Henry County Board of Education

Henry County, Alabama

October 1, 2023 through September 30, 2024

Filed: July 10, 2026

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

Rachel Laurie Riddle, *Chief Examiner* | **334-777-0500** | **www.alexaminers.gov**

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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Henry County Board of Education, Henry County, Alabama, for the period October 1, 2023 through September 30, 2024, by Examiners Jeannie Sweezer, Jason Murphy and Brady Balkcom. I, Brady Balkcom, 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,

Brady Balkcom

Brady Balkcom
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

Henry County Board of Education
October 1, 2023 through September 30, 2024

The Henry County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Henry County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Henry 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, 2024.

Financial statements for the fiscal year ending September 30, 2024, were not prepared by management until November 5, 2025. The Board's failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

AUDIT FINDINGS

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

- ♦ 2024-001: The Board failed to comply with the provisions of the TEAMS program as required by the ***Code of Alabama 1975***, Section 16-13-333 through Section 16-13-335.

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.

- 2024-002: The Board failed to submit the fiscal year 2024 audit report to the Federal Audit Clearinghouse by the due date.

- 2024-003: The Board failed to ensure the Superintendent and Board Members were paid correctly.

- 2024-004: The Board failed to comply with wage rate requirements for federally funded construction contracts exceeding $2,000. This finding was previously reported as Finding 2023-001.

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 Lori Beasley, Superintendent and Arlene Dickens, Chief School Financial Officer. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Taylor Carter, Audit Manager; and Jeannie Sweezer, Jason Murphy and Brady Balkcom, Examiners.

Schedule of State and Local Compliance and Other Findings

Ref. No.	Finding/Noncompliance
2024-001	**Finding:** The ***Code of Alabama 1975***, Section 16-13-330, established the Teacher Excellence and Accountability for Mathematics and Science (TEAMS) Salary Schedule Program to provide additional compensation to teachers of mathematics and science who elect to participate in the program and meet the required qualifications; to provide an additional annual supplement to program participants teaching in hard-to-staff schools; to create the TEAMS Fund in the State Treasury; and to provide for the terms of employment for participating teachers. Further, the ***Code of Alabama 1975***, Sections 16-13-333 and 16-13-334 provide specific requirements the Board of Education must comply with regarding the TEAMS program, including that the Superintendent must determine if an applicant has met the requirements for participation in the program, after receipt of an application and required documentation, before recommending that the Board offer a TEAMS contract to the applicant. Testing of TEAMS contracts indicated that the Board did not obtain specialized certification documents from teachers prior to offering preliminary and advanced contracts. Additionally, the Board did not provide copies of certifications and contracts during the audit. The Board did not have controls in place to ensure the TEAMS requirements complied with the ***Code of Alabama 1975***, Sections 16-13-333 and 16-13-334. As a result, we were unable to verify the Board complied with all requirements of the TEAMS Act. **<u>Recommendation:</u>** The Board should comply with the ***Code of Alabama 1975***, Section 16-13-333 and 16-13-334, by ensuring proper documentation is maintained to determine eligibility for all personnel contracted under the TEAMS Salary Schedule Program.

Independent Auditor's Report

Independent Auditor's Report

Members of the Henry County Board of Education,
Superintendent and Chief School Financial Officer
Abbeville, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Henry County Board of Education, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Henry 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 and each major fund of the Henry County Board of Education, as of September 30, 2024, 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 Henry 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.

Other Matter

The financial statements of the Henry County Board of Education for the year ended September 30, 2023, were audited by a predecessor auditor, whose report dated September 19, 2025, expressed an unmodified opinion on those statements.

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

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 Henry 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 June 12, 2026, on our consideration of the Henry 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 Henry 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 Henry County Board of Education's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 12, 2026

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Basic Financial Statements

Statement of Net Position
September 30, 2024

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 7,637,976.35
Cash with Fiscal Agent	2,573,004.08
Ad Valorem Property Taxes Receivable	2,682,522.63
Receivables (Note 4)	489,401.93
Inventories	137,070.17
Capital Assets (Note 5):	
Nondepreciable	5,380,340.37
Depreciable, Net	28,916,194.24
Total Assets	47,816,509.77
Deferred Outflows of Resources	
Loss on Refunding of Debt	1,483,846.37
Employer Pension Contribution	2,142,119.14
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	6,584,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	317,226.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	5,307,801.00
Total Deferred Outflows of Resources	15,834,992.51
Liabilities	
Payables	10,000.00
Unearned Revenue	30,110.54
Accrued Interest Payable	210,431.98
Salaries and Benefits Payable	1,451,079.63
Long-Term Liabilities (Note 8):	
Portion Payable Within One Year	525,546.68
Portion Payable After One Year	59,488,185.17
Total Liabilities	61,715,354.00
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	2,604,645.33
Revenue Received in Advance - Motor Vehicle Taxes	216,004.27
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	440,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	13,231,084.00
Total Deferred Inflows of Resources	$ 16,491,733.60

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

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 11,634,355.13
Restricted for:	
Capital Projects	1,428,117.49
Debt Service	2,362,334.34
Other Purposes	2,890,932.53
Assigned	718,654.98
Unrestricted	(33,589,979.79)
Total Net Position	$ (14,555,585.32)

Statement of Activities
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$ 19,312,898.31	$ 495,378.44	$ 19,078,583.08	$ 700,239.00	$ 961,302.21
Instructional Support	5,674,810.85	177,957.59	4,493,536.99		(1,003,316.27)
Operation and Maintenance	3,282,554.85	131,572.24	1,360,545.34	38,104.00	(1,752,333.27)
Auxiliary Services:					
Student Transportation	2,095,857.87	31,410.75	1,634,623.49	212,268.00	(217,555.63)
Food Services	2,198,562.56	1,791,227.24	168,883.59		(238,451.73)
General Administrative and Central Support	1,836,899.64	2,149.86	915,464.56	1,818.00	(917,467.22)
Interest and Fiscal Charges	743,584.77				(743,584.77)
Other Expenses	1,750,884.47	111,842.14	1,264,257.30		(374,785.03)
Total Governmental Activities	$ 36,896,053.32	$ 2,741,538.26	$ 28,915,894.35	$ 952,429.00	(4,286,191.71)

General Revenues:	
Taxes:	
Property Taxes for General Purposes	2,913,319.57
Sales Tax	2,151,835.15
Other Taxes	25,213.29
Investment Earnings	105,194.69
Gain on Disposition of Capital Assets	1,349.40
Miscellaneous	1,067,009.95
Total General Revenues	6,263,922.05
Changes in Net Position	1,977,730.34
Net Position - Beginning of Year	(16,533,315.66)
Net Position - End of Year	$ (14,555,585.32)

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

Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 5,354,347.13	$ 855,749.49	$	$ 1,427,879.73	$ 7,637,976.35
Cash with Fiscal Agent			2,572,766.32	237.76	2,573,004.08
Ad Valorem Property Taxes Receivable	2,682,522.63				2,682,522.63
Receivables (Note 4)	234,383.33	255,018.60			489,401.93
Inventories		137,070.17			137,070.17
Total Assets	8,271,253.09	1,247,838.26	2,572,766.32	1,428,117.49	13,519,975.16
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables	10,000.00				10,000.00
Unearned Revenue		30,110.54			30,110.54
Salaries and Benefits Payable	1,296,912.81	154,166.82			1,451,079.63
Total Liabilities	1,306,912.81	184,277.36			1,491,190.17
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	2,604,645.33				2,604,645.33
Revenue Received in Advance - Motor Vehicle Taxes	216,004.27				216,004.27
Total Deferred Inflows Resources	2,820,649.60				2,820,649.60
Fund Balances					
Nonspendable:					
Inventories		137,070.17			137,070.17
Restricted:					
Child Nutrition		207,835.75			207,835.75
Capital Projects				1,428,117.49	1,428,117.49
Debt Service			2,572,766.32		2,572,766.32
Other Purposes	2,546,026.61				2,546,026.61
Assigned:					
Local Schools		816,626.60			816,626.60
Unassigned	1,597,664.07	(97,971.62)			1,499,692.45
Total Fund Balances	4,143,690.68	1,063,560.90	2,572,766.32	1,428,117.49	9,208,135.39
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,271,253.09	$ 1,247,838.26	$ 2,572,766.32	$ 1,428,117.49	$ 13,519,975.16

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, 2024

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 9,208,135.39
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The Cost of Capital Assets is	$ 53,534,907.02	
Accumulated Depreciation is	(19,238,372.41)	
Total Capital Assets		34,296,534.61
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.		1,483,846.37
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		8,286,119.14
Deferred outflows and inflows of resources related to Other Postemployment Benefits (OPEB) obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(7,606,057.00)
Long-term liabilities, including warrants/bonds payable, net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Current Portion of Long-Term Debt	$ 525,546.68	
Noncurrent Portion of Long-Term Debt	59,488,185.17	
		(60,013,731.85)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable		(210,431.98)
Total Net Position - Governmental Activities (Exhibit 1)		$ (14,555,585.32)

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, 2024

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Formerly Other Governmental Fund	Total Governmental Funds
Revenues						
State	$ 22,481,314.49	$ 3,000.00	$ 55,987.32	$ 2,094,623.68	$	$ 24,634,925.49
Federal	618.00	6,929,440.24				6,930,058.24
Local	5,358,314.94	1,638,628.19	84,353.54	107,196.68		7,188,493.35
Other	82,038.65	23,228.68				105,267.33
Total Revenues	27,922,286.08	8,594,297.11	140,340.86	2,201,820.36		38,858,744.41
Expenditures						
Current:						
Instruction	14,834,993.82	2,888,911.77				17,723,905.59
Instructional Support	4,364,054.05	1,085,830.03				5,449,884.08
Operation and Maintenance	2,909,796.32	326,459.46		39,427.00		3,275,682.78
Auxiliary Services:						
Student Transportation Services	1,887,078.11	13,921.33				1,900,999.44
Food Services		2,179,360.71				2,179,360.71
General Administrative and Central Support	1,249,742.61	556,146.79				1,805,889.40
Other	1,145,619.97	563,379.36				1,708,999.33
Capital Outlay	1,006,038.75	1,428,376.00		1,282,717.43		3,717,132.18
Debt Service:						
Principal Retirement			215,118.08	271,851.52		486,969.60
Interest and Fiscal Charges			360,244.87	313,400.89		673,645.76
Debt Issuance Costs / Other Debt Service			0.24	5,950.00		5,950.24
Total Expenditures	27,397,323.63	9,042,385.45	575,363.19	1,913,346.84		38,928,419.11
Excess (Deficiency) of Revenues Over Expenditures	524,962.45	(448,088.34)	(435,022.33)	288,473.52		(69,674.70)
Other Financing Sources (Uses)						
Indirect Cost	111,014.00					111,014.00
Transfers In	86,065.93	148,870.50	675,438.48			910,374.91
Other Financing Sources	13,689.85					13,689.85
Sale of Capital Assets	2,425.00					2,425.00
Transfers Out	(824,308.98)	(86,065.93)				(910,374.91)
Total Other Financing Sources (Uses)	(611,114.20)	62,804.57	675,438.48			127,128.85
Net Changes in Fund Balances	(86,151.75)	(385,283.77)	240,416.15	288,473.52		57,454.15
Fund Balances - Beginning of Year, as Previously Reported (Note 12)	4,229,842.43	1,448,844.67	2,332,350.17		1,139,643.97	9,150,681.24
Change within Financial Reporting Entity (Nonmajor to Major Fund)				1,139,643.97	(1,139,643.97)	
Fund Balances - Beginning of Year, as Restated (Note 12)	4,229,842.43	1,448,844.67	2,332,350.17	1,139,643.97		9,150,681.24
Fund Balances - End of Year	$ 4,143,690.68	$ 1,063,560.90	$ 2,572,766.32	$ 1,428,117.49	$	$ 9,208,135.39

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, 2024

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)			$	57,454.15
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period.				
Capital Outlays	$	3,717,132.18		
Depreciation Expense		(1,458,518.58)		2,258,613.60
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.				486,969.60
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.				
Proceeds from Sale of Capital Assets	$	(2,425.00)		
Gain on Disposition of Capital Assets		1,349.40		(1,075.60)
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 the governmental funds.				
Accrued Interest Payable, Current Year Increase/(Decrease)	$	(7,980.93)		
Amortization of Bond Discounts, Premiums and Loss on Refunding		71,969.70		
Pension Expense, Current Year Increase/(Decrease)		3,017,436.64		
Other Postemployment Benefits (OPEB) Expense, Current Year Increase/(Decrease)		(2,257,194.00)		
				(824,231.41)
Change in Net Position of Governmental Activities (Exhibit 2)			$	1,977,730.34

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

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.

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 Board reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.

- ***Special Revenue Fund*** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Education Stabilization, Special Education, Title 1, Child Nutrition Program, and Coronavirus Relief Fund, in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

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

- ***Capital Projects Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The proceeds from the county sales tax that are to be used exclusively for capital improvement, capital construction and maintenance purposes are also accounted for and reported in this fund. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

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 acquisitions under notes from direct borrowings 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 are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

1. Deposits and Investments

Cash 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.

2. Receivables

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

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

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

3. Inventories

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

4. Restricted Assets

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

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	$50,000	20 years
Buildings	$50,000	25 – 50 years
Building Improvements	$50,000	7 – 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.

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. Warrant premiums and discounts are deferred and amortized over the life of the bonds. Warrants payable are reported net of the applicable premium or discount. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize 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.

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.

10. Minimum Fund Balance Policies

The Board has established a minimum fund balance policy. The Board's policy states that a General Fund reserve fund balance be maintained of an amount not less than one month's operating expenditures. Operating expenditures shall include all funds necessary to support the normal operations of the school district for one month. The Superintendent or Chief School Financial Officer shall inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or the budget amendment will prevent the establishment or maintenance of one month's operating balance. A one-month operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by twelve. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

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

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, ad valorem taxes and 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.

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

Note 3 – Deposits and Cash with Fiscal Agent

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.

As of September 30, 2024 the Board had cash with fiscal agent totaling $2,572,766.32 in the Debt Service Fund. This amount is related to the Capital Outlay Pool Warrant, Series 2009-QSCB that are held by the State of Alabama for future debt payments.

Note 4 – Receivables

On September 30, 2024, receivables for the Board's individual major funds, are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Taxes	$216,892.54	$	$216,892.54
Intergovernmental	17,490.79	255,018.60	272,509.39
Total Receivables	$234,383.33	$255,018.60	$489,401.93

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	Balance 10/01/2023	Additions	Retirements	Balance 09/30/2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 5,380,340.37	$	$	$ 5,380,340.37
Total Capital Assets, Not Being Depreciated	5,380,340.37			5,380,340.37
Capital Assets, Being Depreciated:				
Buildings	27,484,580.99	1,720,050.00		29,204,630.99
Building Improvements	11,254,773.94			11,254,773.94
Equipment and Furniture	2,110,018.60	1,424,908.00		3,534,926.60
Vehicles	3,695,621.02	572,174.18	(107,560.08)	4,160,235.12
Total Capital Assets, Being Depreciated	44,544,994.55	3,717,132.18	(107,560.08)	48,154,566.65
Less Accumulated Depreciation for:				
Buildings	(8,884,071.99)	(537,813.60)		(9,421,885.59)
Building Improvements	(5,339,984.41)	(327,105.89)		(5,667,090.30)
Equipment and Furniture	(1,434,724.45)	(315,620.90)		(1,750,345.35)
Vehicles	(2,227,557.46)	(277,978.19)	106,484.48	(2,399,051.17)
Total Accumulated Depreciation	(17,886,338.31)	(1,458,518.58)	106,484.48	(19,238,372.41)
Total Capital Assets, Being Depreciated, Net	26,658,656.24	2,258,613.60	(1,075.60)	28,916,194.24
Governmental Activities Capital Assets, Net	$ 32,038,996.61	$ 2,258,613.60	$ (1,075.60)	$ 34,296,534.61

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$1,071,780.13
Instructional Support	415.68
Operation and Maintenance	45,011.07
Auxiliary Services:	
Food Service	61,164.35
Student Transportation	278,426.15
General Administrative and Central Support	1,721.20
Total Depreciation Expense – Governmental Activities	$1,458,518.58

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.

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 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. These Tier 2 members contribution rate increases were a result of Act Number 2021-537, Acts of Alabama, which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2024, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $2,142,119.14 for the year ended September 30, 2024.

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

At September 30, 2024, the Board reported a liability of $31,558,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, the Board's proportion was 0.197757%, which was an increase of 0.003174% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized pension expense of $5,153,000.00. At September 30, 2024, 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	$2,822,000.00	$426,000.00
Changes of Assumptions	888,000.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,164,000.00	
Changes in Proportion and Differences between Employer contributions and Proportionate Share of Contributions	710,000.00	14,000.00
Employer Contributions Subsequent to the Measurement Date	2,142,119.14	
Total	$8,726,119.14	$440,000.00

The $2,142,119.14 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025. 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, 2025	$2,144,000
2026	$1,381,000
2027	$2,623,000
2028	$ (4,000)
2029	$ 0
Thereafter	$ 0

E. Actuarial Assumptions

The total pension liability as of September 30, 2023, was determined by an actuarial valuation as of September 30, 2022, 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, 2022, 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
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

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

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

(*) Includes assumed rate of inflation of 2.00%

F. Discount Rate

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

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	$41,227	$31,558	$23,426
(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, 2023. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2023. 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, 2023, 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/.

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 Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

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

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

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

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 the Public Education Employee's Health Insurance Fund (PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board (SEIB), Local Government Health Insurance Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HAS) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHOP 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 PEEHOP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. 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.

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, 2024, the Board reported a liability of $4,309,706.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, the Board's proportion was 0.22421273%, which was an decrease of 0.02582457% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized OPEB income of $1,941,342.00 with no special funding situations. At September 30, 2024, 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	$ 84,269.00	$ 6,800,589.00
Changes of assumptions	3,630,779.00	4,263,464.00
Net difference between projected and actual earnings on OPEB plan investments	147,212.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,445,541.00	2,167,031.00
Employer contributions subsequent to the measurement date	317,226.00	
Total	$5,625,027.00	$13,231,084.00

The $317,226.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2025.

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, 2025	$(2,644,723)
2026	$(1,350,005)
2027	$(1,233,613)
2028	$(1,620,574)
2029	$(1,025,374)
Thereafter	$ (48,994)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, 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	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

(1) Includes 2.75% wage inflation.
(2) Compounded annually, net of investment expense, and including 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

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, 2022 valuation.

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

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

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

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

(*) Geometric mean, includes 2.5% inflation.

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, 2023, 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 non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023, and it is assumed that the 11.051% 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 remain flat until, based on budget projections, it increases to $940 in fiscal year 2027, and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2121.

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 (6.00% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (8.00% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of the collective net OPEB liability	$3,266,711	$4,309,706	$5,576,113

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the collective net OPEB liability	$5,320,323	$4,309,706	$3,449,539

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, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Long-Term Debt

Qualified School Construction Bonds (QSCB) 2009-D

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 2.058% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of $3,002,000.00, $26,425.00 and $2,975,574.64, respectively. The Board is required to make sinking fund deposits of $156,227.66 on December 15 of each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. This warrant is not a general obligation of the Board. This warrant is a limited obligation of the Board payable solely from and secured by a pledge of the pledged revenues. In the event of default, the Alabama Public School and College Authority may, in addition to all other remedies which the Authority may have, proceed forthwith to protect and enforce its rights by such suits, actions or proceedings as the Authority shall deem expedient, including but not limited to the following: (1) withholding all amounts of PSF Capital Purchase Funds, (2) filing suit to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or to compel performance of the obligations of the Board under the warrant agreement, or (3) enforcing any other right of the Authority.

Series 2021 School Tax Warrants

On February 17, 2021, the Board issued $9,360,000 in Taxable School Refunding Warrants, Series 2021, with an interest rate of 2.00%. The Series 2021 Warrants are issued for the following purposes: advance refunding and defeasance of the Taxable School Tax Refunding Warrants, Series 2018-A, providing funds for capital improvements to the Board's public school infrastructure, and paying the costs of issuing the Series 2021 Warrants.

Series 2018B Capital Outlay School Warrants

On July 1, 2018, the Board issued $7,485,000.00 in Taxable School Refunding Warrants, Series 2018-B, dated July 1, 2018, with interest rates from 3.625% to 3.750%. The Series 2018-B Warrants are issued for the following purposes: advance refunding and defeasance of all of the outstanding Public Education Revenue Bonds, Series 2011 issued by the Henry County Public Education Cooperative District on behalf of the Board and paying the costs of issuing the Series 2018-B Warrants. In the event of default, which is defined as a failure to pay principal and interest when due and a failure to comply with covenants in the loan agreement, the Board will owe the holders all expenses incident to the collection of any unpaid portion, including attorney's fees, plus an overdue interest rate of 6.00% on any portion not paid on time. In the event of default due to the Board not applying received tax proceeds, pledged to pay the debt service on the warrants, the bondholder has the right to pursue a court order directing the Board to apply the proceeds to the debt service.

Series 2016 Capital Outlay School Warrants

On July 1, 2016, the Board issued $1,670,000.00 in Capital Outlay School Warrants, Series 2016, dated July 1, 2016, with interest rates from 1.75% to 3.00%. The Series 2016 Warrants are issued for the following purposes: advance refunding and defeasance of certain of the outstanding Public Education Revenue Bonds, Series 2011 issued by the Henry County Public Education Cooperative District on behalf of the Board and paying the costs of issuing the Series 2016 Warrants. In the event of default, which is defined as a failure to pay principal and interest when due and a failure to comply with covenants in the loan agreement, interest on overdue principal and premium and (to the extent legally enforceable) on any overdue installment of interest on the Warrants shall be payable at the rate of 6% per annum. In the event of default due to the Board not applying received tax proceeds, pledged to pay the debt service on the warrants, the bondholder has the right to pursue a court order directing the Board to apply the proceeds to the debt service.

Series 2015 Capital Outlay School Warrants

On February 23, 2015, the Board issued $3,465,000.00 in Capital Outlay School Warrants, Series 2015, dated February 1, 2015, with interest rates from 0.50% to 4.00%. The Series 2015 Warrants are issued for the following purposes: advance refunding and defeasance of all of the outstanding Tax Anticipation Warrants, Series 2006 issued by Henry County Public Education Cooperative District on behalf of the Board, paying for various capital improvements to the Board's public school facilities, and paying the costs of issuing the Series 2015 Warrants. In the event of default, which is defined as a failure to pay principal and interest when due and a failure to comply with covenants in the loan agreement, interest on overdue principal and premium and (to the extent legally enforceable) on any overdue installment of interest on the Warrants shall be payable at the rate of 6% per annum. In the event of default due to the Board not applying received tax proceeds, pledged to pay the debt service on the warrants, the bondholder has the right to pursue a court order directing the Board to apply the proceeds to the debt service.

Notes from Direct Borrowing

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

2010 Energy Investments

On April 8, 2010, the Board entered into a note from direct borrowing agreement for the payment of a contract for building improvements to provide energy savings. The principal amount of the loan is $672,714.04 and is to be paid off in October 2025. The note is paid with local funds. The outstanding note contains a provision that in the event of default, the lender may (1) take appropriate action to collect amounts due, by acceleration or otherwise, or to cause the Board to perform its other obligations in the agreement, in which the Board shall be liable for all costs and expenses incurred by the lender, (2) terminate the agreement and repossess the building improvements without notice, court order, or any process of the law, in which event the Board would be liable for all costs and expenses incurred by the lender, and (3) pursue any other remedy available at law in which the Board would be liable for all costs and expenses incurred by the lender.

2020 Municipal Investments

On November 24, 2020, the Board entered into a note from direct borrowing agreement for the payment of lighting project for Abbeville High School baseball, softball, and football. The principal amount of the loan is $501,342.00 and is to be paid off in November 2025. The note is paid with local funds. The outstanding note contains a provision that in the event of default, the lender may (1) declare all rental payments due, (2) retake possession of equipment or require the Board to return equipment, and sell equipment, continuing to hold the Board liable for the difference between payments payable and net proceeds of sale, or (3) take whatever action may appear necessary to enforce its rights.

The following is a summary of long-term obligations for the Board for the year ended September 30, 2024:

	Debt Outstanding 10/01/2023	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2024	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants and Notes:					
Bonds/Warrants Payable	$23,827,000.00	$	$(305,000.00)	$23,522,000.00	$315,000.00
Unamortized Discount	(133,023.21)		5,392.83	(127,630.38)	(5,392.83)
Unamortized Premium	432,727.72		(25,207.44)	407,520.28	25,207.44
Notes from Direct Borrowing	526,105.55		(181,969.60)	344,135.95	190,732.07
Total Bonds/Warrants and Notes from Direct Borrowing	24,652,810.06		(506,784.21)	24,146,025.85	525,546.68
Other Liabilities:					
Net Pension Liability	30,240,000.00	1,318,000.00		31,558,000.00	
Net OPEB Liability	4,356,771.00		(47,065.00)	4,309,706.00	
Total Other Liabilities	34,596,771.00	1,318,000.00	(47,065.00)	35,867,706.00	
Total Governmental Activities Long-Term Liabilities	$59,249,581.06	$1,318,000.00	$(553,849.21)	$60,013,731.85	$525,546.68

Payments on the bonds and warrants payable are made by the Debt Service Fund with ad valorem property taxes; sales and use taxes; and Public School Funds withheld from the Board's allocation from the Alabama Department of Education. The notes from direct borrowing payments are made from local funds.

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

	Capital Outlay Pool Warrant, Series 2009-QSCM		Capital Outlay School Warrants, Series 2015	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2025	$	$55,987.32	$ 170,000.00	$ 77,475.00
2026	3,002,000.00	13,996.52	180,000.00	73,360.00
2027			185,000.00	67,500.00
2028			195,000.00	59,900.00
2029			210,000.00	51,800.00
2030-2034			1,190,000.00	124,000.00
2035-2039				
2040-2044				
2045-2048				
Totals	$3,002,000.00	$69,983.84	$2,130,000.00	$454,035.00

	School Warrants, Series 2021		First Security Leasing (Schneider Contract)	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2025	$ 120,000.00	$ 179,200.00	$ 86,659.33	$6,399.33
2026	120,000.00	176,800.00	45,220.25	1,309.08
2027	125,000.00	174,350.00		
2028	125,000.00	171,850.00		
2029	480,000.00	165,800.00		
2030-2034	2,510,000.00	681,000.00		
2035-2039	3,945,000.00	359,850.00		
2040-2044	1,595,000.00	31,050.00		
2045-2048				
Totals	$9,020,000.00	$1,939,900.00	$131,879.58	$7,708.41

Deferred Loss on Refunding, Discounts and Premiums

The Board has deferred charges on refunding, and a bond premium in connection with the issuance of Taxable School Refunding Warrants, Series 2021 which is being amortized using the straight-line method over a period of 237 months.

Capital Outlay School Warrants, Series 2016		Capital Outlay School Warrants, Series 2018-B	
Principal	Interest	Principal	Interest
$ 25,000.00	$ 38,878.75	$	$ 291,918.76
35,000.00	38,310.00		291,918.76
65,000.00	37,310.00		291,918.76
65,000.00	36,010.00		291,918.76
65,000.00	34,645.00		291,918.76
355,000.00	149,710.00		1,459,593.80
630,000.00	87,620.00		1,459,593.80
275,000.00	8,325.00	4,285,000.00	1,339,787.54
		3,570,000.00	446,437.50
$1,515,000.00	$430,808.75	$7,855,000.00	$6,165,006.44

Musco Lighting Note		Total Principal and Interest Requirements on Maturity
Principal	Interest	
$104,072.74	$ 8,384.13	$ 1,163,975.36
108,183.63	4,273.24	4,090,371.48
		946,078.76
		944,678.76
		1,299,163.76
		6,469,303.80
		6,482,063.80
		7,534,162.54
		4,016,437.50
$212,256.37	$12,657.37	$32,946,235.76

The Board has a discount in connection with the issuance of the Capital Outlay School Warrants, Series 2018-B. The discount is being amortized using the straight-line method over a period of 358 months.

	Deferred Loss on Refunding	Premium	Discount
Total Deferred Loss on Refunding and Premium	$1,812,740.18	$497,846.95	$160,886.25
Amount Amortized Prior Years	(237,109.50)	(65,119.23)	(27,863.04)
Sub-Total	1,575,630.68	432,727.72	133,023.21
Current Amount Amortized	(91,784.31)	(25,207.44)	(5,392.83)
Balance	$1,483,846.37	$407,520.28	$127,630.38

Pledged Revenues

The Board issued Series 2015 and Series 2016 Capital Outlay School Warrants which are pledged to be repaid with the Board's share of the County's Sales and Use Tax. However, during the fiscal year September 30, 2022, the warrants were paid with Public School Funds and Ad Valorem Taxes. A portion of the sales tax is authorized by Act Number 827, Acts of Alabama 1973, and the Board receives 50% of this tax. There is a special sales tax levied by the Henry County Commission pursuant to provisions of the ***Code of Alabama 1975***, Section 40-12-4, of which the Board receives 100% of the proceeds. The proceeds of the Capital Outlay Warrants, Series 2015, were used for advance refunding and defeasance of all of the outstanding Tax Anticipation Warrants, Series 2006 issued by Henry County Public Education Cooperative District on behalf of the Board, paying for various capital improvements to the Board's public school facilities, and paying the costs of issuing the Series 2015 Warrants. The proceeds of the Capital Outlay Warrants, Series 2016, were used for advance refunding and defeasance of certain of the outstanding Public Education Revenue Bonds, Series 2011 issued by the Henry County Public Education Cooperative District on behalf of the Board and paying the costs of issuing the Series 2016 Warrants. Future revenues in the amount of $4,529,843.75 are pledged to repay the interest and principal on the tax anticipation warrants as of September 30, 2024. Proceeds from the County's Sales and Use Tax in the amount of $2,009,748.37 were received by the Board during the fiscal year ending September 30, 2024. Principal and interest payments totaled $310,643.75 in fiscal year 2024, paid with Public School Fund Capital Outlay funds and Ad Valorem Taxes. The Series 2015 Warrants will mature in fiscal year 2034. The Series 2016 Warrants will mature in fiscal year 2041.

The Board had participation in the Capital Improvement Pool Qualified Construction Bonds, Series 2009-D issued by the Alabama Public School and College Authority. The Board's sinking fund deposits and interest payments are pledged to be repaid with the Board's allocation share of Public School Capital Outlay Funds. The proceeds of the bonds are to be used for kitchen and classroom projects at local schools. Future revenues in the amount of $3,071,983.84 are pledged to repay the principal and interest on the bonds at September 30, 2024. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of $738,343.00 received by the Board during the fiscal year ending September 30, 2024, of which $55,987.32 was used to pay interest on the bonds. The Series 2009 Qualified School Construction Bonds will mature in fiscal year 2026.

The Board issued Series 2021 Taxable School Refunding Warrants and 2018-B Capital Outlay School Warrants which are pledged to be repaid with the proceeds received from the Board's 3 mill district ad valorem tax and county-wide 5 mill, 3 mill, and 1 mill ad valorem taxes. The 3 mill district ad valorem tax is authorized by Constitutional Amendment 3 of the ***Constitution of Alabama 1901***. The Board's county-wide 5 mill, 3 mill, and 1 mill ad valorem taxes are levied by the Henry County Commission pursuant to provisions of the ***Code of Alabama 1975***, Section 16-13-165 and Section 16-13-188. The proceeds of the 2021 Warrants were used for the advance refunding and defeasance the Taxable School Tax Refunding Warrants, Series 2018-A and providing capital improvements to the Board's public school infrastructure. The proceeds of the 2018-B Warrants will be used for providing funds for capital projects. Future revenues in the amount of $24,979,906.44 are pledged to repay the principal and interest on the warrants as of September 30, 2024. Proceeds from the ad valorem taxes in the amount of $2,908,070.72 were received by the Board during the fiscal year ending September 30, 2024, $588,468.76 of which was used to pay principal and interest on both warrants. The Series 2018-B Capital Outlay School Warrants will mature in fiscal year 2048. The Series 2021 Taxable School Refunding Warrants will mature in fiscal year 2041.

Note 9 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to $3.5 million per occurrence and purchases commercial insurance for claims in excess of $3.5 million. 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.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the ***Code of Alabama 1975***, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Note 10 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2024, were as follows:

	Transfers In			
	General Fund	Special Revenue Fund	Debt Service Fund	Total
Transfers Out:				
General Fund	$	$148,870.50	$675,438.48	$824,308.98
Special Revenue Fund	86,065.93			86,065.93
Totals	$86,065.93	$148,870.50	$675,438.48	$910,374.91

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

Note 11 – Related Parties

One of the members of the Board is the Vice-President of a bank where the Board has bank accounts. For this reason, the board member abstains from voting on issues related to the bank. The Board was using this bank prior to the Board member being elected.

Note 12 – Restatements

During the fiscal year ended September 30, 2024, the Board adopted new accounting guidance by implementing GASB Statement Number 100, ***Accounting Changes and Error Corrections***, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, consistent, and comparable information for making decisions or assessing accountability. Accounting changes include changes in accounting principles, changes in estimates, and changes to or within the financial reporting entity. This statement established criteria for identifying a change in a fund's presentation as nonmajor to major as an accounting change within a financial reporting entity. For the fiscal year ended September 30, 2024, the Board has a change in the financial reporting entity resulting in a restatement of beginning fund balances to reclassify a fund previously reported as a nonmajor fund to a major fund.

The impact of the restatements on the fund balances as previously reported is as follows:

	Reporting Units Affected by Restatements of Beginning Balances		
	Capital Projects Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2024, as Previously Reported	$	$1,139,643.97	$1,139,643.97
Change within Financial Reporting Entity (Nonmajor to Major Fund)	1,139,643.97	1,139,643.97	
Fund Balance, September 30, 2024, as Restated	$1,139,643.97	$	$1,139,643.97

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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, 2024
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.197757%	0.194583%	0.193288%	0.191520%	0.179180%	0.184765%	0.185531%	0.186318%	0.187710%	0.189010%
Employer's proportionate share of the collective net pension liability	$ 31,558	$ 30,240	$ 18,208	$ 23,690	$ 19,812	$ 18,370	$ 18,235	$ 20,171	$ 19,645	$ 17,171
Employer's covered payroll during the measurement period (*)	$ 16,222	$ 15,051	$ 14,444	$ 13,790	$ 13,021	$ 12,316	$ 12,296	$ 11,856	$ 11,846	$ 11,989
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	194.54%	200.92%	126.06%	171.79%	152.15%	149.16%	148.30%	170.13%	165.84%	143.22%
Plan fiduciary net position as a percentage of the total collective pension liability	63.57%	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 2024, the measurement period is October 1, 2022 through September 30, 2023.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2024
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,142	$ 2,001	$ 1,816	$ 1,712	$ 1,657	$ 1,559	$ 1,483	$ 1,453	$ 1,400	$ 1,382
Contributions in relation to the contractually required contribution	$ 2,142	$ 2,001	$ 1,816	$ 1,712	$ 1,657	$ 1,559	$ 1,483	$ 1,453	$ 1,400	$ 1,382
Contribution deficiency (excess)	$	$	$	$	$	$	$	$	$	$
Employer's covered payroll	$ 17,432	$ 16,222	$ 15,051	$ 14,444	$ 13,790	$ 13,021	$ 12,316	$ 12,296	$ 11,856	$ 11,846
Contributions as a percentage of covered payroll	12.29%	12.34%	12.07%	11.85%	12.02%	11.97%	12.04%	11.82%	11.81%	11.67%

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, 2024
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.224213%	0.250037%	0.228284%	0.223724%	0.251157%	0.242445%	0.237085%
Employer's proportionate share of the collective net OPEB liability	$ 4,310	$ 4,357	$ 11,795	$ 14,519	$ 9,476	$ 19,926	$ 17,609
Employer's covered-employee payroll during the measurement period (*)	$ 16,222	$ 15,051	$ 14,444	$ 13,790	$ 13,021	$ 12,316	$ 12,296
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	26.57%	28.95%	81.66%	105.29%	72.77%	161.79%	143.21%
Plan fiduciary net position as a percentage of the total collective OPEB liability	49.42%	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 2024, the measurement period is October 1, 2022 through September 30, 2023.

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, 2024
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 317	$ 350	$ 479	$ 397	$ 443	$ 715	$ 595
Contributions in relation to the contractually required contribution	$ 317	$ 350	$ 479	$ 397	$ 443	$ 715	$ 595
Contribution deficiency (excess)	$	$	$	$	$	$	$
Employer's covered-employee payroll	$ 17,432	$ 16,222	$ 15,051	$ 14,444	$ 13,790	$ 13,021	$ 12,316
Contributions as a percentage of covered-employee payroll	1.82%	2.16%	3.18%	2.75%	3.21%	5.49%	4.83%

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

Changes in Actuarial Assumptions

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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

The September 30, 2022, valuation reflects the impact of Act Number 2022-222, Acts of Alabama.

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) plan.

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer's Contributions-Other Postemployment Benefits (OPEB) were calculated as of September 30, 2020, 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	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
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, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
State	$ 19,774,290.00	$ 19,834,781.39	$ 22,481,314.49		$	$ 22,481,314.49
Federal			618.00			618.00
Local	4,256,650.00	4,256,650.00	5,536,891.85	(1)	(178,576.91)	5,358,314.94
Other			82,038.65			82,038.65
Total Revenues	24,030,940.00	24,091,431.39	28,100,862.99		(178,576.91)	27,922,286.08
Expenditures						
Current:						
Instruction	14,614,679.00	14,608,258.00	14,645,513.88	(1)	189,479.94	14,834,993.82
Instructional Support	3,444,791.00	3,458,948.00	4,326,878.03	(1)	37,176.02	4,364,054.05
Operation and Maintenance	3,196,728.00	3,355,981.39	2,890,636.58	(1)	19,159.74	2,909,796.32
Auxiliary Services:						
Student Transportation	1,955,953.00	1,955,953.00	1,883,799.81	(1)	3,278.30	1,887,078.11
General Administrative and Central Support	1,071,875.00	1,069,875.00	1,241,879.75	(1)	7,862.86	1,249,742.61
Other	1,100,407.00	1,100,407.00	1,140,076.29	(1)	5,543.68	1,145,619.97
Capital Outlay	15,000.00	180,361.47	1,006,038.75			1,006,038.75
Total Expenditures	25,399,433.00	25,729,783.86	27,134,823.09		262,500.54	27,397,323.63
Excess (Deficiency) of Revenues Over Expenditures	(1,368,493.00)	(1,638,352.47)	966,039.90		(441,077.45)	524,962.45
Other Financing Sources (Uses)						
Indirect Cost	121,298.54	240,816.30	111,014.00			111,014.00
Transfers In			86,065.93			86,065.93
Other Financing Sources			13,689.85			13,689.85
Sale of Capital Assets			2,425.00			2,425.00
Transfers Out	(644,375.63)	(644,375.63)	(824,308.98)			(824,308.98)
Total Other Financing Sources (Uses)	(523,077.09)	(403,559.33)	(611,114.20)			(611,114.20)
Net Changes in Fund Balances	(1,891,570.09)	(2,041,911.80)	354,925.70		(441,077.45)	(86,151.75)
Fund Balances - Beginning of Year	5,100,000.00	5,445,209.56	5,206,313.97	(2)	(976,471.54)	4,229,842.43
Fund Balances - End of Year	$ 3,208,429.91	$ 3,403,297.76	$ 5,561,239.67		$ (1,417,548.99)	$ 4,143,690.68

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 revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis. $ (441,077.45)

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
State	$	$ 7,568.00	$ 3,000.00		$	$ 3,000.00
Federal	5,150,331.00	6,832,853.77	6,929,440.24			6,929,440.24
Local	1,344,151.00	1,344,151.00	1,638,628.19			1,638,628.19
Other	43,000.00	43,000.00	23,228.68			23,228.68
Total Revenues	6,537,482.00	8,227,572.77	8,594,297.11			8,594,297.11
Expenditures						
Current:						
Instruction	2,357,207.86	2,407,723.05	2,868,173.52	(1)	20,738.25	2,888,911.77
Instructional Support	739,775.55	922,748.97	1,088,561.19	(1)	(2,731.16)	1,085,830.03
Operation and Maintenance	111,466.00	148,726.50	326,459.46			326,459.46
Auxiliary Services:						
Student Transportation	36,026.00	20,555.50	13,921.33			13,921.33
Food Service	2,172,722.00	2,192,060.00	2,165,218.50	(1)	14,142.21	2,179,360.71
General Administrative and Central Support	443,592.59	565,370.65	555,234.74	(1)	912.05	556,146.79
Other	696,939.00	554,524.00	563,379.36			563,379.36
Capital Outlay	256,304.00	1,585,015.10	1,428,376.00			1,428,376.00
Total Expenditures	6,814,033.00	8,396,723.77	9,009,324.10		33,061.35	9,042,385.45
Excess (Deficiency) of Revenues Over Expenditures	(276,551.00)	(169,151.00)	(415,026.99)		(33,061.35)	(448,088.34)
Other Financing Sources (Uses)						
Transfers In	182,706.00	182,706.00	148,870.50			148,870.50
Transfers Out	(57,706.00)	(57,706.00)	(86,065.93)			(86,065.93)
Total Other Financing Sources (Uses)	125,000.00	125,000.00	62,804.57			62,804.57
Net Changes in Fund Balances	(151,551.00)	(44,151.00)	(352,222.42)		(33,061.35)	(385,283.77)
Fund Balances - Beginning of Year	1,216,608.00	1,569,950.14	1,569,950.14	(2)	(121,105.47)	1,448,844.67
Fund Balances - End of Year	$ 1,065,057.00	$ 1,525,799.14	$ 1,217,727.72		$ (154,166.82)	$ 1,063,560.90

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 exception:

(1) The Board budgets expenditures to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis (GAAP). $ (33,061.35)

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

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
U. S. Department of Agriculture			
Passed Through Alabama Department of Education			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	N/A	$ 490,519.83
National School Lunch Program:			
Cash Assistance	10.555	N/A	1,207,465.52
Non-Cash Assistance - Commodities	10.555	N/A	101,409.49
COVID-19 Cash Assistance	10.555	N/A	67,474.13
Sub-Total National School Lunch Program			1,376,349.14
Sub-Total Child Nutrition Cluster			1,866,868.97
Total U. S. Department of Agriculture			1,866,868.97
U. S. Department of Education			
Passed Through Alabama Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	1,026,568.08
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	133,983.00
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	666,356.00
Special Education - Preschool Grants	84.173	N/A	23,124.00
Sub-Total Special Education Cluster			689,480.00
Career and Technical Education - Basic Grants to States	84.048	N/A	84,231.20
Supporting Effective Instruction State Grants	84.367	N/A	128,939.00
Student Support and Academic Enrichment Program	84.424	N/A	74,042.00
COVID-19 Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N/A	10,800.00
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER) Fund	84.425U	N/A	2,914,527.99
Sub-Total COVID-19 Education Stabilization Fund			2,925,327.99
Total U. S. Department of Education			5,062,571.27
Social Security Administration			
Passed Through Alabama Department of Education			
Social Security - Disability Insurance	96.001	N/A	618.00
Total Expenditures of Federal Awards			$ 6,930,058.24

N/A - Not Available/Not Applicable

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

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Henry County Board of Education under programs of the federal government for the year ended September 30, 2024. 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 Henry County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Henry 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 Henry County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance.*

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Additional Information

Board Members and Administrative Personnel

October 1, 2023 through September 30, 2024

Board Members		**Term Expires**
Hon. Mary Wiggins	President	2028
Hon. Tyrone Watson	Vice-President	2026
Hon. Jean Bush	Board Member	2024
Hon. Tim McCraney	Board Member	2024
Hon. Emanuel Davis	Board Member	2028
Administrative Personnel		
Lori P. Beasley	Superintendent	2025
Michelle Andrews	Former Chief School Financial Officer	December 2023
Arlene Dickens	Current Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

Members of the Henry County Board of Education,
Superintendent and Chief School Financial Officer
Abbeville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities and each major fund of the Henry County Board of Education (the "Board"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 12, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2024-003 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2024-002. Additionally, we noted a certain matter that we reported to the management of the Board in the Schedule of State and Local Compliance and Other Findings.

Henry County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Henry County Board of Education's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and the Schedule of State and Local Compliance and Other Findings. The Henry County Board of Education's response to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. The Henry 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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 12, 2026

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 Henry County Board of Education,
Superintendent and Chief School Financial Officer
Abbeville, Alabama

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Henry County Board of Education's (the "Board") compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2024. The Board's major federal programs are identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 Education Stabilization Fund for the year ended September 30, 2024.

Unmodified Opinion on the Child Nutrition Program

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Program for the year ended September 30, 2024.

Basis for Qualified and Unmodified Opinions

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the Board did not comply with requirements regarding the COVID-19 Education Stabilization Fund as described in Finding 2024-004 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for the Board 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 Board'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 Board'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 Board's compliance with the requirements of each 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 Board'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 Board'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 Board'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 2024-004 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 Board's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Board's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 12, 2026

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 – COVID-19 Education Stabilization Fund Unmodified – Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes __X__ No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
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

Section II – Financial Statement Findings (GAGAS)

Reference Number:	2024-002
Type of Finding:	Compliance
Internal Control Impact:	N/A
Compliance Impact:	Material Noncompliance

The Board did not submit the fiscal year 2024 audit report to the Federal Audit Clearinghouse by the due date.

Finding

The September 30, 2024 audit report was not submitted to the Federal Audit Clearinghouse by the due date. 2 CFR 200.512 of the *Uniform Guidance* requires that the audit must be completed and the data collection form and reporting package must be submitted within the earlier of thirty (30) calendar days after receipt of the auditor's report, or nine months after the end of the audit period. The Board failed to submit the audit report to the Federal Audit Clearinghouse by the deadline due to staff turnovers. As a result, the Board failed to file the audit report in accordance with 2 CFR 200.512 of the *Uniform Guidance* which resulted in a material noncompliance. This finding was originally reported as Finding 2023-005.

Recommendation

The Board should establish procedures to ensure audits are performed and submitted in a timely manner.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Reference Number:	2024-003
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Adequate internal controls were not in place to ensure compensation paid to the Superintendent and Board Members was correct.

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 by adopting fiscal management policies which comply with generally accepted accounting principles. This would include policies related to appropriate segregation of duties over significant transaction classes such as payroll to reduce the risk of fraud or errors occurring or not being detected. Additionally, the Henry County Board of Education's Accounting Procedures Manual includes procedures over payroll processes and salary changes. Testing of fiscal year 2024 officials' compensation revealed the Superintendent was overpaid $600.02, and each board member was underpaid $2,400.00. The Board failed to properly implement and monitor policies and procedures to ensure adequate segregation of duties was in place and operating effectively over payroll. As a result, errors occurred with payroll transactions and were not detected in a timely manner. The Superintendent repaid these amounts when this issue was brought to the attention of the Board during the audit.

Recommendation

The Board should appropriately monitor established policies to ensure adequate segregation of duties is in place over payroll.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2024-004
Compliance Requirement:	Special Tests and Provisions
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:	$1,270,487.00

The Board entered into construction contracts without ensuring they included the Davis-Bacon Act prevailing wage rate requirements, nor did the contractors submit weekly certified payrolls to the Board.

Finding

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

During the fiscal year 2024, the Henry County Board of Education (the "Board") expended $1,270,487.00 of COVID-19 Education Stabilization Funds (Elementary and Secondary School Emergency Relief) on construction projects. The Board's contracts did not include the required prevailing wage rate clauses nor were certified payrolls submitted by the contractors. The Board did not ensure the Davis-Bacon Act wage rate requirements were included in construction contracts; therefore, COVID-19 Education Stabilization Funds (Elementary and Secondary School Emergency Relief) funds were used to pay contracts that did not include prevailing wage rate clauses, nor did the Board ensure that contractors submitted weekly certified payrolls. As a result, the Board is not in compliance with the Davis-Bacon Act as it pertains to wage rate requirements. This finding was originally reported as Finding 2023-001.

Recommendation

The Board should comply with Title 29, U. S. ***Code of Federal Regulations***, Part 5, Sub-Part A Davis Bacon and Related Acts Provisions and Procedures (the "Davis-Bacon Act") when using COVID-19 Education Stabilization Funds to fund construction contracts in excess of $2,000.00.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Summary Schedule of Prior Audit Findings

Henry County Schools

Henry County Board of Education

P.O. Box 635 Abbeville, AL 36310 334.585.2206 Phone 334.585.2551 Fax
www.henrycountyboe.org

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2024

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Henry County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2024.

Finding Ref. No.	Status of Prior Audit Finding
2023-001	***Finding:*** Grantees should have controls in place to ensure that contractors and subcontractors are notified of the requirement to pay prevailing wage rates to all laborers and mechanics employed on construction contracts in excess of $2,000 financed by federal assistance funds and to submit weekly certified payrolls for each week in which contract work is performed. 2 CFR 200.303 requires the non-Federal entity to "(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in accordance with all applicable statutes, regulations, and the terms and conditions of the Federal award." 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). There is a systemic lack of controls in place to ensure that contractors and subcontractors are notified of the requirements to comply with the wage rate requirements and provided timely certified payrolls throughout the construction projects. A clause describing the wage rate requirements was not added to the construction contracts. There was a lack of sufficient control over the communication of this requirement to ensure the accuracy and completeness of the certified payrolls being provided to the Board. Lack of notification of the wage rate requirements to the contractors and subcontractors could lead to disallowed costs. We noted that payments to contractors in the amount of $316,382.00 did not

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have supporting documentation of certified payrolls. However, our audit disclosed no instances of unallowable costs.

Wage rate clauses will be included in all federally funded construction contracts. Contractors and subcontractors will be notified in writing of prevailing wage requirements, and certified payrolls will be required and reviewed for all weeks for which construction work is performed.

2023-002 ***Finding:***
Grantees should have controls in place to ensure that all capital equipment or improvements to land, building, or equipment that were purchased with grant funds received prior approval prior to encumbrance of the expenditure. 2 CFR 200.303 requires the non-Federal entity to "(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in accordance with all applicable statutes, regulations, and the terms and conditions of the Federal award." 2 CFR 200.313 and 2 CFR 200.439 requires that the following rules of allow ability must apply to equipment and other capital expenditures "Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity." 2 CFR 200.439(d)(1) requires that property records must be maintained for equipment acquired under a federal award that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. There is a systemic lack of controls in place to ensure that prior approval for capital expenditures for equipment acquisition or improvements to land, buildings, or equipment was obtained prior to incurring the expenditure. Additionally, controls were not in place to ensure that a physical inventory was taken at least once every two years. Certain capital equipment and improvements to building expenditures were not included in the approved budget to grantor. There was a lack of sufficient controls over the review of capital expenditures to ensure that they were included in the approved budget and that a physical inventory observation was made. Lack of approval over equipment and

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capital improvements could lead to disallowed costs. We noted that certain equipment and improvement projects in the amount of $57,438.00 were not included in approved budget for ESSER Funds. Failure to perform a physical inventory observation results in noncompliance with the grant agreement and could result in a misappropriation of assets.

Corrective action was taken.

2023-003 ***Finding:***

Grantees should have controls in place to ensure that grant monies are for allowable costs and allowable activities. 2 CFR 200.303 requires the non-Federal entity to "(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in accordance with all applicable statutes, regulations, and the terms and conditions of the Federal award." Condition – In testing a statistically valid sample of 37 items, 7 did not show prior approval. There is a systemic lack of controls in place to ensure that prior approval for allowable costs/activities was obtained prior to incurring the expenditure. Certain cost charged against the grant for allowable cost/activities did not contain approval from the Superintendent as required. There was a lack of sufficient controls over the review of expenditures to ensure that they received proper approval prior to payment. Lack of approval over expenditures could lead to disallowed costs.

Corrective action was taken.

2023-004 ***Finding:***

The Board failed to systematically reconcile account balances to subsidiary ledgers and supporting documentation properly at year end resulting in adjustments to cash, receivables, and revenue. Sound fiscal policy, as well as 2 CFR Part 200.302, requires a financial system that provides management with accurate, current and complete financial information and disclosures. Lack of timely and accurate reconciliation of general ledger accounts to subsidiary ledgers and supporting documentation. Numerous material audit adjustments were necessary to correctly report financial activity.

Corrective action was taken.

2023-005 ***Finding:***

Henry County Schools

Henry County Board of Education

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The June 30, 2023 audit report was not submitted to the Federal Audit Clearinghouse by the due date. 2 CFR 200.512 of the Uniform Guidance requires that the audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report, or nine months after the end of the audit period. Staffing turnover with auditee. Failure to file the audit in accordance with 2 CFR 200.512 of the Uniform Guidance, resulted in a material noncompliance.

A reporting calendar has been established to track audit deadlines. The CSFO will monitor progress and coordinate with auditors to ensure timely submission to the Federal Clearinghouse in compliance with 2 CFR 200.512.

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Auditee Response/Corrective Action Plan

Henry County Schools

Henry County Board of Education

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Auditee Response/Corrective Action Plan
For the Year Ended September 30, 2024

As required by the ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***, 2 CFR 200.511(c), the Henry County Board of Education has prepared and hereby submits the following Corrective Action Plan for the finding which is included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2024.

Finding Ref. No.	Corrective Action Plan Details
2024-001	***Finding:*** The ***Code of Alabama 1975***, Section 16-13-330, established the Teacher Excellence and Accountability for Mathematics and Science (TEAMS) Salary Schedule Program to provide additional compensation to teachers of mathematics and science who elect to participate in the program and meet the required qualifications; to provide an additional annual supplement to program participants teaching in hard-to-staff schools; to create the TEAMS Fund in the State Treasury; and to provide for the terms of employment for participating teachers. Further, the ***Code of Alabama 1975***, Sections 16-13-333 and 16-13-334 provide specific requirements the Board of Education must comply with regarding the TEAMS program, including that the Superintendent must determine if an applicant has met the requirements for participation in the program, after receipt of an application and required documentation, before recommending that the Board offer a TEAMS contract to the applicant. Testing of TEAMS contracts indicated that the Board did not obtain specialized certification documents from teachers prior to offering preliminary and advanced contracts. Additionally, the Board did not provide copies of certifications and contracts during the audit. The Board did not have controls in place to ensure the TEAMS requirements complied with the ***Code of Alabama 1975***, Sections 16-13-333 and 16-13-334. As a result, we were unable to verify the Board complied with all requirements of the TEAMS Act.

Recommendation:
The Board should comply with the ***Code of Alabama 1975***, Section 16-13-333 and 16-13-334, by ensuring proper documentation is maintained to determine eligibility for all personnel contracted under the TEAMS Salary Schedule Program.

Response/Views: We agree with the finding.

Corrective Action Planned: The Board will strengthen procedures to ensure all required TEAMS documentation is obtained and reviewed before contracts are recommended for Board approval. A checklist will be used to verify applications, certifications, contracts, Superintendent approval, and Board approval. TEAMS files will be maintained at the Central Office and reviewed annually for completeness.

Anticipated Completion Date: 09/30/2026

Contact Person(s): Lori Beasley, Superintendent
Arlene Dickens, Chief School Financial Officer

2024-002 ***Finding:***
The September 30, 2024 audit report was not submitted to the Federal Audit Clearinghouse by the due date. 2 CFR 200.512 of the *Uniform Guidance* requires that the audit must be completed and the data collection form and reporting package must be submitted within the earlier of thirty (30) calendar days after receipt of the auditor's report, or nine months after the end of the audit period. The Board failed to submit the audit report to the Federal Audit Clearinghouse by the deadline due to staff turnovers. As a result, the Board failed to file the audit report in accordance with 2 CFR 200.512 of the *Uniform Guidance* which resulted in a material noncompliance. This finding was originally reported as Finding 2023-005.

Recommendation:
The Board should establish procedures to ensure audits are performed and submitted in a timely manner.

Response/Views: We agree with the finding.

Corrective Action Planned: A reporting calendar has been established to track audit deadlines. The Chief School Financial Officer will monitor progress and coordinate with auditors to ensure timely submission to the Federal Audit Clearinghouse in compliance with 2 CFR 200.512.

Reason for the Recurrence: This finding recurred because the FY2023 audit process was delayed during the CSFO transition and was not completed by the required deadline. As a result, the FY2024 audit could not begin timely and was not completed in time for submission to the Federal Audit Clearinghouse by the required due date.

Anticipated Completion Date: September 30, 2026

Contact Person(s): Arlene Dickens, Chief School Financial Officer

2024-003 The ***Code of Alabama 1975***, Section 16-13A-1, requires a local board of education to ensure the sound fiscal management of board finances by adopting fiscal management policies which comply with generally accepted accounting principles. This would include policies related to appropriate segregation of duties, including supervisory reviews over significant transaction classes such as payroll to reduce the risk of fraud or errors occurring or not being detected. Additionally, the Henry County Board of Education's Accounting Procedures Manual includes procedures over payroll processes and salary changes. Testing of fiscal year 2024 officials' compensation revealed the Superintendent was overpaid $600.02, and each board member was underpaid $2,400.00. The Board failed to properly implement and monitor policies and procedures to ensure adequate segregation of duties was in place and operating effectively over payroll. As a result, the Board errors occurred with payroll transactions and were not being detected in a timely manner. The Superintendent repaid these amounts when this issue was brought to the attention of the Board during the audit.

Recommendation:
The Board should appropriately monitor established policies to ensure adequate segregation of duties is in place over payroll.

Response/Views: We agree with the finding.

Corrective Action Planned: The Board will strengthen payroll review procedures to ensure salary changes, supplements, Superintendent compensation, and Board member compensation are accurate and properly supported. Payroll entries and changes will be reviewed by the Chief School Financial Officer before processing, and official compensation will be reviewed annually to ensure compliance with applicable laws, contracts, and Board-approved amounts.

Anticipated Completion Date: September 30, 2026

Contact Person(s): Arlene Dickens, Chief School Financial Officer

2024-004 ***Finding:***
Title 29, ***U. S. Code of Federal Regulations***, Part 5, Sub-Part A Davis Bacon and Related Acts Provisions and Procedures (the "Davis-Bacon Act"), requires that any construction contract in excess of $2,000 that is funded wholly or in part by federal funds include prevailing wage rate clauses. The laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for locality of project (prevailing wage rates) by the Department of Labor (DOL) and the contractor or subcontractor must submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

During the fiscal year 2024, the Henry County Board of Education (the "Board") expended $1,270,487.00 of COVID-19 Education Stabilization Funds (Elementary and Secondary School Emergency Relief) on construction projects. The Board's contracts did not include the required prevailing wage rate clauses nor were certified payrolls submitted by the contractors. The Board did not ensure the Davis-Bacon Act wage rate requirements were included in construction contracts; therefore, COVID-19 Education Stabilization Funds (Elementary and Secondary School Emergency Relief) funds were used to pay contracts that did not include prevailing wage rate clauses, nor did the Board ensure that contractors submitted weekly certified payrolls. As a result, the Board is not in compliance with the Davis-Bacon Act as it pertains to wage rate requirements. This finding was originally reported as Finding 2023-001.

Recommendation:
The Board should comply with Title 29, ***U. S. Code of Federal Regulations***, Part 5, Sub-Part A Davis Bacon and Related Acts Provisions and Procedures (the "Davis-Bacon Act") when using COVID-19 Education Stabilization Funds to fund construction contracts in excess of $2,000.00 with the use of mechanics and laborers.

Response/Views: We agree with the finding.

Corrective Action Planned: The Board will implement procedures to identify federally funded construction projects subject to Davis-Bacon requirements before contracts are approved. Applicable contracts will include required prevailing wage rate clauses, and contractors will be required to submit weekly certified payrolls. These documents will be reviewed and maintained with project records.

Reason for the Recurrence: This finding recurred because it was first established in the FY23 audit, which was not completed until after FY24 had ended. As a result, corrective procedures had not yet been fully implemented during the FY24 audit period. The Board has since recognized the need for stronger procedures to ensure Davis-Bacon requirements are included in applicable contracts and monitored through certified payroll submissions.

Anticipated Completion Date: September 30, 2026

Contact Person(s): Arlene Dickens, Chief School Financial Officer

Lori Beasley

Lori P. Beasley, Superintendent
Henry County Board of Education