780.09 |
| Excess (Deficiency) of Revenues Over Expenditures | (985,775.09) | (327,193.29) | 2,771,159.54 | (162,841.62) | 2,608,317.92 |
| Other Financing Sources (Uses) | | | | | |
| Indirect Cost | 217,366.27 | 400,584.15 | 202,028.89 | 0.00 | 202,028.89 |
| Long-Term Debt Issued | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers In | 13,275.00 | 13,275.00 | 115,131.19 | 0.00 | 115,131.19 |
| Other Financing Sources | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sale of Capital Assets | 0.00 | 0.00 | 3,600.00 | 0.00 | 3,600.00 |
| Transfers Out | (676,134.80) | (3,836,362.41) | (3,396,706.47) | 0.00 | (3,396,706.47) |
| Payment to Refunding Escrow Agent | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Fund Uses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Other Financing Sources (Uses) | (445,493.53) | (3,422,508.26) | (3,075,946.39) | 0.00 | (3,075,946.39) |
| Net Change in Fund Balances | (1,431,268.62) | (3,749,696.55) | (304,786.85) | (162,841.62) | (467,628.47) |
| Fund Balances - Beginning of Year | 7,844,010.31 | 9,730,079.76 | 9,730,079.76 | (1,909,821.52) | 7,820,258.24 |
| Fund Balances - End of Year | 6,412,741.69 | 5,980,383.21 | 9,425,292.91 | (2,072,663.14) | 7,352,629.77 |

Explanation of differences:

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

(162,841.62)

The biggest difference in our budget to actual amount changes was instruction and instructional support, probably caused by mid-year raises for CNP and custodial workers and additional hires unknown at the time of the final budget amendment.

Economic Factors and Next Year’s Budget

The following are currently known state and local economic factors that are considered by the Demopolis City Board of Education as we move into the 2023-2024 fiscal year.

State Factors

- Decrease in student ADM, leading to losing funding for 3.96 teachers and .5 counselors.
- Received \$1 million dollar Lt. Ainsworth grant to be spent on renovating HVACs at DMS, USJ, and DMS.

Local Factors

- **Local Governmental Assistance:** The City of Demopolis provides assistance by bearing the cost of building and content insurance for the Demopolis City Schools.
- **Ad Valorem Property Tax Collections:** Ad valorem taxes increased 18% from 2022 to 2023. The Demopolis City Board of Education currently collects eighteen mills of ad valorem property tax. This ad valorem property tax is used for the general operation of the school system.
- **Sales Tax Collections:** The Board of Education collects a two percent sales tax for the general operation of the school system. Sales tax collections increased from FY22 to FY23 by 37% (estimate). The County Commission passed a two-cent sales tax that the Demopolis City Schools, Linden City Schools, and Marengo County Schools will share based on the state allocation.
- **Economic Conditions:** The unemployment rate in Marengo County for September 2023 is 3.0%, which is a decrease from last year’s rate of 3.4%, and is still higher than the State rate of 2.6% for 2023.
- **Population Trends:** The City of Demopolis has suffered population decreases in recent census counts. The following table sets forth certain historical population statistics from the U.S. Census Bureau relating to the City of Demopolis:

| Year | Population | Percent Change |
|------|------------|----------------|
| 1980 | 7678 | -1.56% |
| 1990 | 7512 | -2.16% |
| 2000 | 7538 | 0.35% |
| 2010 | 7540 | 0.03% |
| 2020 | 7162 | -5.01% |

- **Student Enrollment:** State funding for Alabama school systems is based on average daily membership (ADM) for the first 20 days after Labor Day of the preceding school year. With the exception of a modest increase in school year 2008-09, the student enrollment in the Demopolis City School System has declined each year since the 2006-07 school year. The average daily membership by school year is as follows:

- SY2023-24 enrollment 1939.20
- SY2022-23 enrollment 1961.20
- SY2021-22 enrollment 2019.90
- SY2020-21 enrollment 2052.95
- SY2019-20 enrollment 2156.05
- SY2018-19 enrollment 2187.50

- **Personnel Costs:** Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP health insurance employer costs have stayed the same over the last three years. The unemployment compensation rate changed from .00% in FY22 to .05% in FY23.

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 Nelson, Chief School Financial Officer, 609 South Cedar Street, Demopolis, Alabama 36732 or by calling (334) 289-1670 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central time.

This Page Intentionally Blank

Basic Financial Statements

Statement of Net Position

September 30, 2023

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 6,444,729.74 |
| Cash with Fiscal Agent | 2,332,247.55 |
| Investments | 2,786,508.03 |
| Ad Valorem Property Taxes Receivable | 2,299,410.30 |
| Receivables (Note 4) | 2,133,504.01 |
| Inventories | 149,966.11 |
| Other Assets | 1,027.97 |
| Capital Assets (Note 5): | |
| Nondepreciable | 4,624,646.84 |
| Depreciable, Net | 16,421,191.28 |
| Total Assets | <u>37,193,231.83</u> |
| Deferred Outflows of Resources | |
| Employer Pension Contribution | 1,728,858.98 |
| Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability | 7,959,000.00 |
| Employer Other Postemployment Benefits (OPEB) Contribution | 272,959.00 |
| Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability | 5,034,374.00 |
| Total Deferred Outflows of Resources | <u>14,995,191.98</u> |
| Liabilities | |
| Payables (Note 8) | 47,141.65 |
| Salaries and Benefits Payable | 2,147,202.42 |
| Long-Term Liabilities (Note 9): | |
| Portion Due or Payable Within One Year | 233,678.68 |
| Portion Due or Payable After One Year | 34,104,538.40 |
| Total Liabilities | <u>36,532,561.15</u> |
| Deferred Inflows of Resources | |
| Unavailable Revenue - Property Taxes | 2,299,410.30 |
| Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability | 823,000.00 |
| Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability | 12,996,102.00 |
| Total Deferred Inflows of Resources | <u>16,118,512.30</u> |
| Net Position | |
| Net Investment in Capital Assets | 16,761,652.71 |
| Restricted for: | |
| Debt Service | 2,332,247.55 |
| Capital Projects | 629,707.57 |
| Other Purposes | 2,500,805.78 |
| Unrestricted | <u>(22,687,063.25)</u> |
| Total Net Position | <u>\$ (462,649.64)</u> |

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

Statement of Activities
For the Year Ended September 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities |
|---|-------------------------|-------------------------|---------------------------------------|-------------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| Instruction | \$ 16,051,167.12 | \$ 227,361.54 | \$ 13,142,790.13 | \$ 786,811.41 | \$ (1,894,204.04) |
| Instructional Support | 4,614,266.01 | 103,107.04 | 3,722,900.94 | | (788,258.03) |
| Operation and Maintenance | 2,163,810.06 | 65,830.52 | 1,938,723.58 | 88,128.72 | (71,127.24) |
| Auxiliary Services: | | | | | |
| Student Transportation | 249,685.43 | 17,633.01 | 91,519.31 | 15,162.00 | (125,371.11) |
| Food Service | 2,013,803.05 | 1,506,346.19 | 221,305.13 | | (286,151.73) |
| General Administrative and Central Support | 1,642,149.16 | 3,333.17 | 568,084.85 | | (1,070,731.14) |
| Interest and Fiscal Charges | 96,348.95 | | | | (96,348.95) |
| Other Expenses | 1,037,478.74 | 138,195.16 | 651,259.13 | | (248,024.45) |
| Total Governmental Activities | <u>\$ 27,868,708.52</u> | <u>\$ 2,061,806.63</u> | <u>\$ 20,336,583.07</u> | <u>\$ 890,102.13</u> | <u>(4,580,216.69)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes for General Purposes | | | | | 2,535,255.13 |
| Sales Tax | | | | | 3,847,113.35 |
| Other Taxes | | | | | 118,489.42 |
| Grants and Contributions Not Restricted for Specific Programs | | | | | 38,504.60 |
| Investment Earnings | | | | | 95,907.92 |
| Gain on Disposition of Capital Assets | | | | | 1,675.00 |
| Miscellaneous | | | | | 1,036,841.80 |
| Total General Revenues | | | | | <u>7,673,787.22</u> |
| Changes in Net Position | | | | | 3,093,570.53 |
| Net Position - Beginning of Year | | | | | <u>(3,556,220.17)</u> |
| Net Position - End of Year | | | | | <u>\$ (462,649.64)</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 | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|------------------|----------------------|-------------------|-----------------------|--------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 4,795,155.04 | \$ 1,019,867.13 | \$ | \$ 629,707.57 | \$ 6,444,729.74 |
| Cash with Fiscal Agent | | | 2,332,247.55 | | 2,332,247.55 |
| Investments | 2,753,966.96 | 32,541.07 | | | 2,786,508.03 |
| Ad Valorem Property Taxes Receivable | 2,299,410.30 | | | | 2,299,410.30 |
| Receivables (Note 4) | 1,211,439.02 | 922,064.99 | | | 2,133,504.01 |
| Due from Other Funds | 739,002.18 | 42,209.41 | | | 781,211.59 |
| Inventories | | 149,966.11 | | | 149,966.11 |
| Prepaid Items | 1,027.97 | | | | 1,027.97 |
| Total Assets | 11,800,001.47 | 2,166,648.71 | 2,332,247.55 | 629,707.57 | 16,928,605.30 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Payables | 33,088.85 | 14,052.80 | | | 47,141.65 |
| Due to Other Funds | 42,209.41 | 739,002.18 | | | 781,211.59 |
| Salaries and Benefits Payable | 2,072,663.14 | 74,539.28 | | | 2,147,202.42 |
| Total Liabilities | 2,147,961.40 | 827,594.26 | | | 2,975,555.66 |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenue - Property Taxes | 2,299,410.30 | | | | 2,299,410.30 |
| Total Deferred Inflows of Resources | 2,299,410.30 | | | | 2,299,410.30 |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Inventories | | 149,966.11 | | | 149,966.11 |
| Restricted for: | | | | | |
| Child Nutrition Program | | 258,985.99 | | | 258,985.99 |
| Debt Service | | | 2,332,247.55 | | 2,332,247.55 |
| Capital Projects | | | | 629,707.57 | 629,707.57 |
| Other Purposes | 1,094,359.87 | 12,438.25 | | | 1,106,798.12 |
| Assigned to: | | | | | |
| Local Schools | | 917,664.10 | | | 917,664.10 |
| Unassigned | 6,258,269.90 | | | | 6,258,269.90 |
| Total Fund Balances | 7,352,629.77 | 1,339,054.45 | 2,332,247.55 | 629,707.57 | 11,653,639.34 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 11,800,001.47 | \$ 2,166,648.71 | \$ 2,332,247.55 | \$ 629,707.57 | \$ 16,928,605.30 |

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) \$ 11,653,639.34

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.

| | | |
|---------------------------------|------------------------|---------------|
| Total Cost of Capital Assets is | \$ 42,917,279.30 | |
| Accumulated Depreciation is | <u>(21,871,441.18)</u> | 21,045,838.12 |

Deferred outflows and inflows of resources related to the pension plan are applicable to
future periods and, therefore, are not reported in the governmental funds. 8,864,858.98

Deferred outflows and inflows of resources related to Other Postemployment
Benefits (OPEB) are applicable to future periods and, therefore, are not reported
in the governmental funds. (7,688,769.00)

Long-term liabilities, including leases, warrants, and bonds payable, and pension and
OPEB obligations, 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 | \$ 233,678.68 | |
| Noncurrent Portion of Long-Term Debt | <u>34,104,538.40</u> | <u>(34,338,217.08)</u> |

Total Net Position - Governmental Activities (Exhibit 1) \$ (462,649.64)

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 | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|------------------|----------------------|-------------------|-----------------------|--------------------------|
| Revenues | | | | | |
| State | \$ 16,452,133.24 | \$ | \$ 156,227.66 | \$ 732,423.47 | \$ 17,340,784.37 |
| Federal | 184,801.73 | 5,181,098.07 | | | 5,365,899.80 |
| Local | 6,722,960.32 | 1,399,008.37 | 76,322.85 | | 8,198,291.54 |
| Other | 17,202.72 | 38,425.62 | | | 55,628.34 |
| Total Revenues | 23,377,098.01 | 6,618,532.06 | 232,550.51 | 732,423.47 | 30,960,604.05 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 12,687,142.58 | 2,786,347.21 | | | 15,473,489.79 |
| Instructional Support | 3,383,132.66 | 1,238,795.15 | | | 4,621,927.81 |
| Operation and Maintenance | 1,754,601.18 | 131,751.92 | | | 1,886,353.10 |
| Auxiliary Services: | | | | | |
| Student Transportation | 163,062.14 | 55,250.36 | | | 218,312.50 |
| Food Service | | 2,205,154.81 | | | 2,205,154.81 |
| General Administrative and Central Support | 1,383,834.42 | 267,467.28 | | | 1,651,301.70 |
| Other | 619,023.58 | 430,160.82 | | | 1,049,184.40 |
| Capital Outlay | 720,299.53 | 70,495.89 | | 3,306,916.89 | 4,097,712.31 |
| Debt Service: | | | | | |
| Principal Retirement | 53,692.89 | | | 228,593.63 | 282,286.52 |
| Interest and Fiscal Charges | 3,991.11 | | | 92,357.84 | 96,348.95 |
| Total Expenditures | 20,768,780.09 | 7,185,423.44 | | 3,627,868.36 | 31,582,071.89 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,608,317.92 | (566,891.38) | 232,550.51 | (2,895,444.89) | (621,467.84) |
| Other Financing Sources (Uses) | | | | | |
| Indirect Cost | 202,028.89 | | | | 202,028.89 |
| Transfers In | 115,131.19 | 401,166.97 | | 2,995,539.50 | 3,511,837.66 |
| Sale of Capital Assets | 3,600.00 | | | | 3,600.00 |
| Transfers Out | (3,396,706.47) | (115,131.19) | | | (3,511,837.66) |
| Total Other Financing Sources (Uses) | (3,075,946.39) | 286,035.78 | | 2,995,539.50 | 205,628.89 |
| Net Changes in Fund Balances | (467,628.47) | (280,855.60) | 232,550.51 | 100,094.61 | (415,838.95) |
| Fund Balances - Beginning of Year | 7,820,258.24 | 1,619,910.05 | 2,099,697.04 | 529,612.96 | 12,069,478.29 |
| Fund Balances - End of Year | \$ 7,352,629.77 | \$ 1,339,054.45 | \$ 2,332,247.55 | \$ 629,707.57 | \$ 11,653,639.34 |

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) \$ (415,838.95)

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 depreciation expense differs from capital outlays in the period.

| | | |
|----------------------|-----------------------|--------------|
| Capital Outlays | \$ 4,097,712.31 | |
| Depreciation Expense | <u>(1,177,204.74)</u> | 2,920,507.57 |

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. 282,286.52

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

| | | |
|---------------------------------------|-----------------|------------|
| Proceeds from Sale of Capital Assets | \$ (3,600.00) | |
| Gain on Disposition of Capital Assets | <u>1,675.00</u> | (1,925.00) |
| Loss on Disposition of Capital Assets | | |

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.

| | | |
|--|-----------------------|-------------------|
| Pension Expense, Current Year (Increase)/Decrease | \$ 1,703,500.61 | |
| Other Postemployment Benefits (OPEB) Expense, Current Year (Increase)/Decrease | <u>(2,012,041.00)</u> | <u>308,540.39</u> |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,093,570.53

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 Demopolis City Board of Education (the “Board”), a component unit of the City of Demopolis, 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 five members appointed by the city council of the City of Demopolis. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the City of Demopolis.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units.

Component units generally are legally separate organizations for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization’s governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. Based on the application of these criteria, there are no component units that should be in the financial statements of the Demopolis City Board of Education. The Board is a legally separate agency of the State of Alabama. For financial reporting the Board is considered a component unit of the City of Demopolis, Alabama (the “City”) due to the following reasons:

- (1) The City appoints the five (5) members of the governing body of the Board.
- (2) The City issues bonds for the construction of facilities for the Board and the City is obligated for the debt.
- (3) The City makes annual ad valorem tax assessments for the Board.

The accompanying financial statements reflect the activity of the Demopolis City Board of Education.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 nonexchange transactions.

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

- ◆ **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.
- ◆ **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.

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. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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, notes from direct borrowings issued, and acquisitions under 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

1. Deposits and Investments

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

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

Investments are reported at cost and consist of certificates of deposit.

2. Receivables

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and amounts due for reimbursement of services provided. These also include amounts due from the Marengo County Board of Education for the Board's share of sales tax revenue.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. 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.

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

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the Board is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's 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 | 50 years |
| Building Improvements | \$50,000 | 50 years |
| Equipment and Furniture | \$ 5,000 | 5 – 20 years |
| Vehicles | \$ 5,000 | 8 years |

7. Deferred Outflows of Resources

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds payable are reported net of the applicable premium or discount.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Deferred Inflows of Resources

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

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 and intangible right-to-use assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

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

- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

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

- 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.

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

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

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

11. Minimum Fund Balance Policies

The Demopolis City Board of Education, in accordance with Alabama law, directs that a General Fund reserve fund balance be maintained of an amount not less than one month's operating expenditures.

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.

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and the 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. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each city board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the City Board of Education. The Superintendent or City 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 3 – Deposits and Investments

A. Deposits

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

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

B. Cash with Fiscal Agent

The Board has cash with fiscal agent totaling \$2,332,247.55. The amount is related to the QSCB, Series 2009-D. The funds are held by the State of Alabama for future debt payment.

Note 4 – Receivables

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

| | General Fund | Special Revenue Fund | Total |
|----------------------------|-----------------------|----------------------------|-----------------------|
| <u>Receivables:</u> | | | |
| Accounts Receivables | \$ 67,861.31 | \$ 2,032.39 | \$ 69,893.70 |
| Due from Other Governments | 1,143,577.71 | 920,032.60 | 2,063,610.31 |
| Total Receivables | <u>\$1,211,439.02</u> | <u>\$922,064.99</u> | <u>\$2,133,504.01</u> |

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

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 | \$ 400,000.00 | \$ | \$ | \$ 400,000.00 |
| Construction in Progress | 879,573.68 | 3,933,936.14 | (588,862.98) | 4,224,646.84 |
| Total Capital Assets, Not Being Depreciated | 1,279,573.68 | 3,933,936.14 | (588,862.98) | 4,624,646.84 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 34,252,357.65 | 568,550.00 | | 34,820,907.65 |
| Equipment and Furniture | 2,886,925.71 | 70,501.15 | (99,249.59) | 2,858,177.27 |
| Vehicles | 569,704.52 | 113,588.00 | (69,744.98) | 613,547.54 |
| Total Capital Assets Being Depreciated | 37,708,987.88 | 752,639.15 | (168,994.57) | 38,292,632.46 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (18,577,479.38) | (967,339.35) | | (19,544,818.73) |
| Equipment and Furniture | (1,871,654.43) | (163,408.95) | 97,324.59 | (1,937,738.79) |
| Vehicles | (412,172.20) | (46,456.44) | 69,744.98 | (388,883.66) |
| Total Accumulated Depreciation | (20,861,306.01) | (1,177,204.74) | 167,069.57 | (21,871,441.18) |
| Total Capital Assets Being Depreciated, Net | 16,847,681.87 | (424,565.59) | (1,925.00) | 16,421,191.28 |
| Total Governmental Activities Capital Assets, Net | \$ 18,127,255.55 | \$ 3,509,370.55 | \$(590,787.98) | \$ 21,045,838.12 |
| (*) The Additions and Retirements columns include reclassifications of \$560,550.00 and \$12,247.23 from Construction in Progress to Building Improvements and Equipment and Furniture, respectively. | | | | |

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

| | Current Year Depreciation Expense |
|---|---|
| Governmental Activities: | |
| Instruction | \$ 717,366.41 |
| Instructional Support | 18,490.72 |
| Operation and Maintenance | 322,641.30 |
| Auxiliary Services: | |
| Food Service | 38,120.02 |
| Student Transportation | 39,814.75 |
| General Administrative and Central Support | 40,771.54 |
| Total Depreciation Expense – Governmental Activities | \$1,177,204.74 |

Notes to the Financial Statements

For the Year Ended September 30, 2023

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*, Sections 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 \$1,728,858.98 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 \$26,597,000.00 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 0.171140%, which was an increase of .005255% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$3,436,000.00. 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 | \$ 585,000.00 | \$645,000.00 |
| Changes of Assumptions | 1,207,000.00 | |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 5,337,000.00 | |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | 830,000.00 | 178,000.00 |
| Employer Contributions Subsequent to the Measurement Date | 1,728,858.98 | |
| Total | \$9,687,858.98 | \$823,000.00 |

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

The \$1,728,858.98 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 | \$1,999,000.00 |
| 2025 | \$1,717,000.00 |
| 2026 | \$1,192,000.00 |
| 2027 | \$2,228,000.00 |
| 2028 | \$ 0.00 |
| Thereafter | \$ 0.00 |

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 |
| Disabled Retirees | Teacher Disability | Male: +8, Female: +3 | None |

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 | <u>100.00%</u> | |

(*) Includes assumed rate of inflation of 2.00%

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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

The following table presents the Board's proportionate share of the 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 | \$34,415 | \$26,597 | \$20,011 |
| (Dollar amounts in thousands) | | | |

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 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 PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

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

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

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 \$3,401,379.00 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 .19520684%, which was an increase of .01806284% 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 expense of \$1,738,930.00, 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 | \$ 156,001.00 | \$ 6,877,309.00 |
| Changes of assumptions | 2,758,983.00 | 4,950,912.00 |
| Net difference between projected and actual earnings on OPEB plan investments | 427,756.00 | |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,691,634.00 | 1,167,881.00 |
| Employer contributions subsequent to the measurement date | 272,959.00 | |
| Total | \$5,307,333.00 | \$12,996,102.00 |

The \$272,959.00 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 | \$(2,002,870.00) |
| 2025 | \$(2,097,720.00) |
| 2026 | \$(1,006,067.00) |
| 2027 | \$ (897,466.00) |
| 2028 | \$(1,215,647.00) |
| Thereafter | \$ (741,958.00) |

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 | 100.00% | |
| (*) 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 | \$2,579,273.00 | \$3,401,379.00 | \$4,409,615.00 |

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 | \$4,205,303.00 | \$3,401,379.00 | \$2,726,509.00 |

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.gov.

Note 8 – Payables

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

| | Accounts Payables | Total Payables |
|---------------------------------|----------------------|-------------------|
| <u>Governmental Activities:</u> | | |
| General Fund | \$33,088.85 | \$33,088.85 |
| Special Revenue Fund | 14,052.80 | 14,052.80 |
| Total Governmental Activities | \$47,141.65 | \$47,141.65 |

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

Note 9 – Long-Term Debt

Series 2013 Qualified Zone Academy Bonds (OZAB)

In fiscal year 2013, the Board issued School Tax Warrants, Series 2013-A (Qualified Zone Academy Bonds), in order to finance energy improvements at Demopolis High School. The warrants were issued as a qualified tax credit bond under Section 54A of the Internal Revenue Code and as a qualified zone academy bond under Section 54E of the Internal Revenue Code. The warrants will not bear interest. Proceeds of the Board's share of sales tax collections are pledged for principal payments of the warrants totaling \$126,666.67 per fiscal year. The warrants mature in 2028.

Series 2009-D Qualified School Construction Bonds (OSCB)

On December 16, 2009, the Alabama Public School and College Authority (the "Authority") issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds), with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 2.058% participation in the bonds resulting in the Board's share of principal of \$3,002,000.00. The Board is required to make sinking fund deposits of \$156,227.66 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. 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 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Series 2015-B Capital Improvement Pool Refunding Bonds

On May 5, 2015, the Board, as part of a pooled bond issuance with other systems with the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2015-B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds were used to pay the cost of partially refunding and retiring, on a current basis, the Capital Improvement Pool Refunding Bonds, Series 2008-A, and to pay the costs of issuing the Series 2015-B Bonds. The Board had a 2.26% participation in the bonds, resulting in the Board's share of principal of \$1,075,996.13. 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 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 several notes from direct borrowing financing the purchase of equipment for Demopolis High School and Demopolis Elementary School.

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 Payable: | | | | | |
| Series 2015-B Capital Improvement Pool Refunding Bonds | \$ 750,779.07 | \$ | \$ (101,926.96) | \$ 648,852.11 | \$107,012.01 |
| Series 2009-D Qualified School Construction Bonds | 3,002,000.00 | | | 3,002,000.00 | |
| Series 2013 Qualified Zone Academy Bonds Payable | 759,999.97 | | (126,666.67) | 633,333.30 | 126,666.67 |
| Total Bonds Payable | <u>4,512,779.04</u> | | <u>(228,593.63)</u> | <u>4,284,185.41</u> | <u>233,678.68</u> |
| Other Liabilities: | | | | | |
| Notes from Direct Borrowing | 109,345.56 | | (53,692.89) | 55,652.67 | |
| Net Pension Liability | 15,627,000.00 | 10,970,000.00 | | 26,597,000.00 | |
| Net OPEB Liability | 9,152,700.00 | | (5,751,321.00) | 3,401,379.00 | |
| Total Other Liabilities | <u>24,889,045.56</u> | <u>10,970,000.00</u> | <u>(5,805,013.89)</u> | <u>30,054,031.67</u> | |
| Total Governmental Activities Long-Term Liabilities | <u>\$29,401,824.60</u> | <u>\$10,970,000.00</u> | <u>\$(6,033,607.52)</u> | <u>\$34,338,217.08</u> | <u>\$233,678.68</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2023

The Board's outstanding notes from direct borrowing, originally issued in fiscal year 2020 for \$259,343.55, is secured by technology equipment. The outstanding notes from direct borrowing contains a provision that in the event of default, the lender may (1) cease and terminate the agreement (2) terminate security interest in the equipment and take possession of any or all equipment (3) by written notice to user, the lender may declare entire unpaid payments as due and payable and may proceed by suit to collect entire amount and (4) exercise any other right, remedy, election or recourse provided for in the original agreement or which may be available to lender under any applicable law.

The Board's outstanding note from direct borrowing, originally issued in fiscal year 2018 at \$173,112.63, is secured by technology equipment. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) cease and terminate the agreement (2) terminate security interest in the equipment and take possession of any or all equipment (3) by written notice to user, the lender may declare entire unpaid payments as due and payable and may proceed by suit to collect entire amount and (4) exercise any other right, remedy, election or recourse provided for in the original agreement or which may be available to lender under any applicable law.

The Board's outstanding note from direct borrowing, originally issued in fiscal year 2016 at \$200,812.93, is secured by technology equipment. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) cease and terminate the agreement (2) may declare the entire unpaid payments as due and payable, plus the present value of anticipated residual value in the products each discounted at 4% per year: (3) require the Board to deliver the equipment to lender: (4) take possession of the equipment without court order; and (5) exercise any other right or remedy available at law or in equity. The 2016 note from direct borrowing was paid in full during fiscal year 2022.

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

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

| Fiscal Year Ending | Series 2015-B Capital Improvement Pool Bonds | | Series 2009-D Qualified School Construction Bonds | | Series 2013-A Qualified Zones Academy Bonds | |
|--------------------|--|--------------|---|--------------|---|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| September 30, 2024 | \$107,012.01 | \$ 31,274.18 | \$ | \$ 55,987.32 | \$126,667.67 | \$ |
| 2025 | 112,323.06 | 25,923.58 | | 55,987.32 | 126,667.67 | |
| 2026 | 117,860.11 | 20,307.42 | 3,002,000.00 | 13,996.83 | 126,667.67 | |
| 2027 | 123,510.16 | 14,414.42 | | | 126,667.67 | |
| 2028-2029 | 188,146.77 | 9,991.53 | | | 126,662.62 | |
| Totals | \$648,852.11 | \$101,911.13 | \$3,002,000.00 | \$125,971.47 | \$633,333.30 | \$ |

Pledged Revenues

The Board issued Series 2009-D Qualified School Construction Bonds (QSCB) which are pledged to be repaid from their allocation of PSCA funds. The proceeds are to be used for school construction and improvement of facilities of the Demopolis High School Auditorium. Future revenues in the amount of \$3,127,971.47 are pledged to repay the principal and interest on the Series 2009 bonds at September 30, 2023. The Board received \$642,455.00 in PSCA Funds for fiscal year 2023 and used \$55,987.32 to pay interest on the bonds. The Series 2009-D Qualified School Construction Bonds will mature in fiscal year 2026.

The Board issued Series 2013-A Qualified Zone Academy Bonds (QZAB) which are pledged to be repaid from their portion of sales tax collections. The proceeds are to be used to finance energy improvements at Demopolis High School. Future revenues in the amount of \$633,333.30 are pledged to repay the principal and interest on the Series 2013-A bonds at September 30, 2023. The Board received \$3,847,113.35 in sales tax collections for fiscal year 2023 and used \$126,666.67 to pay principal on the bonds. The Series 2013-A Qualified Zone Academy Bonds will mature in fiscal year 2028.

On May 5, 2015, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2015-B in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to partially refund, on a current basis, the Board's Series 2008-A Capital Improvement Pool Bonds. Future revenues in the amount of \$750,763.24 are pledged to repay the remaining principal and interest on the bonds at September 30, 2023. Proceeds of the Public School Fund allocation in the amount of \$642,455.00 were received by the Board during the fiscal year ended September 30, 2023 and used \$138,297.48 to pay principal and interest on the bonds. The Capital Improvement Pool Bonds, Series 2015-B, will mature in fiscal year 2029.

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

| Notes from Direct Borrowing | | Total Principal and Interest Requirements to Maturity |
|-----------------------------|------------|--|
| Principal | Interest | |
| \$ | \$ | \$ 320,941.18 |
| 55,652.67 | 2,031.33 | 378,585.63 |
| | | 3,280,832.03 |
| | | 264,592.25 |
| | | 324,800.92 |
| \$55,652.67 | \$2,031.33 | \$4,569,752.01 |

Note 10 – 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 buildings that the Board occupies are insured by the City of Demopolis with the firm Marengo Insurance Agency of Demopolis. 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. The Board purchases vehicle insurance and data processing coverage for computers from Auto Owners Insurance, a commercial firm. The Board purchases cyber insurance from Marengo Insurance Agency. Employee health insurance is provided through the Public Education Employees’ Health Insurance Fund (PEEHIF), administered by the Public Education Employees’ Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan’s actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board’s contribution is applied against the employees’ premiums for the coverage selected and the employee pays any remaining premium.

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

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

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

Note 11 – Interfund Transactions

Interfund Receivables and Payables

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

| | Interfund Receivables | | Total |
|----------------------------|-----------------------|----------------------|---------------------|
| | General Fund | Special Revenue Fund | |
| <u>Interfund Payables:</u> | | | |
| General Fund | \$ | \$42,209.41 | \$ 42,209.41 |
| Special Revenue Fund | 739,002.18 | | 739,002.18 |
| Total | <u>\$739,002.18</u> | <u>\$42,209.41</u> | <u>\$781,211.59</u> |

Interfund Transfers

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

| | Transfers In | | | Total |
|-----------------------|---------------------|----------------------|-----------------------|-----------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | |
| <u>Transfers Out:</u> | | | | |
| General Fund | \$ | \$401,166.97 | \$2,995,539.50 | \$3,396,706.47 |
| Special Revenue Fund | 115,131.19 | | | 115,131.19 |
| Total | <u>\$115,131.19</u> | <u>\$401,166.97</u> | <u>\$2,995,539.50</u> | <u>\$3,511,837.66</u> |

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

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 | 0.171140% | 0.165885% | 0.162747% | 0.158670% | 0.166740% | 0.164435% | 0.165190% | 0.166484% | 0.166221% |
| Employer's proportionate share of the collective net pension liability | \$ 26,597 | \$ 15,627 | \$ 20,131 | \$ 17,544 | \$ 16,578 | \$ 16,161 | \$ 17,883 | \$ 17,424 | \$ 15,100 |
| Employer's covered payroll during the measurement period (*) | \$ 13,199 | \$ 12,048 | \$ 11,538 | \$ 11,321 | \$ 11,105 | \$ 10,855 | \$ 10,513 | \$ 10,535 | \$ 10,541 |
| Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll | 201.51% | 129.71% | 174.48% | 154.97% | 149.28% | 148.88% | 170.10% | 165.39% | 143.25% |
| 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 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 | \$ 1,729 | \$ 1,593 | \$ 1,450 | \$ 1,404 | \$ 1,380 | \$ 1,338 | \$ 1,287 | \$ 1,242 | \$ 1,228 |
| Contributions in relation to the contractually required contribution | \$ 1,729 | \$ 1,593 | \$ 1,450 | \$ 1,404 | \$ 1,380 | \$ 1,338 | \$ 1,287 | \$ 1,242 | \$ 1,228 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Employer's covered payroll | \$ 14,162 | \$ 13,199 | \$ 12,048 | \$ 11,538 | \$ 11,321 | \$ 11,105 | \$ 10,855 | \$ 10,513 | \$ 10,535 |
| Contributions as a percentage of covered payroll | 12.21% | 12.07% | 12.04% | 12.17% | 12.19% | 12.05% | 11.86% | 11.81% | 11.66% |

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 | 0.195207% | 0.177144% | 0.173652% | 0.200133% | 0.189618% | 0.184150% |
| Employer's proportionate share of the collective net OPEB liability | \$ 3,401 | \$ 9,153 | \$ 11,270 | \$ 7,551 | \$ 15,584 | \$ 13,678 |
| Employer's covered-employee payroll during the measurement period (*) | \$ 13,199 | \$ 12,048 | \$ 11,538 | \$ 11,321 | \$ 11,105 | \$ 10,855 |
| Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 25.77% | 75.97% | 97.68% | 66.70% | 140.33% | 126.01% |
| 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-employee 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 Retired 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 | \$ 273 | \$ 373 | \$ 308 | \$ 345 | \$ 569 | \$ 470 |
| Contributions in relation to the contractually required contribution | \$ 273 | \$ 373 | \$ 308 | \$ 345 | \$ 569 | \$ 470 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ |
| Board's covered-employee payroll | \$ 14,162 | \$ 13,199 | \$ 12,048 | \$ 11,538 | \$ 11,321 | \$ 11,105 |
| Contributions as a percentage of covered-employee payroll | 1.93% | 2.83% | 2.56% | 2.99% | 5.03% | 4.23% |

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 | \$ 13,822,647.00 | \$ 13,901,036.00 | \$ 16,452,133.24 | \$ | \$ 16,452,133.24 |
| Federal | 35,000.00 | 35,000.00 | 184,801.73 | | 184,801.73 |
| Local | 4,848,790.00 | 4,848,790.00 | 6,722,960.32 | | 6,722,960.32 |
| Other | 10,000.00 | 10,000.00 | 17,202.72 | | 17,202.72 |
| Total Revenues | 18,716,437.00 | 18,794,826.00 | 23,377,098.01 | | 23,377,098.01 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 12,479,616.05 | 12,507,600.05 | 12,611,039.70 | 76,102.88 | 12,687,142.58 |
| Instructional Support | 3,216,414.17 | 3,226,548.17 | 3,303,309.52 | 79,823.14 | 3,383,132.66 |
| Operation and Maintenance | 1,561,750.77 | 1,564,350.77 | 1,754,291.44 | 309.74 | 1,754,601.18 |
| Auxiliary Services: | | | | | |
| Student Transportation | 162,070.00 | 162,070.00 | 162,519.71 | 542.43 | 163,062.14 |
| General Administrative and Central Support | 961,278.50 | 986,897.70 | 1,378,585.15 | 5,249.27 | 1,383,834.42 |
| Other | 549,346.00 | 563,621.00 | 618,209.42 | 814.16 | 619,023.58 |
| Capital Outlay | 675,805.00 | 15,000.00 | 720,299.53 | | 720,299.53 |
| Debt Service: | | | | | |
| Principal Retirement | 88,395.42 | 88,395.42 | 53,692.89 | | 53,692.89 |
| Interest and Fiscal Charges | 7,536.18 | 7,536.18 | 3,991.11 | | 3,991.11 |
| Total Expenditures | 19,702,212.09 | 19,122,019.29 | 20,605,938.47 | 162,841.62 | 20,768,780.09 |
| Excess (Deficiency) of Revenues Over Expenditures | (985,775.09) | (327,193.29) | 2,771,159.54 | (162,841.62) | 2,608,317.92 |
| Other Financing Sources (Uses) | | | | | |
| Indirect Cost | 217,366.27 | 400,584.15 | 202,028.89 | | 202,028.89 |
| Transfers In | 13,275.00 | 13,275.00 | 115,131.19 | | 115,131.19 |
| Sale of Capital Assets | | | 3,600.00 | | 3,600.00 |
| Transfers Out | (676,134.80) | (3,836,362.41) | (3,396,706.47) | | (3,396,706.47) |
| Total Other Financing Sources (Uses) | (445,493.53) | (3,422,503.26) | (3,075,946.39) | | (3,075,946.39) |
| Net Change in Fund Balances | (1,431,268.62) | (3,749,696.55) | (304,786.85) | (162,841.62) | (467,628.47) |
| Fund Balances - Beginning of Year | 7,844,010.31 | 9,730,079.76 | 9,730,079.76 | (1,909,821.52) | 7,820,258.24 |
| Fund Balances - End of Year | \$ 6,412,741.69 | \$ 5,980,383.21 | \$ 9,425,292.91 | \$ (2,072,663.14) | \$ 7,352,629.77 |

Explanation of differences:

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

\$ (162,841.62)

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 | \$ 21,497,647.50 | \$ 8,974,541.74 | \$ 5,181,098.07 | \$ | \$ 5,181,098.07 |
| Local | 1,112,396.00 | 1,112,396.00 | 1,399,008.37 | | 1,399,008.37 |
| Other | 21,750.00 | 21,750.00 | 38,425.62 | | 38,425.62 |
| Total Revenues | 22,631,793.50 | 10,108,687.74 | 6,618,532.06 | | 6,618,532.06 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 1,451,074.23 | 5,026,264.99 | 2,786,347.21 | | 2,786,347.21 |
| Instructional Support | 946,879.22 | 1,694,090.93 | 1,238,795.15 | | 1,238,795.15 |
| Operation and Maintenance | 100,924.00 | 198,016.00 | 131,751.92 | | 131,751.92 |
| Auxiliary Services: | | | | | |
| Student Transportation | 15,536.00 | 16,405.79 | 55,250.36 | | 55,250.36 |
| Food Service | 1,527,814.87 | 1,527,814.87 | 2,202,009.04 | 3,145.77 | 2,205,154.81 |
| General Administrative and Central Support | 241,689.40 | 434,475.41 | 267,467.28 | | 267,467.28 |
| Other | 289,261.15 | 560,586.19 | 430,160.82 | | 430,160.82 |
| Capital Outlay | 47.00 | 862,767.50 | 70,495.89 | | 70,495.89 |
| Total Expenditures | 4,573,225.87 | 10,320,421.68 | 7,182,277.67 | 3,145.77 | 7,185,423.44 |
| Excess (Deficiency) of Revenues Over Expenditures | 18,058,567.63 | (211,733.94) | (563,745.61) | (3,145.77) | (566,891.38) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 778,738.80 | 778,738.80 | 401,166.97 | | 401,166.97 |
| Transfers Out | (115,879.00) | (115,879.00) | (115,131.19) | | (115,131.19) |
| Total Other Financing Sources (Uses) | 662,859.80 | 662,859.80 | 286,035.78 | | 286,035.78 |
| Net Change in Fund Balances | 18,721,427.43 | 451,125.86 | (277,709.83) | (3,145.77) | (280,855.60) |
| Fund Balances - Beginning of Year | 821,624.32 | 1,688,907.96 | 1,688,907.96 | (68,997.91) | 1,619,910.05 |
| Fund Balances - End of Year | \$ 19,543,051.75 | \$ 2,140,033.82 | \$ 1,411,198.13 | \$ (72,143.68) | \$ 1,339,054.45 |

Explanation of differences:

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

\$ (3,145.77)

This Page Intentionally Blank

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 | 10.553 | N/A | \$ 520,474.46 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | N/A | 1,022,499.98 |
| Non-Cash Assistance (Commodities) | 10.555 | N/A | 106,365.87 |
| Sub-Total National School Lunch Program | | | <u>1,128,865.85</u> |
| Summer Food Service Program for Children | 10.559 | N/A | 34,832.40 |
| Fresh Fruit and Vegetable Program | 10.582 | N/A | 53,288.50 |
| Sub-Total Child Nutrition Cluster | | | <u>1,737,461.21</u> |
| Team Nutrition Grant | 10.574 | N/A | 425.75 |
| Total U. S. Department of Agriculture | | | <u>1,737,886.96</u> |
| <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 | 717,395.48 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 476,653.54 |
| COVID-19 American Rescue Plan Act - Special Education - Grants to States | 84.027X | N/A | 78,383.40 |
| Special Education - Preschool Grants | 84.173 | N/A | 9,037.69 |
| Sub-Total Special Education Cluster | | | <u>564,074.63</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 36,116.00 |
| Rural Education | 84.358 | N/A | 43,643.63 |
| Supporting Effective Instruction State Grants | 84.367 | N/A | 69,844.62 |
| Student Support and Academic Enrichment Program | 84.424 | N/A | 56,854.47 |
| COVID-19 Education Stabilization Fund: | | | |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | N/A | 1,201,391.31 |
| COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) Fund | 84.425U | N/A | 685,723.02 |
| Sub-Total COVID-19 Education Stabilization Fund | | | <u>1,887,114.33</u> |
| Total U. S. Department of Education | | | <u>3,375,043.16</u> |
| Sub-Total Forward | | | \$ 5,112,930.12 |

***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 | | | \$ 5,112,930.12 |
| <u>Federal Communications Commission</u> | | | |
| <u>Direct Program</u> | | | |
| Emergency Connectivity Fund Program | 32.009 | N/A | 239,400.00 |
| <u>Social Security Administration</u> | | | |
| <u>Passed Through Alabama Department of Education</u> | | | |
| Social Security - Disability Insurance | 96.001 | N/A | 178.00 |
| <u>Other Federal Assistance</u> | | | |
| <u>U. S. Department of Defense</u> | | | |
| <u>Direct Program</u> | | | |
| R.O.T.C | N/A | N/A | <u>13,391.68</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 5,365,899.80</u> |

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 Demopolis City 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 Demopolis City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Demopolis City 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 Demopolis City Board of Education has elected not 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 |
|--|--------------------------------|---------------------|
| J. Olen Kerby, Jr. | Chairman | 2025 |
| Harris Hurst | Vice-Chairman | 2023 |
| Bobby Armstead | Member | 2027 |
| Carolyn Moore | Member | 2024 |
| Betsy Stephens | Member | 2026 |
| <u>Administrative Personnel</u> | | |
| Tony Willis | Superintendent | 2024 |
| Morgan Nelson | Chief School Financial Officer | 2026 |

***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 Demopolis City Board of Education,
Superintendent and Chief School Financial Officer
Demopolis, 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 and each major fund of the Demopolis City Board of Education, a component unit of the City of Demopolis, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Demopolis City Board of Education's basic financial statements, and have issued our report thereon May 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Demopolis City Board of Education's internal control over financial reporting (internal control) as a basis for designing the 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 Demopolis City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Demopolis City Board of Education's internal control.

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

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

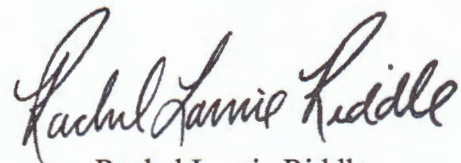
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Demopolis City 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***.

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

May 16, 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 Demopolis City Board of Education,
Superintendent and Chief School Financial Officer
Demopolis, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Demopolis City Board of Education, a component unit of the City of Demopolis, 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 the Demopolis City Board of Education's major federal programs for the year ended September 30, 2023. The Demopolis City 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 Demopolis City 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 Demopolis City Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Demopolis City 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 Demopolis City 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 Demopolis City 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 Demopolis City 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 Demopolis City 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 Demopolis City 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 Demopolis City 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

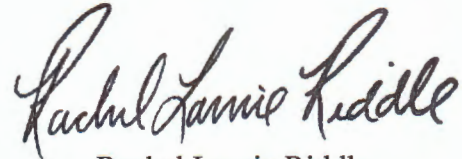
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 16, 2024

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?

_____ Yes X 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, 10.559 and 10.582 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)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.