



Alabama Department of Examiners of Public Accounts

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

October 1, 2022 through September 30, 2023

Filed: June 21, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

Dear Madam:

An audit was conducted on the Sumter County Board of Education, Sumter County, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Stephanie C. Cave and Sarah Wyatt. I, Stephanie C. Cave, 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,

Stephanie C. Cave
Examiner of Public Accounts

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Department of Examiners of Public Accounts

SUMMARY

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

The Sumter County Board of Education (the “Board”) is governed by a six-member body elected by the citizens of Sumter 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 Sumter County Public Schools, 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.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2023.

AUDIT FINDINGS

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

- ◆ 2023-001: The Board failed to publish financial statements in compliance with the *Code of Alabama 1975*, Section 16-8-37.
- ◆ 2023-002: The Board failed to submit its General Purpose Financial Statements by November 1 as required by the Alabama State Department of Education.
- ◆ 2023-003: The Board failed to maintain records to support compliance with the *Code of Alabama 1975*, Section 16-1-8.1.

- ◆ 2023-004: The Board failed to submit Form 941s correctly and paid penalties and interest to the Internal Revenue Service during the fiscal year.
- ◆ 2023-005: The Board failed to bid purchases in compliance with the *Code of Alabama 1975*, Section 16-13B-1.

Problems were found with the Board's internal controls over financial reporting and/or its internal controls over compliance for its federal assistance programs (Exhibit 17), and they are summarized below:

- ◆ 2023-006: The Board failed to pay invoices in a timely manner.
- ◆ 2023-007: The Board's failed to ensure procedures were in place to detect and correct errors in recording financial information prior to the preparation of the financial statements.
- ◆ 2023-008: The Board failed to conduct an annual physical inventory of assets.
- ◆ 2023-009: Sumter Central High School did not follow the Board's established policies and procedures related to the receipt and deposit of money.
- ◆ 2023-010: Livingston Junior High School did not follow the Board's established policies and procedures related to receipt and deposit of money.
- ◆ 2023-011: The Board did not follow established policies and procedures related to the posting of local school deposits to the accounting records.
- ◆ 2023-012: The Board failed to maintain time and effort reports or other adequate documentation to support all personnel expenses paid from the Education Stabilization Fund.

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 Dr. Marcy Burroughs; Interim Chief School Financial Officer Glendora Stephens; Former Chief School Financial Officers Jackie Meeks and Elzora Howell; and Board Members Darla Spencer, Daisybelle Thomas-Quinney and Eleanor James. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Shelley Patrenos, Audit Manager; Stephanie Cave, Examiner and Sarah Wyatt, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings

October 1, 2022 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-001	<u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-8-37, provides that “the county board of education shall publish annually in the month of October in the county newspaper at the county seat of each county a full and complete statement of the receipts by source and disbursements by function of the county for the 12 months' period ending September 30.” Further, “the county board of education shall also publish annually in the county newspaper at the county seat of each county in the month of October, a statement of the outstanding indebtedness of the board of education on September 30.” The Sumter County Board of Education (the “Board”) did not publish the financial statements and statement of outstanding indebtedness for the fiscal year ended September 30, 2023 until December 28, 2023. Policies and procedures were not in place to ensure the Board complied with the applicable statute. Therefore, the Board failed to comply with the <i>Code of Alabama 1975</i>, Section 16-8-37. <u>Recommendation:</u> The Board should establish policies and procedures to ensure that it complies with the <i>Code of Alabama 1975</i>, Section 16-8-37 regarding publishing financial information.
2023-002	<u>Finding:</u> The Alabama State Department of Education (ALSDE) policies require General Purpose Financial Statements to be submitted on or before November 1st annually to enable the ALSDE to provide accurate data for state funding. The Sumter County Board of Education (the “Board”) did not submit the General Purpose Financial Statements for the fiscal year 2023 to the ALSDE until February 9, 2024. Policies and procedures were not in place to ensure the Board complied with the ALSDE policy regarding the submission of its General Purpose Financial Statements. As a result, the General Purpose Financial Statements were not submitted to the ALSDE on or before November 1st. <u>Recommendation:</u> The Sumter County Board of Education should implement policies and procedures to ensure that its General Purpose Financial Statements are submitted as required by the ALSDE.

Schedule of State and Local Compliance and Other Findings

October 1, 2022 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-003	<u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-1-8.1 states, "each school shall have a budget committee...the committee shall be elected annually by secret ballot", "the budget committee shall propose a budget for classroom instructional support, excluding student materials", and "teachers at the school, through majority vote of those voting, shall approve the proposed budget utilizing a secret balloting process". The Sumter County Board of Education (the "Board") could not provide records to support the election of a budget committee, a budget committee proposed budget, or approval of a proposed budget through a majority teacher vote at all schools. Policies and procedures were not in place to ensure classroom instructional support budgets were in compliance with the <i>Code of Alabama 1975</i>, Section 16-1-8.1. As a result, we were unable to determine whether the Board complied with requirements governing classroom instructional support. <u>Recommendation:</u> The Board should implement policies and procedures to ensure it complies with the applicable code sections governing classroom instructional support.
2023-004	<u>Finding:</u> Internal Revenue Service Publication 15 requires all employers to file, on a quarterly basis, Form 941s to report wages subject to federal income tax withholding or social security and Medicare taxes. Therefore, it is incumbent upon the Sumter County Board of Education (the "Board") to have appropriate policies and procedures in place to ensure Form 941s are completed appropriately and in a timely manner. During the fiscal year, the Board received "notice of changes" correspondence from the Internal Revenue Service made to the June 30, 2022 Form 941. These changes resulted in the Board paying \$43,322.75 to the Internal Revenue Service. Appropriate policies and procedures were not in place to ensure that Form 941s were completed appropriately and in a timely manner. As a result, the Board paid additional amounts, including penalties and interest, to the Internal Revenue Service. <u>Recommendation:</u> The Board should ensure that policies and procedures are in place so that all Form 941s are completed appropriately and in a timely manner.

Schedule of State and Local Compliance and Other Findings

October 1, 2022 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-005	<u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-13B-1, commonly referred to as the Competitive Bid Law, requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more, made by or on behalf of any city or county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. During fiscal year 2023, the Sumter County Board of Education (the “Board”) purchased timeclocks totaling \$27,792.80 and tires totaling \$22,710.40 without adequate documentation to prove they were bid in accordance with the Competitive Bid Law. The Board did not have adequate procedures in place to ensure compliance with the Competitive Bid Law. As a result, the Board failed to comply with all aspects of the Competitive Bid Law. <u>Recommendation:</u> The Board should implement policies and procedures to ensure that it complies with the requirements of the Competitive Bid Law.

Independent Auditor's Report

Independent Auditor's Report

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sumter County 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 Sumter County Board of Education and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

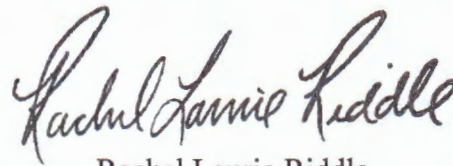
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated May 20 2024, on our consideration of the Sumter County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sumter County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the Sumter County Board of Education's internal control over financial reporting and compliance.

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

Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2024

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Basic Financial Statements

Statement of Net Position

September 30, 2023

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents (Note 3)	\$ 7,020,113.35
Ad Valorem Property Taxes Receivable	1,697,266.33
Receivables (Note 4)	2,586,500.59
Inventories	42,407.67
Other Assets	14,430.12
Capital Assets:	
Nondepreciable	3,900,299.71
Depreciable, Net	14,914,204.87
Total Assets	<u>30,175,222.64</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	932,425.51
Employer Pension Contribution	1,096,257.94
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	5,861,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	186,145.00
Proportionate Share of Collective Deferred Outflows Related to Net Other	
Postemployment Benefits (OPEB) Liability	3,158,515.00
Total Deferred Outflows of Resources	<u>11,234,343.45</u>
<u>Liabilities</u>	
Payables (Note 9)	1,613,619.05
Unearned Revenue	2,531.42
Salaries and Benefits Payable	978,008.97
Accrued Interest Payable	79,882.44
Long-Term Liabilities (Note 10):	
Portion Due or Payable Within One Year	876,176.75
Portion Due or Payable After One Year	34,054,843.74
Total Liabilities	<u>37,605,062.37</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	1,697,266.33
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,478,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other	
Postemployment Benefits (OPEB) Liability	10,597,778.00
Total Deferred Inflows of Resources	<u>\$ 13,773,044.33</u>

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

	Governmental Activities
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 5,709,132.60
Restricted for:	
Capital Projects	2,389,930.51
Fleet Renewal	1,442,741.22
Child Nutrition	199,433.49
Other Purposes	1,492,033.09
Unrestricted	<u>(21,201,811.52)</u>
Total Net Position	<u><u>\$ (9,968,540.61)</u></u>

Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities						
Instruction	\$ 8,417,182.39	\$ 91,009.97	\$ 8,372,916.03	\$ 2,118,912.05	\$	2,165,655.66
Instructional Support	3,437,276.00	3,100.54	3,106,553.97			(327,621.49)
Operation and Maintenance	1,764,546.17	4,998.69	728,277.31	17,221.00		(1,014,049.17)
Auxiliary Services:						
Student Transportation	1,466,189.42	47,351.09	1,592,144.56	159,201.00		332,507.23
Food Service	1,211,309.89	919,048.57	199,807.12			(92,454.20)
General Administrative and Central Support	1,286,704.20	917.47	675,044.43			(610,742.30)
Interest and Fiscal Charges	555,539.24					(555,539.24)
Other Expenses	350,768.36	20,127.20	380,819.29			50,178.13
Total Governmental Activities	<u>\$ 18,489,515.67</u>	<u>\$ 1,086,553.53</u>	<u>\$ 15,055,562.71</u>	<u>\$ 2,295,334.05</u>		<u>(52,065.38)</u>
General Revenues:						
Taxes:						
Property Taxes for General Purposes						1,094,194.13
Property Taxes for Specific Purposes						1,054,198.40
Sales Tax						2,360,996.92
Other Taxes						374,663.76
Investment Earnings						61,671.47
Miscellaneous						213,130.93
Total General Revenues						<u>5,158,855.61</u>
Changes in Net Position						5,106,790.23
Net Position - Beginning of Year						<u>(15,075,330.84)</u>
Net Position - End of Year					\$	<u>(9,968,540.61)</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	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents (Note 3)	\$ 4,089,030.81	\$ 221,309.78	\$ 2,703,599.71	\$ 6,173.05	\$ 7,020,113.35
Ad Valorem Property Taxes Receivable	1,697,266.33				1,697,266.33
Receivables (Note 4)	333,103.00	2,253,397.59			2,586,500.59
Due from Other Funds	1,173,579.25	323,405.08			1,496,984.33
Inventories		42,407.67			42,407.67
Other Assets	14,430.12				14,430.12
Total Assets	<u>7,307,409.51</u>	<u>2,840,520.12</u>	<u>2,703,599.71</u>	<u>6,173.05</u>	<u>12,857,702.39</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
<u>Liabilities</u>					
Payables (Note 9)	165,313.71	1,285,817.34	162,488.00		1,613,619.05
Due to Other Funds	323,405.08	1,173,579.25			1,496,984.33
Unearned Revenues		2,531.42			2,531.42
Salaries and Benefits Payable	934,269.55	43,739.42			978,008.97
Total Liabilities	<u>1,422,988.34</u>	<u>2,505,667.43</u>	<u>162,488.00</u>		<u>4,091,143.77</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Property Taxes	1,697,266.33				1,697,266.33
Total Deferred Inflows of Resources	<u>1,697,266.33</u>				<u>1,697,266.33</u>
<u>Fund Balances</u>					
Nonspendable:					
Inventories		42,407.67			42,407.67
Restricted for:					
Debt Service				6,173.05	6,173.05
Capital Projects			2,400,143.49		2,400,143.49
Fleet Renewal	1,301,773.00		140,968.22		1,442,741.22
Child Nutrition		157,025.82			157,025.82
Other Purposes	1,491,226.71	806.38			1,492,033.09
Assigned to:					
Local Schools		134,612.82			134,612.82
Unassigned	1,394,155.13				1,394,155.13
Total Fund Balances	<u>4,187,154.84</u>	<u>334,852.69</u>	<u>2,541,111.71</u>	<u>6,173.05</u>	<u>7,069,292.29</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,307,409.51</u>	<u>\$ 2,840,520.12</u>	<u>\$ 2,703,599.71</u>	<u>\$ 6,173.05</u>	<u>\$ 12,857,702.39</u>

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 7,069,292.29

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	\$ 39,218,298.99	
Accumulated Depreciation is	<u>(20,403,794.41)</u>	18,814,504.58

Losses on refunding of debt are reported as deferred outflows of resources and are not
available to pay for current-period expenditures and, therefore, are deferred on the
Statement of Net Position. 932,425.51

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 5,479,257.94

Deferred outflows and inflows of resources related to OPEB obligations are applicable to
future periods and, therefore, are not reported in the governmental funds. (7,253,118.00)

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

Current Portion of Long-Term Debt	\$ 876,176.75	
Noncurrent Portion of Long-Term Debt	<u>34,054,843.74</u>	(34,931,020.49)

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

Accrued Interest Payable	\$ 79,882.44	
		<u>(79,882.44)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ (9,968,540.61)

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	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
State	\$ 11,247,280.63	\$	\$ 993,561.05	\$	\$ 12,240,841.68
Federal	238,013.29	5,503,477.18			5,741,490.47
Local	4,037,202.35	255,951.34	126,350.21	1,043,595.94	5,463,099.84
Other	82,341.41	14,362.68			96,704.09
Total Revenues	15,604,837.68	5,773,791.20	1,119,911.26	1,043,595.94	23,542,136.08
Expenditures					
Current:					
Instruction	5,346,610.05	3,217,961.57			8,564,571.62
Instructional Support	2,847,243.47	854,851.32			3,702,094.79
Operation and Maintenance	1,616,999.13	184,865.85	17,221.00		1,819,085.98
Auxiliary Services:					
Student Transportation	1,526,499.51	64,178.61			1,590,678.12
Food Service	38,847.89	1,487,289.03			1,526,136.92
General Administrative and Central Support	1,089,109.32	280,846.08			1,369,955.40
Other	302,381.55	95,234.51			397,616.06
Capital Outlay	33,681.00	6,895.33	1,678,742.51		1,719,318.84
Debt Service:					
Principal Retirement			363,775.78	605,000.00	968,775.78
Interest and Fiscal Charges			62,815.79	432,897.50	495,713.29
Total Expenditures	12,801,371.92	6,192,122.30	2,122,555.08	1,037,897.50	22,153,946.80
Excess (Deficiency) of Revenues Over Expenditures	2,803,465.76	(418,331.10)	(1,002,643.82)	5,698.44	1,388,189.28
Other Financing Sources (Uses)					
Indirect Cost	168,169.66				168,169.66
Long-Term Debt Issued			929,880.00		929,880.00
Transfers In	6,750.00	431,206.78			437,956.78
Other Financing Sources	54,169.82				54,169.82
Transfers Out	(431,206.78)	(6,750.00)			(437,956.78)
Total Other Financing Sources (Uses)	(202,117.30)	424,456.78	929,880.00		1,152,219.48
Net Changes in Fund Balances	2,601,348.46	6,125.68	(72,763.82)	5,698.44	2,540,408.76
Fund Balances - Beginning of Year	1,585,806.38	328,727.01	2,613,875.53	474.61	4,528,883.53
Fund Balances - End of Year	\$ 4,187,154.84	\$ 334,852.69	\$ 2,541,111.71	\$ 6,173.05	\$ 7,069,292.29

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) \$ 2,540,408.76

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	\$ 1,719,318.84	
Depreciation Expense	<u>(749,000.08)</u>	970,318.76

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. 968,775.78

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (929,880.00)

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

Accrued Interest Payable, Current Year (Increase)/Decrease	\$ 4,743.09	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(64,569.04)	
Pension Expense, Current Year (Increase)/Decrease	(563,087.12)	
OPEB Expense, Current Year (Increase)/Decrease	<u>2,180,080.00</u>	
		<u>1,557,166.93</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 5,106,790.23

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds. 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 Special Education, Title I, Education Stabilization 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.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Governmental Fund Type

- ◆ **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.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and notes from direct borrowings issued 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. Amounts held and invested by fiscal agents are reported at amortized cost and/or fair market value.

2. Receivables

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

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

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

Receivables include sales tax receivables that are based on the amounts collected within 60 days after year-end.

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. Restricted Assets

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

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	50 years
Building Improvements	\$50,000	15 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years

6. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

7. Long-Term Obligations

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

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

8. Deferred Inflows of Resources

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

9. Net Position/Fund Balances

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

B. Deficit Net Position

As of September 30, 2023, the government-wide financial statements reported a deficit net position of \$9,968,540.61. The deficit net position is due to the implementation of GASB Statement Number 68, relating to Pension, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

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.

B. Cash with Fiscal Agent

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

As of September 30, 2023, the Board's cash with fiscal agent, included with cash and cash equivalents, was invested as follows:

Investments	Maturities	Amortized Cost
Fidelity Institutional Money Market Treasury Only – Class III	60 days or less	\$1,460,337.32
Total		<u>\$1,460,337.32</u>

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Board does not have a formal investment policy that addresses its investment choices. As of September 30, 2023, the Board's investments in the Money Market Funds were rated AAAm by Standards & Poors rating service.

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

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

Note 4 – Receivables

On September 30, 2023, receivables for the Board's individual major and nonmajor funds, and fiduciary funds in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Total
<u>Receivables:</u>			
Accounts Receivable	\$227,526.16	\$	\$ 227,526.16
Intergovernmental	103,726.94	2,253,397.59	2,357,124.53
Other	1,849.90		1,849.90
Total Receivables	<u>\$333,103.00</u>	<u>\$2,253,397.59</u>	<u>\$2,586,500.59</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	Retirements	Balance 09/30/2023
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 957,253.00	\$	\$	\$ 957,253.00
Construction in Progress	1,264,304.20	1,678,742.51		2,943,046.71
Total Capital Assets, Not Being Depreciated	2,221,557.20	1,678,742.51		3,900,299.71
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	461,913.33			461,913.33
Buildings and Building Improvements	29,467,581.44			29,467,581.44
Equipment	5,347,928.18	40,576.33		5,388,504.51
Total Capital Assets Being Depreciated	35,277,422.95	40,576.33		35,317,999.28
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(461,913.33)			(461,913.33)
Buildings and Improvements	(14,279,978.48)	(547,530.45)		(14,827,508.93)
Equipment	(4,912,902.52)	(201,469.63)		(5,114,372.15)
Total Accumulated Depreciation	(19,654,794.33)	(749,000.08)		(20,403,794.41)
Total Capital Assets Being Depreciated, Net	15,622,628.62	(708,423.75)		14,914,204.87
Total Governmental Activities Capital Assets, Net	\$ 17,844,185.82	\$ 970,318.76	\$	\$ 18,814,504.58

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$498,268.97
Instructional Support	5,062.21
Operation and Maintenance	46,018.00
Auxiliary Services:	
Food Service	7,305.47
Student Transportation	187,597.33
General Administrative and Central Support	4,748.10
Total Depreciation Expense – Governmental Activities	<u>\$749,000.08</u>

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***, Section 16-25-1 through Section 16-25-34 (Act Number 419, Acts of Alabama 1939), for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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.

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 \$1,096,257.94 for the year ended September 30, 2023.

Notes to the Financial Statements

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 \$18,534,000.00 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 0.119260%, which was an increase of 0.010412% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$1,752,000.00. 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	\$ 407,000.00	\$ 450,000.00
Changes of Assumptions	841,000.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,719,000.00	
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	894,000.00	1,028,000.00
Employer Contributions Subsequent to the Measurement Date	1,096,257.94	
Total	<u>\$6,957,257.94</u>	<u>\$1,478,000.00</u>

The \$1,096,257.94 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 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	\$ 960,000.00
2025	\$ 842,000.00
2026	\$ 894,000.00
2027	\$1,687,000.00
2028	\$ 0.00
Thereafter	\$ 0.00

Notes to the Financial Statements

For the Year Ended September 30, 2023

E. Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.00%		

F. Discount Rate

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's Proportionate Share of Collective Net Pension Liability	\$23,982	\$18,534	\$13,945
(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 \$2,359,223.00 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective Net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Board's proportion was 0.13539702%, which was an increase of 0.01374702% from its proportion measured as of September 30, 2021.

Notes to the Financial Statements

For the Year Ended September 30, 2023

For the year ended September 30, 2023, the Board recognized OPEB income of \$1,988,854.00, 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	\$ 108,203.00	\$ 4,769,526.00
Changes of assumptions	1,913,653.00	3,433,992.00
Net difference between projected and actual earnings on OPEB plan investments	296,695.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	839,964.00	2,394,260.00
Employer contributions subsequent to the measurement date	186,145.00	
Total	\$3,344,660.00	\$10,597,778.00

The \$186,145.00 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 ended 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	\$(2,066,863.00)
2025	\$(2,044,456.00)
2026	\$(1,075,960.00)
2027	\$ (846,359.00)
2028	\$ (901,665.00)
Thereafter	\$ (504,590.00)

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	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

Notes to the Financial Statements

For the Year Ended September 30, 2023

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2022, was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022, and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

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

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of the collective Net OPEB liability	\$1,789,004	\$2,359,223	\$3,058,544

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	\$2,916,831	\$2,359,223	\$1,891,128

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 – Construction and Other Significant Commitments

As of September 30, 2023, the Board was obligated under the following significant construction contracts:

	Contract Amount	Remaining Balance
Sumter Central High School & Livingston Jr. High HVAC Project	\$ 984,400.00	\$ 40,707.87
Emergency Partial Reroofing for York West End Jr. High	\$ 484,638.42	\$ 8,380.20
Reroofing of Kinterbish Jr. High	\$ 543,800.00	\$ 113,071.64
Emergency HVAC Replacement at Sumter Central High School	\$1,992,000.00	\$1,829,512.00

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 9 – Payables

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

	Accounts Payables	Intergovernmental Payables	Total Payables
<u>Governmental Activities:</u>			
General Fund	\$ 165,301.29	\$ 12.42	\$ 165,313.71
Special Revenue Fund	1,269,733.84	16,083.50	1,285,817.34
Capital Projects Funds	162,488.00		162,488.00
Total Governmental Activities	<u>\$1,597,523.13</u>	<u>\$16,095.92</u>	<u>\$1,613,619.05</u>

Note 10 – Long-Term Debt

2009 Funding Agreement

The Board entered into a funding agreement in 2009 with the Sumter County Commission (the “Commission”). Pursuant to this agreement the Commission issued the Series 2009 Limited Obligation Warrants to provide funds to pay the costs of constructing and equipping a new consolidated high school and to refund and retire the Series 2006 Limited Obligation School Warrants. Simultaneously, the Sumter County Board of Education entered into a capital lease agreement with the Commission. Under the terms of the agreement, the Board agreed to lease the new high school from the Commission and pay lease payments sufficient to pay the principal and interest due on the Series 2009 Limited Obligation Warrants. Payments will be made with ad valorem taxes. These warrants were partially refunded during the fiscal year ended September 30, 2019.

Bonds Payable

During the fiscal year ending September 30, 2014, the Board, as part of a pooled bond issuance with other school systems in the State of Alabama issued Capital Improvement Pool Bonds, Series 2014-A, to refund the Capital Improvement Pool Bonds, Series 2005, in anticipation of their Public School Fund allocation, which is 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 provided funds for the acquisition, construction and renovation of school facilities.

Notes to the Financial Statements

For the Year Ended September 30, 2023

School Tax Refunding Warrants, Series 2019

On March 14, 2019, the Sumter County Board of Education issued School Tax Refunding Warrants, Series 2019 in the amount of \$14,690,000.00. The Warrants were issued for the purpose of advance refunding and defeasance of the Limited Obligation School Refunding Warrants, Series 2009, providing funds for capital improvements to the Board's facilities, and paying the expenses of issuing the Series 2019 Warrants.

Notes from Direct Borrowing

The Board is obligated under certain Notes from Direct Borrowing for the purpose of acquiring school buses. Payments are made from Fleet Renewal funds. The Board's outstanding Notes from Direct Borrowing originally issued at \$2,690,098.24 is secured by 29 school buses. The outstanding Notes from Direct Borrowings contain provisions that in the event of default, the lender may (1) declare all rental payments immediately due, (2) may repossess the assets while the Board is still responsible for payments, (3) take possession of assets to sell for repayment of lease and (4) require payment by the Board for all legal fees and costs related to default.

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
Governmental Activities:					
Warrants/Bonds Payable:					
Capital Improvement Pool Refunding Bonds, Series 2014-A	\$ 312,867.95	\$	\$ (99,149.06)	\$ 213,718.89	\$104,144.52
School Tax Refunding Warrants, 2019	13,380,000.00		(605,000.00)	12,775,000.00	625,000.00
Unamortized Premium – School Tax Refunding Warrants, 2019	85,345.35		(5,198.70)	80,146.65	5,198.70
Unamortized Discount – School Tax Refunding Warrants, 2019	(152,446.57)		9,286.08	(143,160.49)	(9,286.08)
Total Warrants/Bonds Payable	13,625,766.73		(700,061.68)	12,925,705.05	725,057.14
Other Liabilities:					
2009 Funding Agreement	5,000.00			5,000.00	
Notes from Direct Borrowing	441,839.16	929,880.00	(264,626.72)	1,107,092.44	151,119.61
Net Pension Liability	10,254,000.00	8,280,000.00		18,534,000.00	
Net OPEB Liability	6,285,429.00		(3,926,206.00)	2,359,223.00	
Total Other Liabilities	16,986,268.16	9,209,880.00	(4,190,832.72)	22,005,315.44	151,119.61
Total Governmental Activities Long-Term Debt	\$30,612,034.89	\$9,209,880.00	\$(4,890,894.40)	\$34,931,020.49	\$876,176.75

Notes to the Financial Statements

For the Year Ended September 30, 2023

Payments on the Capital Improvement Pool Refunding Bonds, Series 2014-A are made by the Capital Projects Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on the 2009 Funding Agreements and the School Tax Refunding Warrants, Series 2019 are made by the Debt Service Fund with property taxes. The notes from direct borrowings for buses are paid by fleet renewal funds and local revenue sources.

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

Fiscal Year Ending	Series 2009 Funding Agreement		School Tax Refunding Warrants, Series 2019	
	Principal	Interest	Principal	Interest
September 30, 2024	\$	\$ 260.00	\$ 625,000.00	\$ 414,187.50
2025		260.00	645,000.00	395,137.50
2026		260.00	665,000.00	375,487.50
2027		260.00	685,000.00	355,237.50
2028		260.00	705,000.00	334,387.50
2029-2033		1,300.00	3,855,000.00	1,330,212.50
2034-2038		1,300.00	4,575,000.00	622,106.25
2039-2039	5,000.00	130.00	1,020,000.00	19,125.00
Totals	<u>\$5,000.00</u>	<u>\$4,030.00</u>	<u>\$12,775,000.00</u>	<u>\$3,845,881.25</u>

Deferred Gain/Loss on Refunding, Discounts and Premiums

The Board has deferred charges on refunding, a bond premium, and a bond discount in connection with the issuance of its 2019 School Tax Refunding Warrants, which are being amortized using the straight-line method over a period of twenty years.

	Deferred Inflows/Outflows on Refunding	Discount	Premium
Total Deferred Gain/Loss on Refunding, Discount, and Premium	\$1,199,552.76	\$184,174.10	\$103,107.60
Amount Amortized Prior Years	(206,645.59)	(31,727.53)	(17,762.25)
Balance Deferred Gain/Loss on Refunding, Discount, and Premium	992,907.17	152,446.57	85,345.35
Current Amount Amortized	(60,481.66)	(9,286.08)	(5,198.70)
Balance Deferred Gain/Loss on Refunding, Discount, and Premium	<u>\$ 932,425.51</u>	<u>\$143,160.49</u>	<u>\$ 80,146.65</u>

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

Capital Improvement Pool Refunding Bonds, Series 2014A		Notes from Direct Borrowing		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$104,144.52	\$ 8,082.33	\$ 151,119.61	\$ 41,606.60	\$ 1,344,400.56
109,574.37	2,739.36	156,359.04	36,367.18	1,345,437.45
		123,185.69	30,940.93	1,194,874.12
		127,783.59	26,343.03	1,194,624.12
		132,555.15	21,571.47	1,193,774.12
		416,089.36	42,362.32	5,644,964.18
				5,198,406.25
				1,044,255.00
\$213,718.89	\$10,821.69	\$1,107,092.44	\$199,191.53	\$18,160,735.80

Pledged Revenues

On March 14, 2019, the Board issued School Tax Refunding Warrants, Series 2019 in order to partially refund the Series 2009 Limited Obligation School Warrants, to provide funds for capital improvements to the Board's facilities, and to pay the expenses of issuing the Series 2019 Warrants. The Board pledged to repay the warrants from proceeds of the county-wide ad valorem tax of 10.8 mills and a special district ad valorem tax of 3 mills levied by the County Commission. Future revenues of \$16,620,881.25 are pledged to repay the principal and interest on the warrants at September 30, 2023. Ad valorem taxes in the amount of \$2,148,392.53 were received by the Board during the fiscal year ended September 30, 2023. Pledged funds in the amount of \$1,037,637.50 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2023. The Series 2019 Limited Obligation School Warrants will mature in fiscal year 2039.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The Board issued Series 2014-A Capital Improvement Pool Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the 2005 Capital Improvement Pool Bonds. Future revenues in the amount of \$224,540.58 are pledged to repay the principal and interest on the bonds at September 30, 2023. Proceeds of the Public School Fund allocations in the amount of \$289,511.00 were received by the Board during the fiscal year ended September 30, 2023 of which \$112,313.73 was used to pay principal and interest on the bonds. The Capital Improvement Pool Refunding Bonds, Series 2014-A, will mature in fiscal year 2025.

Note 11 – Risk Management

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 12 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables		
	General Fund	Special Revenue Fund	Totals
<u>Interfund Payables:</u>			
General Fund	\$	\$323,405.08	\$ 323,405.08
Special Revenue Fund	1,173,579.25		1,173,579.25
Totals	<u>\$1,173,579.25</u>	<u>\$323,405.08</u>	<u>\$1,496,984.33</u>

Interfund Transfers

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

	Transfers Out		
	General Fund	Special Revenue Fund	Totals
<u>Transfers In:</u>			
General Fund	\$	\$6,750.00	\$ 6,750.00
Special Revenue Fund	431,206.78		431,206.78
Totals	<u>\$431,206.78</u>	<u>\$6,750.00</u>	<u>\$437,956.78</u>

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

Note 13 – Subsequent Event

On November 14, 2023, the Sumter County Board of Education approved the consolidation of Kinterbish Junior High School and York West End Junior High School, effective January 2024. Kinterbish Junior High School will remain in use for the remainder of the 2023-2024 school year, but then close.

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Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.119260%	0.108848%	0.111198%	0.127075%	0.134576%	0.145122%	0.149677%	0.146757%	0.152675%
Employer's proportionate share of the collective net pension liability	\$ 18,534	\$ 10,254	\$ 13,755	\$ 14,051	\$ 13,380	\$ 14,263	\$ 16,204	\$ 15,359	\$ 13,870
Employer's covered payroll during the measurement period (*)	\$ 8,439	\$ 7,842	\$ 7,856	\$ 8,389	\$ 8,992	\$ 9,589	\$ 9,528	\$ 9,280	\$ 9,691
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	219.62%	130.76%	175.09%	167.49%	148.80%	148.74%	170.07%	165.51%	143.12%
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	\$ 1,096	\$ 1,020	\$ 952	\$ 960	\$ 1,026	\$ 1,080	\$ 1,136	\$ 1,125	\$ 1,081
Contributions in relation to the contractually required contribution	\$ 1,096	\$ 1,020	\$ 952	\$ 960	\$ 1,026	\$ 1,080	\$ 1,136	\$ 1,125	\$ 1,081
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 8,977	\$ 8,439	\$ 7,842	\$ 7,856	\$ 8,389	\$ 8,992	\$ 9,589	\$ 9,528	\$ 9,280
Contributions as a percentage of covered payroll	12.21%	12.09%	12.14%	12.22%	12.23%	12.01%	11.85%	11.81%	11.65%

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

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.135397%	0.121650%	0.127887%	0.167169%	0.177163%	0.178641%
Employer's proportionate share of the collective net OPEB liability	\$ 2,359	\$ 6,285	\$ 8,300	\$ 6,307	\$ 14,561	\$ 13,268
Employer's covered-employee payroll during the measurement period (*)	\$ 8,439	\$ 7,842	\$ 7,856	\$ 8,389	\$ 8,992	\$ 9,277
Employer's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	27.95%	80.15%	105.65%	75.18%	161.93%	143.02%
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	\$ 186	\$ 254	\$ 210	\$ 252	\$ 468	\$ 434
Contributions in relation to the contractually required contribution	\$ 186	\$ 254	\$ 210	\$ 252	\$ 468	\$ 434
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 8,977	\$ 8,439	\$ 7,842	\$ 7,856	\$ 8,389	\$ 8,992
Contributions as a percentage of covered-employee payroll	2.07%	3.01%	2.68%	3.21%	5.58%	4.83%

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		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
State	\$ 8,880,339.00	\$ 11,049,034.72	\$ 11,247,280.63		\$	\$ 11,247,280.63
Federal	1,827.00	1,827.00	238,013.29			238,013.29
Local	3,325,986.00	3,475,986.00	3,948,277.77	(1)	88,924.58	4,037,202.35
Other	53,937.00	19,587.00	82,341.41			82,341.41
Total Revenues	12,262,089.00	14,546,434.72	15,515,913.10		88,924.58	15,604,837.68
Expenditures						
Current:						
Instruction	5,828,435.00	6,403,404.50	5,472,421.41	(2)	(125,811.36)	5,346,610.05
Instructional Support	2,407,391.00	2,564,146.72	2,963,528.15	(2)	(116,284.68)	2,847,243.47
Operation and Maintenance	493,010.00	750,862.50	1,664,673.15	(2)	(47,674.02)	1,616,999.13
Auxiliary Services:						
Student Transportation	1,550,311.00	1,550,311.00	1,572,934.15	(2)	(46,434.64)	1,526,499.51
Food Service	10,826.00	34,350.00	38,847.89			38,847.89
General Administrative and Central Support	794,172.00	794,172.00	1,212,719.39	(2)	(123,610.07)	1,089,109.32
Other	299,031.00	299,030.00	302,895.70	(2)	(514.15)	302,381.55
Capital Outlay		1,315,118.00	33,681.00			33,681.00
Total Expenditures	11,383,176.00	13,711,394.72	13,261,700.84		(460,328.92)	12,801,371.92
Excess (Deficiency) of Revenues Over Expenditures	878,913.00	835,040.00	2,254,212.26		549,253.50	2,803,465.76
Other Financing Sources (Uses)						
Indirect Cost	282,096.62	866,918.61	168,169.66			168,169.66
Transfers In			6,750.00			6,750.00
Other Financing Sources			54,169.82			54,169.82
Transfers Out	(431,206.78)	(431,206.78)	(431,206.78)			(431,206.78)
Total Other Financing Sources (Uses)	(149,110.16)	435,711.83	(202,117.30)			(202,117.30)
Net Change in Fund Balances	729,802.84	1,270,751.83	2,052,094.96	(3)	549,253.50	2,601,348.46
Fund Balances - Beginning of Year		2,834,080.25	2,841,803.27		(1,255,996.89)	1,585,806.38
Fund Balances - End of Year	\$ 729,802.84	\$ 4,104,832.08	\$ 4,893,898.23		\$ (706,743.39)	\$ 4,187,154.84

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

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

The Board budgets on the modified accrual basis of accounting with the following exceptions:

(1) The Board budgets sales tax revenues as collected, rather than on the modified accrual basis (GAAP).	\$ 88,924.58
(2) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).	<u>460,328.92</u>
Net Change in Fund Balance - Budget to GAAP	<u><u>\$ 549,253.50</u></u>
(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.	

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

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
State	\$ 14,000.00	\$	\$	\$	\$
Federal	12,350,674.43	15,302,162.95	5,503,477.18		5,503,477.18
Local	342,892.00	342,892.00	255,951.34		255,951.34
Other	59,000.00	59,000.00	14,362.68		14,362.68
Total Revenues	12,766,566.43	15,704,054.95	5,773,791.20		5,773,791.20
Expenditures					
Current:					
Instruction	5,186,229.54	5,082,084.32	3,217,961.57		3,217,961.57
Instructional Support	1,105,656.32	2,017,738.39	854,851.32		854,851.32
Operation and Maintenance	871,960.31	1,128,050.63	184,865.85		184,865.85
Auxiliary Services:					
Student Transportation	48,113.60	103,163.14	64,178.61		64,178.61
Food Service	1,455,441.00	1,455,441.00	1,511,176.65	(1) (23,887.62)	1,487,289.03
General Administrative and Central Support	394,839.61	1,013,942.33	280,846.08		280,846.08
Other	466,012.05	652,951.14	95,234.51		95,234.51
Capital Outlay	3,645,000.00	4,645,000.00	6,895.33		6,895.33
Total Expenditures	13,173,252.43	16,098,370.95	6,216,009.92	(23,887.62)	6,192,122.30
Excess (Deficiency) of Revenues Over Expenditures	(406,686.00)	(394,316.00)	(442,218.72)	23,887.62	(418,331.10)
Other Financing Sources (Uses)					
Transfers In	733,051.51	431,206.78	431,206.78		431,206.78
Transfers Out			(6,750.00)		(6,750.00)
Total Other Financing Sources (Uses)	733,051.51	431,206.78	424,456.78		424,456.78
Net Change in Fund Balances	326,365.51	36,890.78	(17,761.94)	(2) 23,887.62	6,125.68
Fund Balances - Beginning of Year	363,675.15	396,111.00	396,354.05	(67,627.04)	328,727.01
Fund Balances - End of Year	\$ 690,040.66	\$ 433,001.78	\$ 378,592.11	\$ (43,739.42)	\$ 334,852.69

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

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

The Board budgets on the modified accrual basis of accounting with the following exceptions:

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

\$ 23,887.62

Net Change in Fund Balance - Budget to GAAP

\$ 23,887.62

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	N.A.	\$ 593,065.69
COVID-19 Cash Assistance	10.555	N.A.	68,032.50
Non-Cash Assistance (Commodities)	10.555	N.A.	55,507.27
Sub-Total National School Lunch Program			716,605.46
School Breakfast Program	10.553	N.A.	256,484.70
Sub-Total Child Nutrition Cluster			973,090.16
Total U. S. Department of Agriculture			973,090.16
<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.	1,113,990.04
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	403,015.47
COVID-19 Special Education - Grants to States	84.027X	N.A.	32,577.82
Special Education- Preschool Grants	84.173	N.A.	11,371.18
Sub-Total Special Education Cluster			446,964.47
Career and Technical Education - Basic Grants to States	84.048	N.A.	39,039.00
Rural Education	84.358	N.A.	25,096.07
Supporting Effective Instruction State Grants	84.367	N.A.	53,124.87
Student Support and Academic Enrichment Program	84.424	N.A.	49,612.40
COVID-19 Education Stabilization Fund:			
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund - Homeless Children and Youth	84.425W	N.A.	8,280.55
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N.A.	2,729,794.57
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	N.A.	270,243.16
Sub-Total COVID-19 Education Stabilization Fund			3,008,318.28
Total U. S. Department of Education			4,736,145.13
<u>Social Security Administration</u>			
<u>Passed Through Alabama Department of Education</u>			
Social Security - Disability Insurance	96.001	N.A.	180.00
Sub-Total Forward			\$ 5,709,415.29

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			\$ 5,709,415.29
<u>Other Federal Assistance</u>			
<u>U. S. Department of Defense</u>			
<u>Direct Program</u>			
ROTC	N.A.	N.A.	32,075.18
Total Expenditures of Federal Awards			<u>\$ 5,741,490.47</u>

N.A. = Not Available or Not Applicable

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 Sumter County Board of Education under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of the Sumter County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Sumter County Board of Education.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

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

Additional Information

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

Board Members		Term Expires
Hon. Jeanette Brassfield-Payne	President	2024
Hon. Darla Spencer	Vice-President	2024
Hon. Daisybelle Thomas-Quinney	Member	2022
Hon. Lillian Wideman	Member	2028
Hon. Tommie Campbell	Member	2022
Hon. Eleanor James	Member	2028
Hon. Sharon Nelson	Member	2026
Hon. Beretha J. Washington	Member	2026
<u>Administrative Personnel</u>		
Dr. Anthony Gardner	Superintendent	Retired June 30, 2023
Dr. Marcy Burroughs	Superintendent	2026
Jackie Meeks	Chief School Financial Officer	Retired June 30, 2023
Elzora Howell	Interim Chief School Financial Officer	July 2023
Glendora Stephens	Interim Chief School Financial Officer	November 2023
Dr. Anthony Gardner	Superintendent	Retired June 30, 2023

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 Sumter County Board of Education,
Superintendent and Chief School Financial Officer
Livingston, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sumter County Board of Education, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Sumter County Board of Education's basic financial statements, and have issued our report thereon dated May 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-006, 2023-007, 2023-008, 2023-009, 2023-010 and 2023-011 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

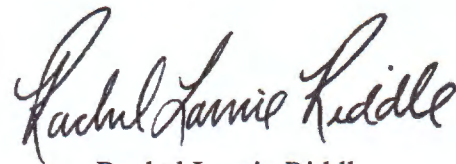
Sumter County Board of Education's Response to Findings

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

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 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 Sumter County Board of Education,
Superintendent and Chief School Financial Officer
Livingston, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Sumter County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Sumter County Board of Education's major federal program for the year ended September 30, 2023. The Sumter County Board of Education's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on ALN 84.425 COVID-19 Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Sumter County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number (ALN) 84.425 COVID-19 Education Stabilization Fund for the year ended September 30, 2023.

Basis for Qualified Opinion

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

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

Matter Giving Rise to Qualified Opinion on COVID-19 Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, the Sumter County Board of Education did not comply with requirements regarding ALN 84.425 COVID-19 Education Stabilization Fund as described in Finding 2023-012 for Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the Sumter County Board of Education to comply with the requirements applicable to that program.

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 Sumter County Board of Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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 Sumter County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of the Sumter County Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the Sumter County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

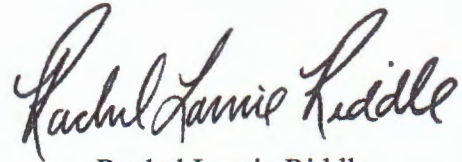
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-012 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Sumter County Board of Education's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Sumter County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Sumter County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***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 20, 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?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X Yes _____ No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Qualified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

 X Yes _____ No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Programs or Clusters
84.425	COVID-19 Education Stabilization Fund

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

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2023-006
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

The Board failed to pay invoices in a timely manner.

Finding

The Sumter County Board of Education's (the "Board") Accounting Policy and Procedure Manual provides that all invoices must be signed by appropriate persons noting that all goods or services have been received before invoices can be paid. A review of expenditures indicated seventeen instances in which the invoices were noted as goods and services being received but not being paid in a timely manner. Further, testing indicated that some invoices were paid up to five months after being received by the Board. The Board did not ensure that policies and procedures regarding the processing of invoices were followed to ensure invoices were paid in a timely manner. As a result, numerous invoices were paid past the due date.

Recommendation

The Board should implement controls to ensure established policies and procedures over the processing and payment of invoices are followed to ensure invoices are paid in a timely manner.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Reference Number: 2023-007
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: 2021-001 (origination)

The Board's bank reconciliations were not properly completed each month.

Finding

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, to adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the regular reconciliation of bank statements. The Sumter County Board of Education (the "Board") Policy Manual requires the Chief School Financial Officer to be responsible for verifying bank statements are reconciled to the financial records on a monthly basis to ensure accurate monthly financial statements are prepared. Numerous "other reconciling items" were noted on the September 30, 2023, General, Child Nutrition Program, Accounts Payable and Payroll bank account reconciliations. The majority of the "other reconciling items" were transfers between accounts that the Chief School Financial Officer did not ensure were completed prior to reconciling the accounts each month. As a result, the Board's financial statements were not always based on accurate underlying accounting records. This finding was previously reported as Finding 2022-001 and Finding 2021-001.

Recommendation

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

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Reference Number:	2023-008
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The Board did not conduct a physical inventory.

Finding

The Sumter County Board of Education (the “Board”) Accounting Policy and Procedures Manual requires that an annual inventory is performed each year to determine the status of the Board's capital assets. The Accounting Policy and Procedures Manual states that the inventory report should be completed, signed by the appropriate supervisor, and submitted to the Central Office by June 30th of each year. The Board has not performed an annual physical inventory since fiscal year 2021. Controls were not in place to ensure Board personnel followed the procedures that require an annual physical inventory to be conducted. Because an annual inventory was not performed, capital assets could be recorded incorrectly.

Recommendation

The Sumter County Board of Education should comply with their Accounting Policy and Procedures Manual as it pertains to annual physical inventories.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Reference Number: 2023-009
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Sumter Central High School did not follow established policies and procedures related to the receipt and deposit of money.

Finding

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Sumter County Board of Education's Accounting Policy and Procedures Manual prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a school receipt log sheet as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher then takes their receipt book, along with the money collected, to the school's bookkeeper daily. The school's bookkeeper then reconciles the teacher's receipts to the money turned in by the teacher. Once verified, the school's bookkeeper then writes the teacher a receipt from the school's master receipt book, and the money is deposited into the school's bank account. The school's bookkeeper also writes a receipt for all other money received into the office on the day received and deposits the money into the school's bank account. The following matters were noted at while testing receipts at Sumter Central High School:

- ✓ Twenty-six of the bookkeeper's receipts were tested and three instances were noted in which no teacher receipt log sheet was located.
- ✓ Forty-eight teacher receipts were tested, and forty instances were noted in which teachers did not turn the money collected into the office in a timely manner. Receipts and money collected were held for up to four months by one teacher before being turned into the bookkeeper.
- ✓ Twenty-eight bookkeeper receipts were tested, and eighteen instances were noted where the bank deposit was not made timely. An additional ten were recorded in the bookkeeper's receipt book after the bank deposit was made.
- ✓ In some instances, bookkeeper receipts and teacher receipts were not properly completed or legible.

Controls were not in place to ensure that Sumter Central High School followed established policies and procedures related to recording and depositing money. As a result, money was exposed to the risk of loss or theft, and money collected may not have been accounted for properly in the accounting records or deposited timely into the school bank account.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Recommendation

The Board should ensure schools follow all established procedures related to the receipt and deposit of money collected.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Reference Number:	2023-010
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Livingston Junior High School did not follow established policies and procedures related to the receipt and deposit of money.

Finding

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Sumter County Board of Education's Accounting Policy and Procedures Manual prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a school receipt log sheet as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher then takes their receipt book, along with the money collected, to the school's bookkeeper daily. The school's bookkeeper then reconciles the teacher's receipts to the money turned in by the teacher. Once verified, the school's bookkeeper then writes the teacher a receipt from the school's master receipt book, and the money is deposited into the school's bank account. The school's bookkeeper also writes a receipt for all other money received into the office on the day received and deposits the money into the school's bank account. The following matters were noted at while testing receipts at Livingston Junior High School:

- ✓ Sixty-seven bookkeeper receipts were tested, and thirty instances were noted in which no teacher receipt log sheet was located.
- ✓ Twenty-one teacher receipts were tested and were not turned into the bookkeeper in a timely manner.
- ✓ Fifty-three deposits were tested, and four instances were noted where the bank deposit was not made timely.
- ✓ Nine teacher receipts were properly receipted but not properly recorded in the bookkeeper's receipt book.
- ✓ Fifty-eight deposits were tested, and nineteen deposits were not posted to the Cash Receipts Journal by the Local School Bookkeeper at the central office.
- ✓ In some instances, bookkeeper receipts and teacher receipts were not properly completed.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Controls were not in place to ensure that Livingston Junior High School followed established policies and procedures related to recording and depositing money. As a result, money was exposed to the risk of loss or theft, and money collected may not have been accounted for properly in the accounting records or deposited timely into the school bank account.

Recommendation

The Board should ensure schools follow all established procedures related to the receipt and deposit of money collected.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Reference Number:	2023-011
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The Board did not properly post all of the local school receipts to the accounting records.

Finding

The Alabama State Department of Education's Financial Procedures for Local Schools requires that accounting records are posted daily. The Local School Bookkeeper at the central office is responsible for posting all local school deposits to the Cash Receipts Journal Report. The Principals at each school deposit money into the bank account and bring the validated deposit slip to the central office in order to be posted to the financial records. In testing the receipts for Sumter Central High School, it was noted there were several line items in the Cash Receipts Journal Report for "Unidentified Deposit." Review of supporting documentation indicated that several of these deposits should have been coded to various other local schools. Controls were not in place to ensure established procedures and policies related to the deposit and recording of local school receipts were followed. As a result, inaccurate cash balances for various local schools are reflected in their respective accounting records.

Recommendation

The Board should ensure schools follow all established procedures related to the deposit and recording of money collected for each local school.

Views of Responsible Officials of the Auditee

The Board agrees with this finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2023-012
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
AL Number(s) and Title(s):	84.425 – COVID-19 Education Stabilization Fund
Federal Awarding Agency:	U.S. Department of Education
Federal Award Number:	None
Pass-through Entity:	Alabama Department of Education
Pass-through Award Number:	None
Questioned Costs:	\$192,542.89

Time and effort reports were not maintained for some employees that supported the distribution of their salary to the Education Stabilization Fund.

Finding

Title 2 U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, 2 CFR 200.430(i) outlines the standards for documenting personnel expenses. The current standards require that the distribution of an employee's salary or wages among specific activities or cost objectives must be supported by adequate documentation if the employee works on more than one federal award or a federal award and a non-federal award. While testing payroll expenditures coded to the Education Stabilization Fund, four instances were noted in which an employee's salary was allocated to the Education Stabilization Fund and to other programs, but no time and effort reports or other documentation were provided to document the time the employee spent working on a specific program. Controls were not in place to ensure that the Board maintained time and effort reports or other adequate documentation that supported the distribution of employees' salaries to the Education Stabilization Fund. As a result, the Board is not in compliance with *Uniform Guidance* as it pertains to the documentation required for personnel expenses charged to the Education Stabilization Fund.

Recommendation

The Board should ensure proper documentation is maintained for all personnel expenses charged to federal programs.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Summary Schedule of Prior Audit Findings



Sumter County Board of Education

P. O. Box 10 • Livingston, AL 35470 • 205/652-9605 • FAX: 205/652-9641

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

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

Finding

Ref.

No.

Status of Prior Audit Finding

2022-001 The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, shall adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the regular reconciliation of bank statements. The Sumter County Board of Education's (the "Board") Accounting Procedures Policy Manual requires the Chief School Financial Officer to be responsible for verifying monthly bank statements are reconciled to the financial records on a monthly basis that ensures accurate monthly financial statements. Numerous "other reconciling items" were noted on the September 30, 2022, General, Child Nutrition Program, Accounts Payable and Payroll bank account reconciliations that dated as far back as April 2015. The majority of the "other reconciling items" were transfers between accounts that the Chief School Financial Officer did not ensure were completed prior to reconciling the accounts each month. As a result, the Board's financial statements were not always based on accurate underlying accounting records. This finding was previously reported as Finding 2021-001.

Response:

Procedures have been put in place to ensure that financial data is accurate and that bank accounts are reconciled on a monthly basis. The Board is in the process of correcting the above stated Other Reconciling Items from 2015, 2016 and 2021. To ensure that errors in recording financial information is detected and corrected in a timely manner, the Chief School Financial Officer will be required to investigate all Other Reconciling Items and reconcile discrepancies prior to the preparation of monthly financial statements.

"Success is the only option"

Auditee Response/Corrective Action Plan

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2023

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

Finding Ref. No.	Corrective Action Plan Details
2023-006	<i>Finding:</i> The Sumter County Board of Education's (the "Board") Accounting Policy and Procedure Manual provides that all invoices must be signed by appropriate persons noting that all goods or services have been received before invoices can be paid. A review of expenditures indicated seventeen instances in which the invoices were noted as goods and services being received but not being paid in a timely manner. Further, testing indicated that some invoices were paid up to five months after being received by the Board. The Board did not ensure that policies and procedures regarding the processing of invoices were followed to ensure invoices were paid in a timely manner. As a result, numerous invoices were paid past the due date. <i>Response/Views:</i> We agree with the finding. <i>Corrective Action Planned:</i> Accounts Payable accountant will verify from the appropriate personnel that goods and services have been received before invoices are paid. Invoices will be paid in a timely manner. <i>Anticipated Completion Date:</i> The above-mentioned corrective action will be completed as of September 30, 2024. <i>Contact Person(s):</i> Tranquil Shepherd, Chief School Financial Officer

2023-007***Finding:***

The *Code of Alabama 1975*, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances and, upon recommendation of the local superintendent, to adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the regular reconciliation of bank statements. The Sumter County Board of Education (the "Board") Policy Manual requires the Chief School Financial Officer to be responsible for verifying bank statements are reconciled to the financial records on a monthly basis to ensure accurate monthly financial statements are prepared. Numerous "other reconciling items" were noted on the September 30, 2023, General, Child Nutrition Program, Accounts Payable and Payroll bank account reconciliations. The majority of the "other reconciling items" were transfers between accounts that the Chief School Financial Officer did not ensure were completed prior to reconciling the accounts each month. As a result, the Board's financial statements were not always based on accurate underlying accounting records. This finding was previously reported as Finding 2022-001 and Finding 2021-001.

Response/Views: We agree with the finding.

Reason for the Recurrence: Other reconciling items were not investigated and cleared appropriately.

Corrective Action Planned: Other Reconciling Items will be investigated and cleared appropriately. To ensure that errors in recording financial information be detected and corrected in a timely manner, the Chief School Financial Officer will be required to investigate all Other Reconciling Items and reconciling discrepancies prior to the preparation of financial statements monthly.

Anticipated Completion Date: The above-mentioned corrective action is expected to be completed as of September 30, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-008***Finding:***

The Sumter County Board of Education (the “Board”) Accounting Policy and Procedures Manual requires that an annual inventory is performed each year to determine the status of the Board's capital assets. The Accounting Policy and Procedures Manual states that the inventory report should be completed, signed by the appropriate supervisor, and submitted to the Central Office by June 30th of each year. The Board has not performed an annual physical inventory since fiscal year 2021. Controls were not in place to ensure Board personnel followed the procedures that require an annual physical inventory to be conducted. Because an annual inventory was not performed, capital assets could be recorded incorrectly.

Response/Views: We agree with the finding.

Corrective Action Planned: An inventory packet including an inventory memorandum, instructions, inventory by cost center reports, and inventory sheets will be distributed to principals and directors to conduct an annual inventory at their location. Signed inventory reports will be due to the finance department by the last working day for teachers.

Anticipated Completion Date: The above-mentioned corrective action will be completed as of June 30, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-009***Finding:***

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Sumter County Board of Education's Accounting Policy and Procedures Manual prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a school receipt log sheet as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher then takes their receipt book, along with the money collected, to the school's bookkeeper daily. The school's bookkeeper then reconciles the teacher's receipts to the money turned in by the teacher. Once verified, the school's bookkeeper then writes the teacher a receipt from the school's master receipt book, and the money is deposited into the school's bank account. The school's bookkeeper also writes a receipt for all other money received into the office on the day received and deposits the money into the school's bank account. The following matters were noted at while testing receipts at Sumter Central High School:

- ✓ Twenty-six of the bookkeeper's receipts were tested and three instances were noted in which no teacher receipt log sheet was located.
- ✓ Forty-eight teacher receipts were tested and forty instances were noted in which teachers did not turn the money collected into the office in a timely manner. Receipts and money collected were held up to four months by one teacher before being turned into the bookkeeper.
- ✓ Twenty-eight bookkeeper receipts were tested and eighteen instances were noted where the bank deposit was not made timely. An additional ten were recorded in the bookkeeper's receipt book after the bank deposit was made.
- ✓ In some instances, bookkeeper receipts and teacher receipts were not properly completed or legible.

Controls were not in place to ensure that Sumter Central High School followed established policies and procedures related to recording and depositing money. As a result, money was exposed to the risk of loss or theft, and money collected may not have been accounted for properly in the accounting records or deposited timely into the school bank account.

Response/Views: We agree with the finding.

Corrective Action Planned: Locals Schools accountant will meet with Sumter Central High School's secretary and principal once every Tuesday to review procedures. Specific focus will be placed on teacher receipts, master receipts, and deposits.

Anticipated Completion Date: The corrective action plan commenced April 23, 2024. This will be an on-going process, but there will be a break between June and August until teachers return.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-010***Finding:***

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Sumter County Board of Education's Accounting Policy and Procedures Manual prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a school receipt log sheet as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher then takes their receipt book, along with the money collected, to the school's bookkeeper daily. The school's bookkeeper then reconciles the teacher's receipts to the money turned in by the teacher. Once verified, the school's bookkeeper then writes the teacher a receipt from the school's master receipt book, and the money is deposited into the school's bank account. The school's bookkeeper also writes a receipt for all other money received into the office on the day received and deposits the money into the school's bank account. The following matters were noted at while testing receipts at Livingston Junior High School:

- ✓ Sixty-seven bookkeeper receipts were tested and thirty instances were noted in which no teacher receipt log sheet was located.
- ✓ Twenty-one teacher receipts were tested and were not turned into the bookkeeper in a timely manner.
- ✓ Fifty-three deposits were tested and four instances were noted where the bank deposit was not made timely.
- ✓ Nine teacher receipts were properly receipted but not properly recorded in the bookkeeper's receipt book.
- ✓ Fifty-eight deposits were tested and nineteen deposits were not posted to the Cash Receipts Journal by the Local School Bookkeeper at the central office.
- ✓ In some instances, bookkeeper receipts and teacher receipts were not properly completed.

Controls were not in place to ensure that Livingston Junior High School followed established policies and procedures related to recording and depositing money. As a result, money was exposed to the risk of loss or theft, and money collected may not have been accounted for properly in the accounting records or deposited timely into the school bank account.

Response/Views: We agree with the finding.

Corrective Action Planned: Locals Schools accountant will meet with Livingston Junior High School's secretary and principal once every Tuesday to review procedures. Specific focus will be placed on teacher receipts, master receipts, and deposits.

Anticipated Completion Date: Corrective action commenced April 23, 2024. This will be an on-going process, but there will be a break between June and August until teachers return.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-011***Finding:***

The Alabama State Department of Education's Financial Procedures for Local Schools requires that accounting records are posted daily. The Local School Bookkeeper at the central office is responsible for posting all local school deposits to the Cash Receipts Journal Report. The Principals at each school deposit money into the bank account and bring the validated deposit slip to the central office in order to be posted to the financial records. In testing the receipts for Sumter Central High School, it was noted there were several line items in the Cash Receipts Journal Report for "Unidentified Deposit." Review of supporting documentation indicated that several of these deposits should have been coded to various other local schools. Controls were not in place to ensure established procedures and policies related to the deposit and recording of local school receipts were followed. As a result, inaccurate cash balances for various local schools are reflected in their respective accounting records.

Response/Views: We agree with the finding.

Corrective Action Planned: Local Schools accountant has designed a deposit ticket template so each deposit ticket will show the school name, activity, function, and principal's initials. This maintains consistency and makes all deposits identifiable. Deposit documentation must also be submitted in compliance with the board's finance manual.

Anticipated Completion Date: Corrective action plan has been executed as of April 23, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-012

Finding:

Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, 2 CFR 200.430(i) outlines the standards for documenting personnel expenses. The current standards require that the distribution of an employee's salary or wages among specific activities or cost objectives must be supported by adequate documentation if the employee works on more than one federal award or a federal award and a non-federal award. While testing payroll expenditures coded to the Education Stabilization Fund, four instances were noted in which an employee's salary was allocated to the Education Stabilization Fund and to other programs, but no time and effort reports or other documentation were provided to document the time the employee spent working on a specific program. Controls were not in place to ensure that the Board maintained time and effort reports or other adequate documentation that supported the distribution of employees' salaries to the Education Stabilization Fund. As a result, the Board is not in compliance with *Uniform Guidance* as it pertains to the documentation required for personnel expenses charged to the Education Stabilization Fund.

Response/Views: We agree with the finding.

Corrective Action Planned: Time and Effort sheets will be completed and maintained in personnel files and federal program records.

Anticipated Completion Date: The above-mentioned corrective action will be completed as of September 30, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

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

Finding Ref. No.	Corrective Action Plan Details
2023-001	<i>Finding:</i> The <i>Code of Alabama 1975</i>, Section 16-8-37, provides that “the county board of education shall publish annually in the month of October in the county newspaper at the county seat of each county a full and complete statement of the receipts by source and disbursements by function of the county for the 12 months' period ending September 30.” Further, “the county board of education shall also publish annually in the county newspaper at the county seat of each county in the month of October, a statement of the outstanding indebtedness of the board of education on September 30.” The Sumter County Board of Education (the “Board”) did not publish the financial statements and statement of outstanding indebtedness for the fiscal year ended September 30, 2023 until December 28, 2023. Policies and procedures were not in place to ensure the Board complied with the applicable statute. Therefore, the Board failed to comply with the <i>Code of Alabama 1975</i>, Section 16-8-37. <i>Response/Views:</i> We disagree with the finding. Due to FY2022 Financial Statements not being approved until August 24, 2023, FY2023 Financial Statements were not complete by September 30, 2023; therefore, could not be published. Every effort was given to publish accurate information in a timely manner. <i>Contact Person(s):</i> Tranquil Shepherd, Chief School Financial Officer

2023-002

Finding:

The Alabama State Department of Education (ALSDE) policies require General Purpose Financial Statements to be submitted annually on or before November 1st annually to enable the ALSDE to provide accurate data for state funding. The Sumter County Board of Education (the “Board”) did not submit the General Purpose Financial Statements for the fiscal year 2023 to the ALSDE until February 9, 2024. Policies and procedures were not in place to ensure the Board complied with the ALSDE policy regarding the submission of its General Purpose Financial Statements. As a result, the General Purpose Financial Statements were not submitted to the ALSDE on or before November 1st.

Response/Views: We agree with the finding.

Corrective Action Planned: The Sumter County Board of Education will make every effort to submit the General-Purpose Financial Statements for the fiscal year 2024 to the ALSDE on or before November 1, 2024.

Anticipated Completion Date: The above-mentioned corrective action will be completed as of November 1, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-003***Finding:***

The *Code of Alabama 1975*, Section 16-1-8.1 states, "each school shall have a budget committee...the committee shall be elected annually by secret ballot", "the budget committee shall propose a budget for classroom instructional support, excluding student materials", and "teachers at the school, through majority vote of those voting, shall approve the proposed budget utilizing a secret balloting process". The Sumter County Board of Education (the "Board") could not provide records to support the election of a budget committee, a budget committee proposed budget, or approval of a proposed budget through a majority teacher vote at all schools. Policies and procedures were not in place regarding classroom instructional support budgets were in compliance with the Code of Alabama 1975, Section 16-1-8.1. As a result, we were unable to determine whether the Board complied with requirements governing classroom instructional support.

Response/Views: We agree with the finding.

Corrective Action Planned: The Chief School Financial Officer will be responsible for the availability of records to support the election of a budget committee, a budget committee proposed budget, and approval of a proposed budget through a majority teacher vote for each school.

Anticipated Completion Date: Corrected action was executed October 20, 2023.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-004***Finding:***

Internal Revenue Service Publication 15 requires all employers to file, on a quarterly basis, Form 941s to report wages subject to federal income tax withholding or social security and Medicare taxes. Therefore, it is incumbent upon the Sumter County Board of Education (the “Board”) to have appropriate policies and procedures in place to ensure Form 941s are completed appropriately and in a timely manner. During the fiscal year, the Board received “notice of changes” correspondence from the Internal Revenue Service made to the June 30, 2022 Form 941. These changes resulted in the Board paying \$43,322.75 to the Internal Revenue Service. Appropriate policies and procedures were not in place to ensure that Form 941s were completed appropriately and in a timely manner. As a result, the Board paid additional amounts, including penalties and interest, to the Internal Revenue Service.

Response/Views: We agree with the finding.

Corrective Action Planned: Form 941s to report wages subject to federal income tax withholding or social security and Medicare taxes will be completed appropriately and submitted in a timely manner.

Anticipated Completion Date: The above-mentioned corrective action will be completed as of September 30, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer

2023-005

Finding:

The *Code of Alabama 1975*, Section 16-13B-1, commonly referred to as the Competitive Bid Law, requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more, made by or on behalf of any city or county board of education to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. During fiscal year 2023, the Sumter County Board of Education (the “Board”) purchased timeclocks totaling \$27,792.80 and tires totaling \$22,710.40 without adequate documentation to prove they were bid in accordance with the Competitive Bid Law. The Board did not have adequate procedures in place to ensure compliance with the Competitive Bid Law. As a result, the Board failed to comply with all aspects of the Competitive Bid Law.

Response/Views: We agree with the finding.

Corrective Action Planned: All purchases that exceed the Competitive Bid Law will be bid in accordance with the law.

Anticipated Completion Date: The above-mentioned corrective action will be completed as of September 30, 2024.

Contact Person(s): Tranquil Shepherd, Chief School Financial Officer



Dr. Marcy Burroughs, Superintendent
Sumter County Board of Education