



# Alabama Department of Examiners of Public Accounts

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

October 1, 2022 through September 30, 2023

Filed: March 22, 2024

AUDEMUS JURA NOSTRA DEFENDERE  
ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

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

Dear Madam:

An audit was conducted on the Baldwin County Board of Education, Baldwin County, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners M. Lynn Benson and John Geary. I, M. Lynn Benson, 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,

M. Lynn Benson  
Examiner of Public Accounts

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Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<b>Management's Discussion and Analysis</b>	<b>G</b>
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board's financial activities for the year. This information has not been audited, and no opinion is provided about the information.	
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## Department of **Examiners of Public Accounts**

### **SUMMARY**

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

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

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

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

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

### **EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Eddie Tyler; Chief School Financial Officer John Wilson; and Board Members Andrea Lindsey, Cecil Christenberry, Michael Johnson, Tony Myrick, Rondi Kirby, Jason Woerner and April Bradley. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Brian Wheeler, Audit Manager and M. Lynn Benson, Examiner.

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Baldwin County Board of Education,  
Superintendent and Chief School Financial Officer  
Bay Minette, Alabama

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwin County Board of Education, as of and for the year ended September 30, 2023, and related notes to the financial statements, which collectively comprise the Baldwin County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

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

#### **Basis for Opinions**

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baldwin 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 Baldwin 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 Baldwin County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin 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 March 8, 2024, on our consideration of the Baldwin 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 Baldwin 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 Baldwin County Board of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is written in a cursive style with a large, stylized 'R' at the beginning.

Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2024

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

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

The Baldwin County Board of Education's (the "Board") discussion and analysis presents the overall financial position and operating results of the fiscal year that ended September 30, 2023. Readers are encouraged to read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which follow this analysis. The Management's Discussion and Analysis (MD&A) reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

**Financial Highlights**

The Board's Net Position increased by \$107,649,313 in FY 2023. The activities revenues overall were \$545,116,878 in FY2023 and \$529,303,698 in FY2022 resulting in an increase of \$15,813,180 or 3% from prior year. Local ad valorem and sales tax increased by 13% and 4% respectively. The FY 2023 expenditures decreased slightly from 2022 by 1.6%. Refer to Table 2 for specific details of each category. Overall, there was a significant change in Net Position as a result of recent changes in GASB reporting requirements. Refer to Table 1 for specific details on changes in Net Position.

The General Fund revenues and other sources of funds exceeded expenditures in FY2022. Net change in fund balance was \$73,905,591. The General Fund on the full accrual basis reflects a fund balance of \$213,938,143 which exceeds the State required fund balance of one month, in comparison to the previous year's General Fund balance of \$140,032,552. The General Fund and Capital Projects Fund are consolidated for purposes of presenting financials in accordance with GASB standards.

**Overview of the Financial Statement and Use of This Report**

The following graphic is provided for your review and understanding of the financial statements and this report. This annual financial report consists of four parts:

- Independent Auditor's Report
- Required Supplementary Information (including the MD&A)
- Basic Financial Statements (District-wide or Board-wide and Fund Financial Statements)
- Supplemental Information

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Required Components of Annual Financial Report  
Figure 1**

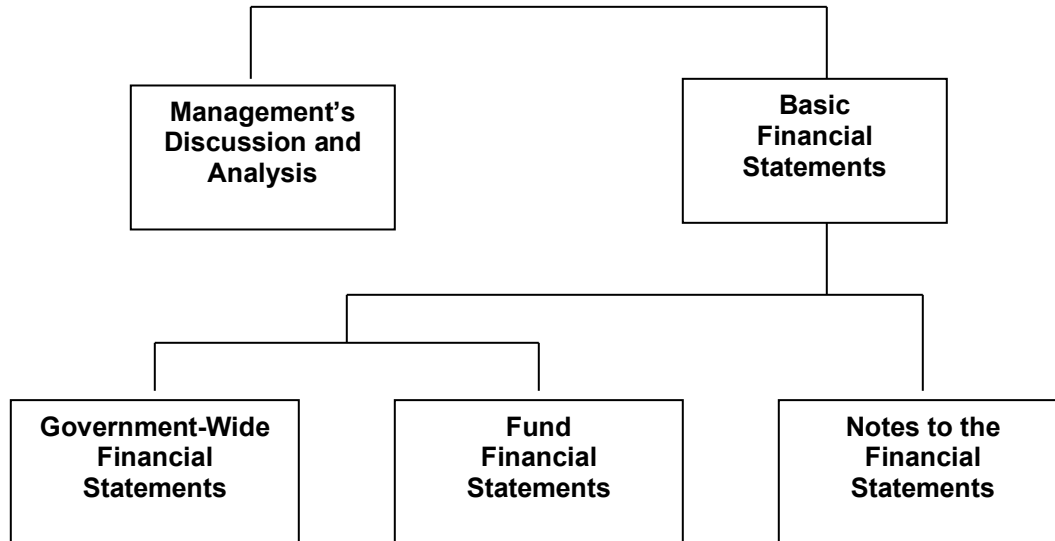


Figure 1 depicts the major features of the Board's financial statements. The focus of the financial statements is on the Board as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Board's accountability.

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

The first two statements are government-wide financial statements — the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. The focus of the *Statement of Net Position* (the "Unrestricted Net Position") is designed to be similar to bottom line results for the Board and its activities.

The *Statement of Net Position* presents information on all the Board's assets less liabilities which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed because of the year's activities. The statement uses the accrual basis of accounting. All revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for specific purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. Governmental funds are presented in the fund financial statements.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the General Fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Financial Analysis of the Board as a Whole**

As noted earlier, the Baldwin County Board of Education has no business-type activities. Consequently, the Board's net position is reported as Governmental Activities. The following table reflects a Summary of Net Position compared to the prior year. For more detailed information see the Statement of Net Position.

**Table 1  
Summary of Net Position**

**TABLE 1**

	<u><b>FY2023</b></u>	<u><b>FY2022</b></u>	<u><b>Variance</b></u>
Current and Other Assets	\$ 489,250,042.00	\$ 428,347,755.00	\$ 60,902,287
Capital Assets, Net of Depreciation	586,778,960	537,235,968	49,542,992
<b>Total Assets</b>	<b>1,076,029,002</b>	<b>965,583,723</b>	<b>110,445,279</b>
Deferred Outflows of Resources	236,780,724	169,916,888	66,863,836
Current and Other Liabilities	49,542,100	37,800,274	11,741,826
Long-term Liabilities	650,122,254	612,165,057	37,957,197
<b>Total Liabilities</b>	<b>699,664,354</b>	<b>649,965,331</b>	<b>49,699,023</b>
Deferred Inflows of Resources	286,073,912	266,113,137	19,960,775
Net Investment In Capital Assets	405,848,183	333,644,333	72,203,850
Restricted for:			
Debt Service	10,163,424	20,569,636	(10,406,212)
Capital Projects	111,200,398	146,130,552	(34,930,154)
Other Purposes	13,856,508	12,335,440	1,521,068
Unrestricted	(213,997,057)	(293,257,818)	79,260,761
<b>Total Net Position</b>	<b>\$ 327,071,456</b>	<b>\$ 219,422,143</b>	<b>\$ 107,649,313</b>

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**As of September 30, 2023**, the Board's total net position was \$327,071,456 at the close of the fiscal year 2023. The Board's total net position amount reflects adjustments related to pension liability and other postemployment benefits as required by GASB. The Board's total revenues and expenditures are reflected in Table 2 that depicts a comparison to fiscal year 2022.

**Table 2  
Baldwin County Board of Education  
Changes in Net Position**

	<u>FY2023</u>	<u>FY2022</u>	<u>Variance</u>
<b><u>REVENUES</u></b>			
Program revenues:			
Charges for services	\$ 27,306,515	\$ 64,513,488	\$ (37,206,973)
Operating grants and contributions	253,618,534	220,539,315	33,079,219
Capital grants and contributions	10,114,310	18,401,990	(8,287,680)
General revenues:			
Property taxes for general purposes	74,428,997	65,932,847	8,496,150
Sales & Use Tax - General/Specific	150,786,687	145,492,825	5,293,862
Miscellaneous Taxes	1,477,264	1,567,473	(90,209)
Grants and Contributions not Restricted for Specific Programs	538,743	1,561,593	(1,022,850)
Investment Income	10,124,853	174,067	9,950,786
Net Inc.(Dec.) in Fair Value of Investment			
Miscellaneous	16,720,975	11,120,099	5,600,876
Total Revenues	545,116,878	529,303,697	15,813,181
<b><u>EXPENSES</u></b>			
Governmental Activities:			
Instruction	242,681,279	220,781,525	21,899,754
Instructional Support services	71,451,465	62,551,736	8,899,729
Operation and Maintenance	48,571,634	43,716,382	4,855,252
Auxiliary Services			
Student Transportation Services	21,922,462	19,577,462	2,345,000
Food Services	20,524,910	18,965,293	1,559,617
General Administration and Central Support	15,350,716	64,177,700	(48,826,984)
Other	11,305,817	10,808,411	497,406
Interest on Long-Term Debt	5,659,282	3,896,427	1,762,855
Total Expenses	437,467,565	444,474,937	(7,007,372)
Change in Net Position	107,649,313	84,828,761	22,820,552
Net Position - Beginning of year	219,422,143	134,593,382	84,828,761
<b>Net Position - end of year</b>	<b>\$ 327,071,456</b>	<b>\$ 219,422,143</b>	<b>\$ 107,649,313</b>

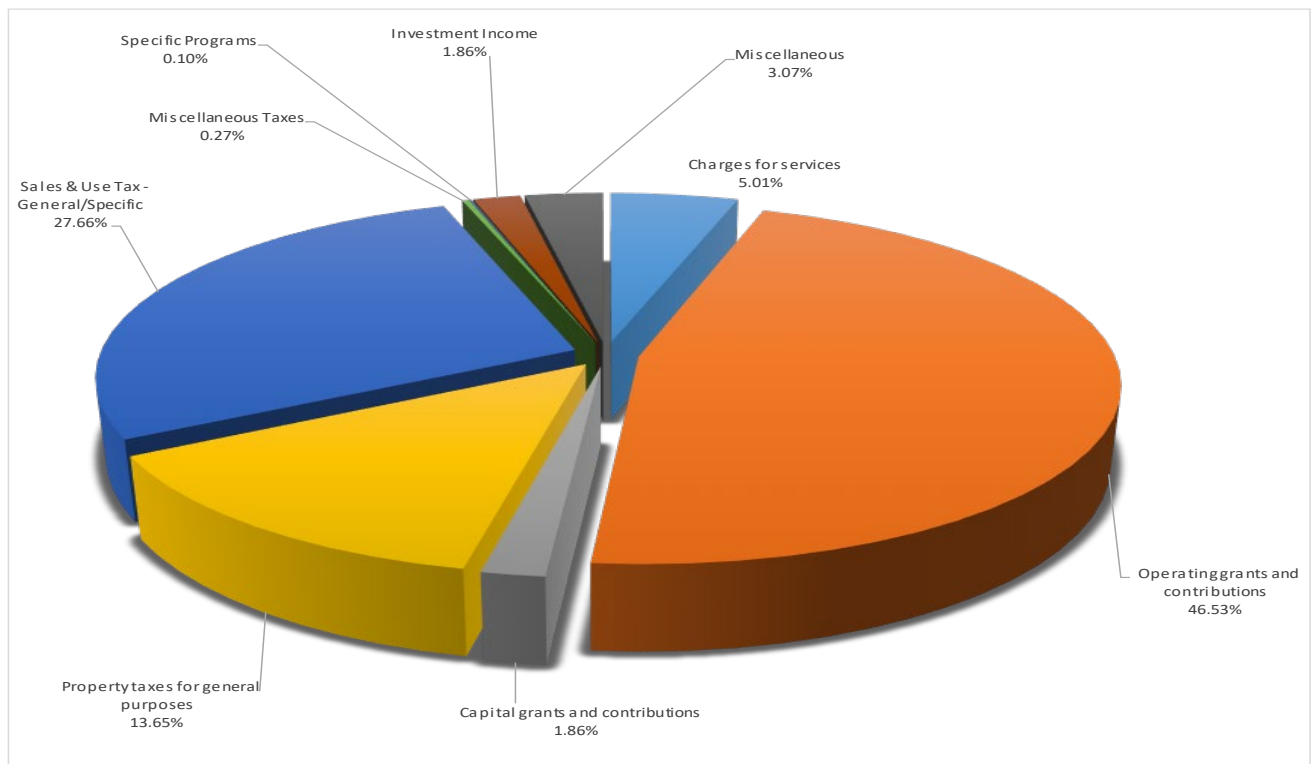


**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

Graph 1 reflected below depicts the percentage breakdown of revenues. Program revenues, specifically operating grants and contributions are the largest component of total revenues.

- Operating grants and contributions contribute 46.53% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Local tax revenues, primarily property taxes and sales taxes make up 41.58% of all revenues and are used to provide \$226,692,949 for expenses not covered by program revenues. (See Table 2)

**Graph 1**



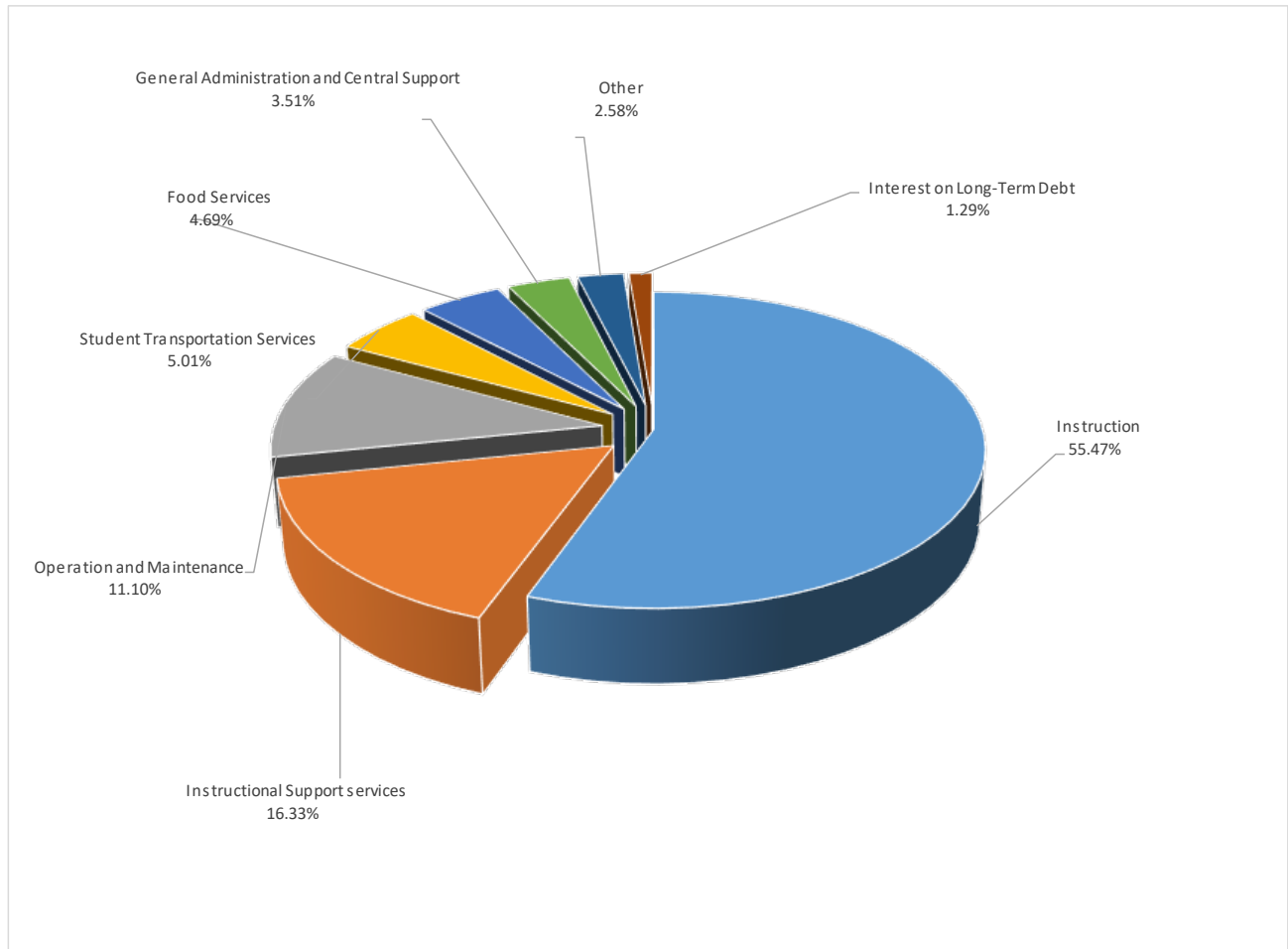
**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (55.47%). The expenses are reflected in Table 2 as well as in Graph 2 below showing the percentage breakdown of expense categories.

- In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary Services includes transportation and food service expenses. In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance. Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Graph 2**



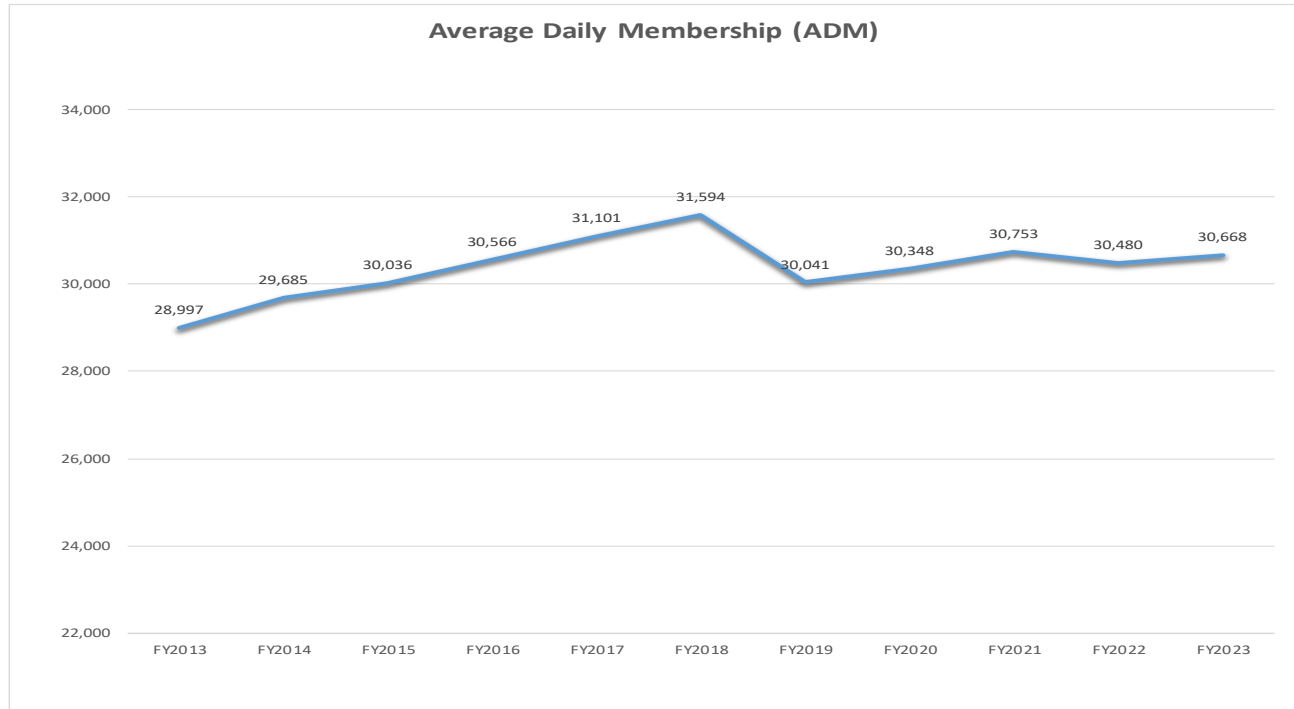
Student population in Baldwin County Public Schools continues to increase steadily in FY23 by 6% based on the ten-year comparison depicted in Graph 3 below. Typically, increased enrollment brings about increased expenditures; however, the Board showed a slight decrease in total expenses for FY23 in comparison to FY22 as shown in Table 2.

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

The Board's overall net position experienced a significant increase of 49% in FY23. The level of increase may be attributed to the following factors:

- Operating Grants and Contributions increased by 15% for FY23 in comparison to FY22.
- Sales Tax and ad valorem revenue increased by 3.6% and 12.8% respectively from the previous year most likely due to increased Baldwin County tourism and continued increase in overall population growth.
- Investment Income increased substantially by \$9.9M
- The Board managed to substantially decrease General Administration and Central Support expenses by \$48,826,984, then reallocated funds to Instruction and Instructional Support Services by \$30,79,483 and still decreased overall expenses by almost 2% in comparison to FY22.

**Graph 3**



**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Net Cost of Services**

Total cost of services was \$437,467,565. The net cost of governmental activities was a negative \$-146,428,206 as shown in Table 3. This means that the local funds portion of revenue was used to fund the amount not covered from various program revenues.

**Table 3  
Net Cost of Services**

	<u>FY2023</u>		<u>FY2022</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Instruction	\$ 242,681,279.00	(58,743,729.00)	\$ 220,781,525.08	(17,230,321.58)
Instructional Support	71,451,465.00	(30,042,491.00)	62,551,735.66	(28,540,256.33)
Operation and Maintenance	48,571,634.00	(31,057,166.00)	43,716,381.87	(27,122,283.82)
Student Transportation	21,922,462.00	(4,196,772.00)	19,577,462.34	(3,643,064.35)
Food Service	20,524,910.00	(2,039,614.00)	18,965,293.41	984,971.69
General Admin & Central Supp.	15,350,716.00	(13,464,693.00)	64,177,700.45	(59,691,682.92)
Interest on Long-Term Debt	5,659,282.00	(5,659,282.00)	3,896,427.13	(3,896,427.13)
Other	11,305,817.00	(1,224,459.00)	10,808,411.37	(1,881,079.24)
	<u>\$ 437,467,565</u>	<u>\$ (146,428,206)</u>	<u>\$ 444,474,937</u>	<u>\$ (141,020,144)</u>

**Financial Analysis of the Board's Funds**

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$364,767,874. Approximately \$213,760,160 of this amount constitutes unassigned fund balance of the General Fund that is available as of the end of the fiscal year for spending on future operations. Again, this specific amount of fund balance is due to the full accrual of salaries required for financial statement presentation.

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**General Fund** - The General Fund is the primary operating fund of the Board in providing educational services to students from kindergarten through 12<sup>th</sup> grade including pupil transportation. Table 4 reflects a summary of General Fund Revenues for the most recent two-year period.

**Table 4  
General Fund Revenues**

	<u><b>FY2023</b></u>	<u><b>FY2022</b></u>	<u><b>Variance</b></u>	<u><b>Percentage</b></u>
<b>State</b>	\$ 202,031,129	\$ 173,200,792	\$ 28,830,337	16.65%
<b>Federal</b>	0.00	0.00	0	0.00%
<b>Local</b>	215,354,730	189,368,446	25,986,284	13.72%
<b>Other</b>	1,499,971	1,281,376	218,595	17.06%
<b>Total</b>	<b>\$ 418,885,830</b>	<b>\$ 363,850,614</b>	<b>\$ 55,035,216</b>	<b>15.13%</b>

Total General Fund revenue increased by \$55,035,216 from the previous year resulting in a 15.13% increase. It should be noted that each school system is required to provide a minimum equivalent of ten mills of ad valorem tax to participate in the Foundation Program. The ten-mill equivalent match for Baldwin County was \$46,460,770 in Fiscal Year 2023, still representing one of the highest in the State. Table 5 reflects a comparison of General Fund expenditures for FY23 and FY22.

**Table 5  
General Fund Expenditures**

	<u><b>FY2023</b></u>	<u><b>FY2022</b></u>	<u><b>Increase (Decrease)</b></u>	<u><b>Percentage</b></u>
<b>Instruction</b>	\$ 201,862,103	184,056,722	\$ 17,805,381	9.67%
<b>Instructional Support</b>	59,840,046	55,541,584	4,298,462	7.74%
<b>Operation and Maintenance</b>	23,997,350	19,907,730	4,089,620	20.54%
<b>Transportation</b>	18,347,019	16,926,486	1,420,533	8.39%
<b>General Admin &amp; Central Supp.</b>	14,218,443	11,759,419	2,459,024	20.91%
<b>Other</b>	5,900,170	5,520,348	379,822	6.88%
<b>Capital Outlay</b>	4,334,025	8,074,411	(3,740,386)	-46.32%
<b>Debt Service</b>				
<b>Principal Retirement</b>	67,607		67,607	100.00%
<b>Interest and Fiscal Charges</b>	1,756,063	1,932,427	(176,364)	-9.13%
	<b>\$ 330,322,826</b>	<b>\$ 303,719,128</b>	<b>\$ 26,603,698</b>	<b>8.76%</b>

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

General Fund expenditures increased slightly by 8.76% in total from the previous fiscal year. Capital Outlay expenses in the General Fund decreased significantly by over 46%, which may be related to a lull in new construction and building additions/improvements throughout the county. Additionally, Instruction and Instructional Support expenditures increased by 9.67% and 7.74% respectively in General Fund. Debt Service expenditures decreased by more than 9% in FY23 due to continued reduction in outstanding notes payables.

The General Fund revenues and other sources of funds exceeded expenditures in FY2023. Net change in fund balance was \$73,905,591.

***Special Revenue Fund*** - The Special Revenue Fund accounts for all federal funds that flow through the State Department of Education which includes the Child Nutrition Fund. In addition, this fund includes the restricted Sales Tax Fund, the e-Rate Fund and the Local School Public Funds. The beginning fund balance was \$56,844,020 for an increase of \$1,627,957 for the fiscal year, the ending fund balance for FY 2023 reflected \$58,471,978. The excess for the year is primarily comprised of excesses in the Child Nutrition Fund and the Sales Tax Fund.

Overall, the Board's governmental funds reflected significantly more revenues/sources of funds than expenditures/uses at the end of the fiscal year.

**General Fund Budgetary Highlights**

The FY 2023 Budget, adopted on September 13, 2022, was based on known sources at the time of adoption. The budget reflected only guaranteed revenues and necessary expenditures as some of the state-funded programs had not been authorized at this point. The Board complied with State Department of Education requirements for budget amendments. The Board submitted Amendment #1 on January 15, 2023 to address changes in federal, state, and local funds and other revisions to the General Fund. Amendment #2 was submitted on June 15, 2023 to make final budgetary adjustments to all funds and programs.

The comparison of General Fund original budget to the final amended budget is reflected in the supplemental information in the report. The General Fund budget was amended to correct beginning fund balances and account for changes in state and local sources.

**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Capital Assets and Debt Administration**

**Capital Assets** - On September 30, 2023, the Board had \$772,454,724 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and construction in progress. These amounts are net of accumulated depreciation. Table 6 below reflects a summary comparison of Capital Assets for fiscal year 2023 to fiscal year 2022.

**Table 6  
Capital Assets (net of depreciation)**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>	<b><u>Variance</u></b>
Land and Land Improvements	\$ 23,059,349	\$ 19,899,230	\$ 3,160,119
Construction in Progress	57,156,805	46,635,925	10,520,880
Land Improvements (Exhaustible)	28,339,882	25,839,855	2,500,027
Buildings	525,751,900	487,483,908	38,267,992
Building Improvements	75,294,034	70,669,598	4,624,436
Equipment and Furniture	20,973,580	21,052,440	(78,860)
Vehicles	41,879,174	38,073,525	3,805,649
Less: Accumulated Depreciation	(185,675,767)	(172,418,513)	(13,257,254)
	<u>\$586,778,957</u>	<u>\$537,235,968</u>	<u>\$ 49,542,989</u>

**Long-Term Debt** – At year-end the Board had \$650,122,254 in warrants payable, notes payable, and other long-term debt outstanding as of September 30, 2023. Majority of that liability related to the Board's share of Alabama's Net Pension Liability and Other Post-Employment Benefits (OPEB Liability). The Board made debt service payments as well as added net pension liability as reflected in Table 7. (Additional information on the Board's long-term debt is presented in the notes to the basic financial statements.)

**Table 7**

Long-term liability balances and activity for the year ended September 30, 2023 were are follows:

	<b><u>Debt Outstanding 10/01/2022</u></b>	<b><u>Issued/ Increased</u></b>	<b><u>Repaid/ Decreased</u></b>	<b><u>Debt Outstanding 09/30/2023</u></b>	<b><u>Amounts Due Within One Year</u></b>
<b><u>Governmental Activities:</u></b>					
Warrants Payable					
Bonds and Warrants Payable	\$ 197,457,010.33	\$	\$ (22,190,424.37)	\$ 175,266,585.96	\$ 22,632,585.96
Unamortized Premium	18,776,547.38		(1,762,959.98)	17,013,587.40	1,662,589.26
Total Warrants Payable	<u>216,233,557.71</u>		<u>(23,953,384.35)</u>	<u>192,280,173.36</u>	<u>24,295,175.22</u>
Other Liabilities:					
Notes from Direct Borrowing	46,327.53		(15,995.81)	30,331.72	8,520.53
Net Pension Liability	246,060,000.00	154,932,000.00		400,992,000.00	
Net OPEB Liability	145,162,346.00		(93,041,622.00)	52,120,724.00	
Estimated Liabilities for					
Compensated Absences	4,662,825.48	36,199.35		4,699,024.83	469,902.48
Total Other Liabilities	<u>395,931,499.01</u>	<u>154,968,199.35</u>	<u>(93,057,617.81)</u>	<u>457,842,080.55</u>	<u>478,423.01</u>
Governmental Activities Long-Term Liabilities	<u>\$ 612,165,056.72</u>	<u>\$154,968,199.35</u>	<u>\$ (117,011,002.16)</u>	<u>\$ 650,122,253.91</u>	<u>\$ 24,773,598.23</u>



**BALDWIN COUNTY BOARD OF EDUCATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2023**

**Economic Factors and Next Year's Budget**

The following are currently known Baldwin County economic factors considered going into the 2023-2024 fiscal year:

- Baldwin County continues to see tremendous growth as the Daphne-Fairhope-Foley, Alabama metro area was the 7<sup>th</sup> fastest growing metro area in the US between 2010 and 2020. Baldwin County has aggressively invested in capital projects to keep up with the influx of new students each year.
- This record population growth has continued to increase local revenue totals to an all-time high as our Ad Valorem revenue collected was over \$74 million and sales taxes received exceeded \$150 million.

**Financial Contact**

The Board's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability. If you have questions about the report or need additional financial information, contact the Division of Business and Finance, Baldwin County Board of Education, 2600 North Hand Avenue, Bay Minette, Alabama 36507, 251-937-0312.

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# *Basic Financial Statements*

# Statement of Net Position

## September 30, 2023

	Governmental Activities
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 379,241,192.68
Investments	204,081.05
Ad Valorem Property Taxes Receivable	74,940,067.15
Receivables (Note 4)	33,540,115.95
Inventories	1,324,585.02
Capital Assets (Note 5):	
Nondepreciable	80,216,153.35
Depreciable, Net	506,562,803.16
Total Assets	<u>1,076,028,998.36</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	11,379,731.10
Employer Pension Contribution	26,775,446.20
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	116,944,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	4,195,064.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	77,486,483.00
Total Deferred Outflows of Resources	<u>236,780,724.30</u>
<b><u>Liabilities</u></b>	
Accounts Payable	15,994,037.03
Unearned Revenue	2,129,265.45
Salaries and Benefits Payable	31,418,798.04
Long-Term Liabilities (Note 8):	
Portion Payable Within One Year:	
Warrants Payable	22,632,585.96
Add: Unamortized Premium	1,662,589.26
Notes from Direct Borrowing	8,520.53
Compensated Absences	469,902.48
Portion Payable After One Year:	
Warrants Payable	152,634,000.00
Add: Unamortized Premium	15,350,998.14
Notes from Direct Borrowing	21,811.19
Compensated Absences	4,229,122.33
Net Pension Liability	400,992,000.00
Net OPEB Liability	52,120,724.00
Total Liabilities	<u>\$ 699,664,354.41</u>

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

	<b>Governmental Activities</b>
<hr/>	
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	\$ 74,940,067.15
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	12,431,000.00
Proportionate Share of Collective Deferred Inflows Related to	
Net Other Postemployment Benefits (OPEB) Liability	198,702,845.00
Total Deferred Inflows of Resources	<u>286,073,912.15</u>
 <b><u>Net Position</u></b>	
Net Investment in Capital Assets	405,848,182.53
Restricted for:	
Debt Service	10,163,424.11
Capital Projects	111,256,702.99
Other Purposes	13,856,508.17
Unrestricted	<u>(214,053,361.70)</u>
 Total Net Position	 <u><u>\$ 327,071,456.10</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					<b>Total Governmental Activities</b>
Instruction	\$ 242,681,279.03	\$ 3,966,173.44	\$ 179,150,705.22	\$ 820,670.99	\$ (58,743,729.38)
Instructional Support	71,451,464.64	2,214,050.34	39,194,923.73		(30,042,490.57)
Operation and Maintenance	48,571,633.80	1,093,916.51	9,549,879.08	6,870,672.01	(31,057,166.20)
Auxiliary Services:					
Student Transportation Services	21,922,461.68	940,759.69	14,361,963.58	2,422,967.00	(4,196,771.41)
Food Services	20,524,909.91	16,480,574.07	2,004,721.56		(2,039,614.28)
General Administration and Central Support	15,350,716.22	13,414.49	1,872,608.30		(13,464,693.43)
Interest and Fiscal Charges	5,659,282.28				(5,659,282.28)
Other Expenses	11,305,817.41	2,597,626.18	7,483,732.47		(1,224,458.76)
Total Governmental Activities	<u>\$ 437,467,564.97</u>	<u>\$ 27,306,514.72</u>	<u>\$ 253,618,533.94</u>	<u>\$ 10,114,310.00</u>	<u>(146,428,206.31)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					74,428,996.61
Local Sales Tax					150,786,686.89
Alcohol Beverage Tax					358,728.42
Other Taxes					1,118,536.83
Grants and Contributions Not Restricted for Specific Programs					538,742.83
Investment Earnings					10,124,853.07
Miscellaneous					16,720,974.99
Total General Revenues					<u>254,077,519.64</u>
Changes in Net Position					107,649,313.33
Net Position - Beginning of Year					<u>219,422,142.77</u>
Net Position - End of Year					<u>\$ 327,071,456.10</u>

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

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2023***

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b><u>Assets</u></b>					
Cash and Cash Equivalents	\$ 223,004,426.51	\$ 58,558,965.75	\$ 87,514,376.31	\$ 10,163,424.11	\$ 379,241,192.68
Investments		204,081.05			204,081.05
Ad Valorem Property Taxes Receivable	74,940,067.15				74,940,067.15
Receivables (Note 4)	16,797,611.77	16,740,483.98	2,020.20		33,540,115.95
Interfund Receivables	10,462,616.98	739,210.49	162,749.45		11,364,576.92
Inventories	135,912.80	1,188,672.22			1,324,585.02
Total Assets	325,340,635.21	77,431,413.49	87,679,145.96	10,163,424.11	500,614,618.77
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	3,968,588.27	6,801,849.88	5,223,598.88		15,994,037.03
Interfund Payables	623,654.76	10,479,704.16	261,218.00		11,364,576.92
Unearned Revenues	1,510,660.23	618,605.22			2,129,265.45
Salaries and Benefits Payable	30,359,521.60	1,059,276.44			31,418,798.04
Total Liabilities	36,462,424.86	18,959,435.70	5,484,816.88		60,906,677.44
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable Revenue - Property Taxes	74,940,067.15				74,940,067.15
Total Deferred Inflows of Resources	74,940,067.15				74,940,067.15
<b><u>Fund Balances</u></b>					
Nonspendable:					
Inventories	135,912.80	1,188,672.22			1,324,585.02
Restricted for:					
Debt Service				10,163,424.11	10,163,424.11
Child Nutrition Program		12,327,068.54			12,327,068.54
Capital Outlay and Maintenance		29,062,373.91	82,194,329.08		111,256,702.99
Other Purposes	42,070.82	298,696.59			340,767.41
Assigned to:					
Local Schools		15,595,166.53			15,595,166.53
Unassigned	213,760,159.58				213,760,159.58
Total Fund Balances	213,938,143.20	58,471,977.79	82,194,329.08	10,163,424.11	364,767,874.18
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 325,340,635.21	\$ 77,431,413.49	\$ 87,679,145.96	\$ 10,163,424.11	\$ 500,614,618.77

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

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

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 364,767,874.18

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	\$ 772,454,723.40	
Accumulated Depreciation is	<u>(185,675,766.89)</u>	586,778,956.51

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. 11,379,731.10

Deferred outflows and inflows of resources related to pensions are applicable  
to future periods and, therefore, are not reported in the governmental funds. 131,288,446.20

Deferred outflows and inflows of resources related to OPEB obligations are applicable  
to future periods and, therefore, are not reported in the governmental funds. (117,021,298.00)

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

Current Portion of Long-Term Debt	\$ 24,773,598.23	
Noncurrent Portion of Long-Term Debt	<u>625,348,655.66</u>	(650,122,253.89)

Total Net Position - Governmental Activities (Exhibit 1) \$ 327,071,456.10

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



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

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
State	\$ 202,031,129.19	\$	\$ 22,599,018.54	\$ 323,708.46	\$ 224,953,856.19
Federal		49,111,554.96			49,111,554.96
Local	215,354,729.60	50,657,473.76		327,711.00	266,339,914.36
Other	1,499,971.34	328,628.34			1,828,599.68
Total Revenues	418,885,830.13	100,097,657.06	22,599,018.54	651,419.46	542,233,925.19
<b>Expenditures</b>					
Current:					
Instruction	201,862,103.53	31,327,543.12			233,189,646.65
Instructional Support	59,840,045.60	10,490,381.23			70,330,426.83
Operation and Maintenance	23,997,349.67	24,198,010.54	807,033.36		49,002,393.57
Auxiliary Services:					
Student Transportation Services	18,347,019.81	1,349,684.42			19,696,704.23
Food Services		21,635,743.48			21,635,743.48
General Administration and Central Support	14,218,442.52	2,243,782.87			16,462,225.39
Other	5,900,170.38	5,501,608.62			11,401,779.00
Capital Outlay	4,334,025.15	7,306,574.28	54,763,192.16		66,403,791.59
Debt Service:					
Principal Retirement	67,606.50	15,995.81	470,424.37	21,652,393.50	22,206,420.18
Interest and Fiscal Charges	1,756,062.50	1,848.91	26,538.16	4,319,363.65	6,103,813.22
Debt Issuance Costs/Other Debt Service				9,910.00	9,910.00
Total Expenditures	330,322,825.66	104,071,173.28	56,067,188.05	25,981,667.15	516,442,854.14
Excess (Deficiency) of Revenues Over Expenditures	88,563,004.47	(3,973,516.22)	(33,468,169.51)	(25,330,247.69)	25,791,071.05
<b>Other Financing Sources (Uses)</b>					
Indirect Cost	3,226,787.24				3,226,787.24
Transfers In	966,080.77	6,395,108.42	469,822.99	14,924,036.17	22,755,048.35
Other Financing Sources	2,763,846.37	112,481.40	6,625.34		2,882,953.11
Sale of Capital Assets	174,840.00	59,964.60			234,804.60
Transfers Out	(21,788,967.58)	(966,080.77)			(22,755,048.35)
Total Other Financing Sources (Uses)	(14,657,413.20)	5,601,473.65	476,448.33	14,924,036.17	6,344,544.95
Net Changes in Fund Balances	73,905,591.27	1,627,957.43	(32,991,721.18)	(10,406,211.52)	32,135,616.00
Fund Balances - Beginning of Year	140,032,551.93	56,844,020.36	115,186,050.26	20,569,635.63	332,632,258.18
Fund Balances - End of Year	\$ 213,938,143.20	\$ 58,471,977.79	\$ 82,194,329.08	\$ 10,163,424.11	\$ 364,767,874.18

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

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

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Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 32,135,616.00

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

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

Capital Outlays	\$ 66,403,791.59	
Depreciation Expense	<u>(16,395,848.69)</u>	50,007,942.90

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.

22,206,420.18

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	\$ (234,804.60)	
Loss on Disposition of Capital Assets	<u>(230,149.69)</u>	(464,954.29)

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

Compensated Absences, Current Year Change in Noncurrent Portion	\$ 36,199.34	
Amortization of Deferred Amounts	(454,440.94)	
Pension Expense	26,994,933.06	
OPEB Expense	<u>(30,340,980.00)</u>	
		<u>3,764,288.54</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 107,649,313.33

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

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

### ***For the Year Ended September 30, 2023***

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

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

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

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County with the exception of schools administered by the Gulf Shores City Board of Education and the Orange Beach City Board of Education.

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

#### **Fund Financial Statements**

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

The Board reports the following major governmental funds:

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

#### **Governmental Fund Type**

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Board reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash equivalents 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, equipment, and infrastructure assets (if applicable), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life	Salvage Value Percentage
Land	\$ 1	N/A	N/A
Land Improvements (Inexhaustible)	\$ 1	N/A	N/A
Land Improvements (Exhaustible)	\$50,000	20 years	0%
Buildings	\$50,000	25-50 years	20%
Building Improvements	\$50,000	5-30 years	20%
Equipment and Furniture	\$ 5,000	5 – 20 years	1%
Vehicles	\$ 5,000	8-15 years	5%

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

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

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

### ***For the Year Ended September 30, 2023***

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

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

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

#### **8. Compensated Absences**

The Board has a standard leave policy for its full-time employees as to sick leave and vacation (annual) leave.

Personnel who hold twelve-month appointments earn annual leave as follows:

Employees with less than 100 months of employment in the public schools of Alabama shall accrue annual leave at the rate of one day per month. Employees with more than 100 months of employment in the public schools of Alabama shall accrue annual leave at the rate of one and one-half days per month. Annual leave may be accumulated up to but not to exceed forty-five (45) days. Personnel who terminate their employment with the school system shall be paid at their regular rate for the unused portion of accumulated annual leave.

There are no provisions for payment of unused sick leave due to termination or retirement.

#### **9. Deferred Inflows of Resources**

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

- ◆ **Net Investment in Capital Assets** – Capital assets 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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- 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.

#### **E. Pensions**

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

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

### ***For the Year Ended September 30, 2023***

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

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

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

##### **Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. The Capital Projects Fund adopt 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

##### **Deposits**

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

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

#### **Note 4 – Receivables**

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Accounts	\$ 728,259.60	\$ 56,780.05	\$2,020.20	\$ 787,059.85
Intergovernmental	16,069,352.17	16,683,703.93		32,753,056.10
Totals	<u>\$16,797,611.77</u>	<u>\$16,740,483.98</u>	<u>\$2,020.20</u>	<u>\$33,540,115.95</u>

# Notes to the Financial Statements

## For the Year Ended September 30, 2023

### Note 5 – Capital Assets

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

	Balance 10/01/2022	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2023
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 19,642,463.89	\$ 3,160,119.16	\$	\$ 22,802,583.05
Land Improvements (Inexhaustible)	256,765.60			256,765.60
Construction in Progress	46,635,925.04	48,838,872.28	(38,317,992.62)	57,156,804.70
Total Capital Assets, Not Being Depreciated	66,535,154.53	51,998,991.44	(38,317,992.62)	80,216,153.35
Capital Assets, Being Depreciated:				
Land Improvements, Exhaustible	25,839,855.02	2,700,614.29	(200,587.64)	28,339,881.67
Buildings	487,483,908.06	38,317,992.62	(50,000.00)	525,751,900.68
Buildings Improvements	70,669,597.61	4,714,700.74	(90,264.51)	75,294,033.84
Equipment and Furniture	21,052,439.98	2,457,523.31	(2,536,382.98)	20,973,580.31
Vehicles	38,073,525.26	4,531,961.81	(726,313.52)	41,879,173.55
Total Capital Assets, Being Depreciated	643,119,325.93	52,722,792.77	(3,603,548.65)	692,238,570.05
Less Accumulated Depreciation for:				
Land Improvements, Exhaustible	(4,955,109.29)	(1,284,248.27)	10,029.38	(6,229,328.18)
Buildings	(102,924,053.62)	(8,012,053.86)	40,000.00	(110,896,107.48)
Buildings Improvements	(29,240,246.38)	(2,904,039.86)	10,315.94	(32,133,970.30)
Equipment and Furniture	(14,537,776.27)	(1,022,712.45)	2,414,977.19	(13,145,511.53)
Vehicles	(20,761,327.00)	(3,172,794.25)	663,271.85	(23,270,849.40)
Total Accumulated Depreciation	(172,418,512.56)	(16,395,848.69)	3,138,594.36	(185,675,766.89)
Total Capital Assets, Being Depreciated, Net	470,700,813.37	36,326,944.08	(464,954.29)	506,562,803.16
Governmental Activities Capital Assets, Net	\$ 537,235,967.90	\$ 88,325,935.52	\$(38,782,946.91)	\$ 586,778,956.51
(*) Included in the "Additions" and "Retirements" columns are reclassifications totaling \$38,317,992.62 from Construction in Progress to Buildings.				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$10,482,507.64
Instructional Support	859,343.61
Operation and Maintenance	438,049.74
Auxiliary Services:	
Food Service	1,709,358.32
Student Transportation	2,836,648.77
General Administrative and Central Support	54,422.54
Other	15,518.07
Total Depreciation Expense – Governmental Activities	<u>\$16,395,848.69</u>

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

### ***For the Year Ended September 30, 2023***

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

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

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

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

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits, equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30<sup>th</sup>, are paid to a qualified beneficiary.

#### **C. Contributions**

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$26,775,446.20 for the year ended September 30, 2023.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

At September 30, 2023, the Board reported a liability of \$400,992,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the Board's proportion was 2.580254%, which was a decrease of 0.031764% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$53,743,000.00. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 8,815,000.00	\$ 9,731,000.00
Changes of Assumptions	18,196,000.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	80,466,000.00	
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	9,467,000.00	2,700,000.00
Employer Contributions Subsequent to the Measurement Date	26,775,446.20	
Total	<u>\$143,719,446.20</u>	<u>\$12,431,000.00</u>

The \$26,775,446.20 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2024	\$31,861,000.00
2025	\$24,858,000.00
2026	\$16,389,000.00
2027	\$31,405,000.00
2028	\$ 0.00
Thereafter	\$ 0.00



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### *E. Actuarial Assumptions*

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's Proportionate Share of Collective Net Pension Liability	\$518,866	\$400,992	\$301,704
(Dollar amounts in thousands)			

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by UHC and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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

### ***For the Year Ended September 30, 2023***

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#### **C. Contributions**

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

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

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

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

At September 30, 2023, the Board reported a liability of \$52,120,724.00 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective Net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Board's proportion was 2.99123455%, which was an increase of .18172055% from its proportion measured as of September 30, 2021.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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For the year ended September 30, 2023, the Board recognized OPEB income of \$26,127,084.00, with no special funding situations. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,390,464.00	\$105,383,826.00
Changes of assumptions	42,277,028.00	75,864,853.00
Net difference between projected and actual earnings on OPEB plan investments	6,554,677.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,264,314.00	17,454,166.00
Employer contributions subsequent to the measurement date	4,195,064.00	
Total	\$81,681,547.00	\$198,702,845.00

The \$4,195,064.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2024.

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

Year Ending:	
September 30, 2024	\$(30,066,808.00)
2025	\$(31,757,562.00)
2026	\$(15,059,435.00)
2027	\$(13,448,481.00)
2028	\$(18,730,954.00)
Thereafter	\$(12,153,122.00)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

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

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

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

	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.50% inflation		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$39,523,252.00	\$52,120,724.00	\$67,570,339.00
(Dollar amounts in thousands)			

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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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	\$64,439,578	\$52,120,724	\$41,779,414

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

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

#### **Note 8 – Long-Term Debt**

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 1.147% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$1,673,000.00, \$14,726.73 and \$1,658,273.27, respectively. The Board is required to make sinking fund deposits of \$87,064.91 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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On June 2, 2011, the Board entered into a special pool loan agreement for \$4,101,000.00 with the Alabama Public School and College Authority (the “PSCA”). The PSCA issued bonds known as “qualified zone academy bonds” under Section 54E of the Internal Revenue Code of 1986 in order to finance loans to various local Boards of Education throughout the State of Alabama. The proceeds of these bonds are limited to rehabilitating, repairing or equipping public school facilities. The interest rates on these bonds are 4.60%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. Annual sinking fund deposits of \$205,442.11 are required beginning in fiscal year 2012, but there is only a single principal payment due at maturity on May 1, 2026.

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$79,340,000.00 in Pool Refunding Bonds, Series 2012-A (Series 2012-A) with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis \$57,497,698.00 of outstanding Capital Improvement Pool Bond, Series 2002-A (Series 2002-A) and \$21,842,302.00 of outstanding Capital Improvement and Economic Development and Training Bonds, Series 2003 (Series 2003) which were scheduled to mature in fiscal years 2013 through 2022 with interest rates ranging from 4.00% to 5.00%. The Board had a 27.80% participation in the Series 2002-A. This resulted in the Board being obligated for \$15,984,360.04 of the total principal of \$79,340,000.00.

On September 1, 2012, the Board issued \$39,860,000.00 in Refunding School Warrants, Series 2012 with interest rates of 2.00% to 5.00% for the advance refunding of \$40,850,000.00 of outstanding Capital Outlay School Warrants, Series 2005 with and interest rate of 3.00% to 5.00%. These warrants were paid off in fiscal year 2023.

On January 14, 2015, the Board issued \$83,500,000 in Refunding School Warrants, Series 2015 with a true interest cost rates of 2.90% for the advance refunding of \$98,648,847 of the outstanding Capital Outlay School Warrants, Series 2007, with a true interest cost of 4.82%. Capital Outlay School Warrants, Series 2007 had an outstanding balance of \$38,920,000 as of September 30, 2016.

On May 18, 2017, the Board issued \$34,730,000 in Refunding School Warrants, Series 2017 with a true interest cost rate of 3.67% for the current refunding \$36,028,963 of the outstanding Capital Outlay School Warrants, Series 2007 removing the outstanding balance as of September 30, 2017.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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On August 2, 2019, the Board entered into a loan agreement in the amount of \$35,977.93 for field equipment for Daphne High School. Upon the occurrence of any default described in the “Death or Insolvency” or “Creditor of Forfeiture Proceedings” clauses, to the extent than any such default by a guarantor relates to the matters described in the clause “Death or Insolvency” paragraph titled “DEFAULT”, the entire unpaid principal balance under this Note and all accrued unpaid interest shall become immediately due, without notice, declaration or other action by Lender, and then the Borrower will pay that amount. Upon the occurrence of any other default described in that paragraph, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount.

On June 10, 2020, the Board issued \$51,825,000 in Public School Refunding Warrants, Series 2020 with a true interest cost rate of 2.09% for the partial refunding of Refunding School Warrants, Series 2012 in the amount of \$17,655,000 with a remaining balance of \$7,110,000 and the partial refunding of Refunding School Warrants, Series 2015 in the amount of \$26,025,000 with a remaining balance of \$46,225,000.

On June 15, 2020, the Board authorized the issuance of a \$50,000,000 Public School Warrant to fund Capital Improvement Plans with Regions Capital Advantage as the warrant holder. This Four-Year Advance Schedule termed “Pay-As-You-Go,” shall be in effect for October 1, 2020 to February 1, 2024. The agreement allows for drawdown loan(s) with a corresponding interest rate calculated using 3-year federal treasury rate plus 25 basis points for each drawdown. The single drawdown of \$37,500,000 was made on January 28, 2021, with a true interest cost of 1.00%. The drawdown will be used for capital improvements to Stonebridge Elementary, J. Larry Newton Elementary School and Daphne High School.

On August 27, 2020, the Board entered into a loan agreement in the amount of \$40,000.00 for football stadium renovations at Foley High School. Upon the occurrence of any default described in the “Death or Insolvency” or “Creditor of Forfeiture Proceedings” clauses, to the extent than any such default by a guarantor relates to the matters described in the clause “Death or Insolvency” paragraph titled “DEFAULT”, the entire unpaid principal balance under this Note and all accrued unpaid interest shall become immediately due, without notice, declaration or other action by Lender, and then the Borrower will pay that amount. Upon the occurrence of any other default described in that paragraph, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount.

On August 6, 2021, the Board issued \$42,250,000 in Public School Warrants, Series 2021 with a true interest cost of 1.87%. The maturity date of the warrant is 2041. Series 2021 proceeds will be used exclusively for the construction of a new high school to open in the Fall of 2024.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

	Debt Outstanding 10/01/2022	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2023	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds/Warrants Payable	\$197,457,010.33	\$	\$ (22,190,424.37)	\$175,266,585.96	\$22,632,585.96
Unamortized Amounts:					
Add: Unamortized Premium	18,776,547.38		(1,762,959.98)	17,013,587.40	1,662,589.26
Total Bonds/Warrants Payable	216,233,557.71		(23,953,384.35)	192,280,173.36	24,295,175.22
<b>Other Liabilities:</b>					
Notes from Direct Borrowings	46,327.53		(15,995.81)	30,331.72	8,520.53
Net Pension Liability	246,060,000.00	154,932,000.00		400,992,000.00	
Net OPEB Liability	145,162,346.00		(93,041,622.00)	52,120,724.00	
Estimated Liabilities for					
Compensated Absences	4,662,825.48	36,199.35		4,699,024.83	469,902.48
Total Other Liabilities	395,931,499.01	154,968,199.35	(93,057,617.81)	457,842,080.55	478,423.01
Total Governmental Activities					
Long-Term Liabilities	\$612,165,056.72	\$154,968,199.35	\$(117,011,002.16)	\$650,122,253.91	\$24,773,598.23

Payments on the Series 2012 and 2020 warrants payable are made with property taxes and sales taxes. The Board is not subject to suit on the Series 2012 and 2020 warrants in the event that it defaults in payment of such principal and interest on the warrants. Payments on the Capital Improvement Pool Bonds, Series 2009-D, 2011-QZAB bonds and 2012-A Pool Refunding Warrants are made with Public School Funds which are part of the Board's allocation from the Alabama Department of Education. In the event of default, whether due to failure to comply with terms and conditions of Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority (the "Authority") may (1) withhold all leveraged funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement. Payments on the long-term note payable are made from available local sources. The compensated absences liability will primarily be liquidated by the General Fund.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

Fiscal Year Ending	Warrants Payable		Notes from Direct Borrowings		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2024	\$ 22,632,585.96	\$ 7,048,171.95	\$ 8,520.53	\$1,054.83	\$ 29,690,333.27
2025	10,020,000.00	5,943,294.94	6,811.19	729.99	15,970,836.12
2026	16,189,000.00	4,886,396.52	5,000.00	507.22	21,080,903.74
2027	10,830,000.00	4,290,014.50	5,000.00	304.44	15,125,318.94
2028	11,260,000.00	4,129,061.50	5,000.00	101.67	15,394,163.17
2029-2033	48,240,000.00	14,345,474.50			62,585,474.50
2034-2038	47,440,000.00	5,590,037.50			53,030,037.50
2039-2041	8,655,000.00	524,400.00			9,179,400.00
Total	\$175,266,585.96	\$46,756,851.41	\$30,331.72	\$2,698.15	\$222,056,467.24

#### **Deferred Loss on Refunding and Premiums**

The Board has deferred amounts associated with several of its debt issues. All are being amortized using the straight-line method.

- ◆ The Capital Improvement Pool Refunding Bonds, Series 2012-A had a premium and is being amortized over 13 years.
- ◆ The School Refunding Warrants, Series 2012 had a premium, and deferred loss on refunding and are now being amortized over 18 years.
- ◆ The School Refunding Warrants, Series 2015 had a premium and deferred loss on refunding and are now being amortized over 19 years.
- ◆ The Public School Refunding Warrants, Series 2020 had a deferred loss and is being amortized over 13 years.

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

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- ◆ The Public School Warrants, Series 2021 had a premium and is being amortized over 21 years.

	Premium	Deferred Loss on Refunding
<u>Total Deferred Loss on Refunding and Premium</u>		
Pool Refunding Warrants, Series 2012A	\$ 2,890,675.38	\$
School Refunding Warrants, Series 2012	4,431,685.05	2,399,114.49
Refunding Warrants, Series 2015	15,587,222.85	9,343,533.95
Refunding Warrants, Series 2020		7,892,968.26
Public School Warrants, Series 2021	8,120,624.4	
Total Deferred Amounts	31,030,207.68	19,635,616.70
<u>Amount Amortized Prior Years</u>		
Pool Refunding Warrants, Series 2012A	2,509,266.82	
School Refunding Warrants, Series 2012	2,780,665.14	1,505,326.74
Refunding Warrants, Series 2015	6,518,293.20	3,907,296.01
Refunding Warrants, Series 2020		1,534,743.80
Public School Warrants, Series 2021	445,435.06	
Total Amount Amortized Prior Years	12,253,660.22	6,947,366.55
<u>Balance Deferred Loss on Refunding, and Premium</u>		
Pool Refunding Warrants, Series 2012A	381,408.47	
School Refunding Warrants, Series 2012	1,651,019.92	893,787.75
Refunding Warrants, Series 2015	9,068,929.65	5,436,237.94
Refunding Warrants, Series 2020		6,358,224.46
Public School Warrants, Series 2021	7,675,189.34	
Total Balance Deferred Amounts	18,776,547.38	12,688,250.15
<u>Current Amount Amortized</u>		
Pool Refunding Warrants, Series 2012A	240,889.61	
School Refunding Warrants, Series 2012	260,687.36	141,124.38
Refunding Warrants, Series 2015	850,212.15	509,647.31
Refunding Warrants, Series 2020		657,747.36
Public School Warrants, Series 2021	411,170.86	
Total	1,762,959.98	1,308,519.05
<u>Balance Deferred Loss on Refunding and Premium</u>		
Pool Refunding Warrants, Series 2012A	140,518.86	
School Refunding Warrants, Series 2012	1,390,332.56	752,663.37
Refunding Warrants, Series 2015	8,218,717.50	4,926,590.63
Refunding Warrants, Series 2020		5,700,477.10
Public School Warrants, Series 2021	7,264,018.48	
Total Balance	\$17,013,587.40	\$11,379,731.10



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Pledged Revenues**

On August 6, 2021, the Board issued \$42,250,000 in Public School Warrants, Series 2021 for the construction of a new career tech high school. The Board pledged to repay the warrants from the proceeds of the sales and use tax collected pursuant to the ***Code of Alabama 1975***, Section 40-12-4, Act Number 83-832, Acts of Alabama, as amended by Act Number 84-523, and five mill county-wide ad valorem tax pursuant to Amendment Number 162. Future revenue of \$55,074,450.00 are pledged to repay the principal and interest on the Series 2021 warrants as of September 30, 2023. Pledged revenues in the amount of \$116,970,905.11 were received during the fiscal year ended September 30, 2023, which were used to pay \$3,061,550.00 in principal and interest payments on the warrants. The Series 2021 warrants will mature in fiscal year 2041.

On June 10, 2020, the Board issued \$32,081,036.43 in Partial Refunding School Warrants, Series 2020 for the refunding of majority of Capital Outlay School Warrants, Series 2015. Previously, the Board issued \$83,500,000 in Refunding School Warrants, Series 2015 for the advance partial refunding of the outstanding balance of \$135,235,000.00 of the Capital Outlay School Warrants, Series 2007. The Board pledged to the repay the refunded warrants from the proceeds of the sales and use tax collected pursuant to the ***Code of Alabama 1975***, Section 40-12-4 (1%), Act Number 83-832, Acts of Alabama, as amended by Act Number 84-523, and the five mill county-wide ad valorem tax pursuant to Amendment Number 162. Future revenues of \$41,993,750.00 are pledged to repay the principal and interest on the Series 2015 warrants at September 30, 2023. Pledged revenue in the amount of \$116,970,905.11 was received during the fiscal year ended September 30, 2023, which was used to pay \$7,517,312.50 in principal and interest payments on the warrants. The Series 2015 warrants will mature in fiscal year 2033.

The Board issued \$34,730,000 in Refunding School Warrants, Series 2017 for the current refunding of the outstanding balance of \$36,028,963 of the Capital Outlay School Warrants, Series 2007. The Board pledged to the repay of the refunded warrants from the proceeds of the sales and use tax collected pursuant to the ***Code of Alabama 1975***, Section 40-12-4, Act Number 83-832, Acts of Alabama, as amended by Act Number 84-523, and the five mill county-wide ad valorem tax pursuant to Amendment Number 162. Future revenues of \$51,008,837.50 are pledged to repay the principal and interest on the Series 2017 warrants at September 30, 2023. Pledged revenue in the amount of \$116,970,905.11 were received during the fiscal year ended September 30, 2023, which was used to pay \$1,327,775.00 in interest payments on the warrants. The Series 2017 warrants will mature in fiscal year 2037.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The Board issued \$51,825,000 in Refunding School Warrants, Series 2020 for a partial refunding of the outstanding balance of \$19,491,931.83 of Capital Outlay School Warrants, Series 2012 and for a partial refunding of the outstanding of \$32,081,036.43 of Capital Outlay School Warrants, Series 2015. The Board pledged to repay the refunded warrants from the proceeds of the sales and use tax collected pursuant to the *Code of Alabama 1975*, Section 40-12-4 (2%), Act Number 83-832, Acts of Alabama, as amended by Act Number 84-523, and the five mill county-wide ad valorem tax pursuant to Amendment Number 162. Future revenues of \$54,456,075.50 are pledged to repay the principal and interest on the Series 2020 warrants at September 30, 2023. Pledged revenue in the amount of \$116,970,905.11 was received during the fiscal year ended September 30, 2023, which were used to pay \$1,857,982.50 in principal and interest payments on the warrants. The Series 2020 warrants will mature in fiscal year 2032.

The Board issued Series 2009-D Capital Improvement Pool Qualified School Construction Bonds, 2011-QZAB warrants and 2012-A Pooled Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. Future revenues in the amount of \$1,743,203.40 are pledged to repay the principal and interest on the Series 2009-D bonds at September 30, 2023. Future revenues in the amount of \$4,666,938.00 are pledged to repay the principal and interest on the Series 2011 QZAB warrant at September 30, 2023. Future revenues in the amount of \$499,974.64 are pledged to repay the principal and interest on the Series 2012-A bonds at September 30, 2023. Pledged funds in the amount of \$716,809.97 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2023. This amount represents 9.35 percent of the pledged funds received by or allocated to the Board. The Series 2009-D, 2011-QZAB and 2012-A debt will mature in fiscal years 2026, 2026, and 2024 respectively.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 9 – Risk Management**

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

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

### ***For the Year Ended September 30, 2023***

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#### **Note 10 – Interfund Transfers**

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

	Transfers Out		Total
	General Fund	Special Revenue Fund	
<b>Transfers In:</b>			
General Fund	\$	\$966,080.77	\$ 966,080.77
Special Revenue Fund	6,395,108.42		6,395,108.42
Capital Projects Fund	469,822.99		469,822.99
Other Governmental Funds	14,924,036.17		14,924,036.17
Totals	<u>\$21,788,967.58</u>	<u>\$966,080.77</u>	<u>\$22,755,048.35</u>

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

#### **Note 11 – Subsequent Event**

On October 18, 2023, the Board authorized the sale and issuance of Public School Warrant, Series 2023-RCAI, in the amount of \$80,000,000.00. The purpose of the Warrant is to finance capital improvements.

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## *Required Supplementary Information*

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	2.580254%	2.612018%	2.516462%	2.454309%	2.428207%	2.384655%	2.359421%	2.335313%	2.240591%
Employer's proportionate share of the collective net pension liability	\$ 400,992	\$ 246,060	\$ 311,278	\$ 271,371	\$ 241,426	\$ 234,375	\$ 255,431	\$ 244,407	\$ 203,548
Employer's covered payroll during the measurement period (*)	\$ 190,517	\$ 203,662	\$ 183,767	\$ 181,440	\$ 168,102	\$ 163,594	\$ 155,706	\$ 153,010	\$ 147,181
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	210.48%	120.82%	169.39%	149.57%	143.62%	143.27%	164.05%	159.73%	138.30%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)  
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

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

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 26,775	\$ 24,112	\$ 22,924	\$ 21,705	\$ 21,337	\$ 19,499	\$ 18,669	\$ 17,737	\$ 17,214
Contributions in relation to the contractually required contribution	\$ 26,775	\$ 24,112	\$ 22,924	\$ 21,705	\$ 21,337	\$ 19,499	\$ 18,669	\$ 17,737	\$ 17,214
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 231,699	\$ 190,517	\$ 203,662	\$ 183,767	\$ 181,440	\$ 168,102	\$ 163,594	\$ 155,706	\$ 153,010
Contributions as a percentage of covered payroll	11.56%	12.66%	11.26%	11.81%	11.76%	11.60%	11.41%	11.39%	11.25%

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

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

	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	2.991235%	2.809514%	2.646585%	3.041339%	2.883115%	2.774414%
Employer's proportionate share of the collective net OPEB liability	\$ 52,120	\$ 145,162	\$ 171,760	\$ 114,743	\$ 236,955	\$ 206,068
Employer's covered-employee payroll during the measurement period (*)	\$ 190,517	\$ 203,662	\$ 183,767	\$ 181,440	\$ 168,102	\$ 163,594
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	27.36%	71.28%	93.47%	63.24%	140.96%	125.96%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

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



***Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 4,195	\$ 5,698	\$ 4,851	\$ 5,267	\$ 8,638	\$ 7,149
Contributions in relation to the contractually required contribution	\$ 4,195	\$ 5,698	\$ 4,851	\$ 5,267	\$ 8,638	\$ 7,149
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 231,699	\$ 190,517	\$ 203,662	\$ 183,767	\$ 181,440	\$ 168,102
Contributions as a percentage of covered-employee payroll	1.81%	2.99%	2.38%	2.87%	4.76%	4.25%

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

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

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**Changes in Actuarial Assumptions**

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

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

**Recent Plan Changes**

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

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

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

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

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

The actuarially determined contribution rates in the Schedule of Employer's Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

(\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<b>Revenues</b>						
State	\$ 202,660,591.00	\$ 196,783,993.74	\$ 202,031,129.19		\$	\$ 202,031,129.19
Local	183,684,593.77	203,259,593.50	215,354,729.60			215,354,729.60
Other	575,000.00	670,492.11	1,499,971.34			1,499,971.34
Total Revenues	386,920,184.77	400,714,079.35	418,885,830.13			418,885,830.13
<b>Expenditures</b>						
Current:						
Instruction	200,741,454.52	203,445,972.98	199,860,813.21	(1)	(2,001,290.32)	201,862,103.53
Instructional Support	57,414,000.25	57,205,301.68	59,300,525.45	(1)	(539,520.15)	59,840,045.60
Operation and Maintenance	23,894,770.50	25,053,214.00	24,026,165.19	(1)	28,815.52	23,997,349.67
Auxiliary Services:						
Student Transportation	15,201,582.00	15,206,694.00	18,183,036.09	(1)	(163,983.72)	18,347,019.81
General Administration and Central Support	13,643,931.00	14,232,616.77	14,246,966.56	(1)	28,524.04	14,218,442.52
Other	5,489,452.24	6,045,203.74	5,851,534.48	(1)	(48,635.90)	5,900,170.38
Capital Outlay	17,752,314.00	88,081,509.43	4,334,025.15			4,334,025.15
Debt Service:						
Principal Retirement			67,606.50			67,606.50
Interest and Fiscal Charges			1,756,062.50			1,756,062.50
Total Expenditures	334,137,504.51	409,270,512.60	327,626,735.13		(2,696,090.53)	330,322,825.66
Excess (Deficiency) of Revenues Over Expenditures	52,782,680.26	(8,556,433.25)	91,259,095.00		(2,696,090.53)	88,563,004.47
<b>Other Financing Sources (Uses)</b>						
Indirect Cost	1,932,869.76	6,434,508.67	3,226,787.24			3,226,787.24
Transfers In	33,293,202.00	59,293,202.00	966,080.77			966,080.77
Other Financing Sources			2,763,846.37			2,763,846.37
Sale of Capital Assets			174,840.00			174,840.00
Transfers Out	(71,239,832.34)	(97,239,810.34)	(21,788,967.58)			(21,788,967.58)
Total Other Financing Sources (Uses)	(36,013,760.58)	(31,512,099.67)	(14,657,413.20)			(14,657,413.20)
Net Change in Fund Balances	16,768,919.68	(40,068,532.92)	76,601,681.80		(2,696,090.53)	73,905,591.27
Fund Balances - Beginning of Year	139,652,159.96	167,709,901.38	167,695,983.00	(2)	(27,663,431.07)	140,032,551.93
Fund Balances - End of Year	\$ 156,421,079.64	\$ 127,641,368.46	\$ 244,297,664.80		\$ (30,359,521.60)	\$ 213,938,143.20

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

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

(1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.	\$ (2,696,090.53)
Net Decrease in Fund Balance - Budget to GAAP	<u>\$ (2,696,090.53)</u>
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.	

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

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b>Revenues</b>					
Federal	\$ 77,343,688.30	\$ 80,165,824.00	\$ 49,111,554.96	\$	\$ 49,111,554.96
Local	35,980,926.95	38,193,843.95	50,657,473.76		50,657,473.76
Other	484,021.00	484,021.00	328,628.34		328,628.34
Total Revenues	113,808,636.25	118,843,688.95	100,097,657.06		100,097,657.06
<b>Expenditures</b>					
Current:					
Instruction	39,024,636.61	43,452,819.45	31,327,543.12		31,327,543.12
Instructional Support	12,880,192.38	10,232,778.36	10,490,381.23		10,490,381.23
Operation and Maintenance	25,614,426.04	25,755,035.21	24,198,010.54		24,198,010.54
Auxiliary Services:					
Student Transportation	794,360.07	1,016,105.96	1,349,684.42		1,349,684.42
Food Service	20,744,446.00	22,214,156.00	21,533,910.06	(1) (101,833.42)	21,635,743.48
General Administration and Central Support	2,783,443.48	6,817,928.19	2,243,782.87		2,243,782.87
Other	10,408,345.72	7,072,935.38	5,501,608.62		5,501,608.62
Capital Outlay	2,578,961.74	6,379,249.38	7,306,574.28		7,306,574.28
Debt Service:					
Principal Retirement	25,615.00	25,615.00	15,995.81		15,995.81
Interest and Fiscal Charges	7,290.00	7,290.00	1,848.91		1,848.91
Total Expenditures	114,861,717.04	122,973,912.93	103,969,339.86	(101,833.42)	104,071,173.28
Excess (Deficiency) of Revenues Over Expenditures	(1,053,080.79)	(4,130,223.98)	(3,871,682.80)	(101,833.42)	(3,973,516.22)
<b>Other Financing Sources (Uses)</b>					
Transfers In	5,969,394.00	5,969,372.00	6,395,108.42		6,395,108.42
Other Financing Sources			112,481.40		112,481.40
Sale of Capital Assets			59,964.60		59,964.60
Transfers Out			(966,080.77)		(966,080.77)
Total Other Financing Sources (Uses)	5,969,394.00	5,969,372.00	5,601,473.65		5,601,473.65
Net Change in Fund Balances	4,916,313.21	1,839,148.02	1,729,790.85	(101,833.42)	1,627,957.43
Fund Balances - Beginning of Year	40,011,904.76	57,273,305.70	57,801,463.38	(2) (957,443.02)	56,844,020.36
Fund Balances - End of Year	\$ 44,928,217.97	\$ 59,112,453.72	\$ 59,531,254.23	\$ (1,059,276.44)	\$ 58,471,977.79

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

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

(1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.	\$ (101,833.42)
Net Decrease in Fund Balance - Budget to GAAP	<u>\$ (101,833.42)</u>
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.	

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## *Supplementary Information*

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Education</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Title I Grants to Local Educational Agencies	84.010	N.A.	\$ 6,759,130.98
Career and Technical Education:			
Career and Technical Education - Basic Grants to States	84.048	N.A.	64,277.34
Carl D. Perkins Career and Technical Education (Perkins V)	84.048A	N.A.	409,098.00
Sub-Total Career and Technical Education			473,375.34
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	N.A.	123,572.40
Education for Homeless Children and Youth	84.196	N.A.	50,000.00
COVID-19 Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	N.A.	9,294,754.08
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	N.A.	8,296,995.48
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	N.A.	37,559.90
Sub-Total COVID-19 Education Stabilization Fund			17,629,309.46
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	6,615,525.00
COVID-19 Special Education - Grants to States	84.027X	N.A.	779,034.06
Sub-Total Special Education - Grants to States			7,394,559.06
Special Education - Preschool Grants	84.173	N.A.	154,836.00
COVID-19 Special Education - Preschool Grants	84.173X	N.A.	112,424.00
Sub-Total Special Education - Preschool Grants			267,260.00
Sub-Total Special Education Cluster			7,661,819.06
Supporting Effective Instruction State Grants	84.367	N.A.	1,124,530.34
English Language Acquisition State Grants	84.365	N.A.	340,247.11
Student Support and Academic Enrichment Program	84.424	N.A.	499,185.81
Total U. S. Department of Education			34,661,170.50
Sub-Total Forward			\$ 34,661,170.50

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 34,661,170.50
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	N.A.	9,802,061.45
COVID-19 - Cash Assistance	10.555	N.A.	855,283.22
Non-Cash Assistance (Commodities)	10.555	N.A.	1,170,711.28
Sub-Total National School Lunch Program			11,828,055.95
School Breakfast Program	10.553	N.A.	2,330,936.99
Sub-Total Child Nutrition Cluster			14,158,992.94
State Administrative Expenses for Child Nutrition	10.560	N.A.	45,588.64
Total U. S. Department of Agriculture			14,204,581.58
<b><u>Social Security Administration</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N.A.	3,696.00
<b><u>Other Federal Assistance</u></b>			
<b><u>U. S. Department of Defense</u></b>			
<b><u>Direct Programs</u></b>			
Air Force ROTC	N.A.	AFJROTC	193,316.73
Army ROTC	N.A.	JROTC204S	98,074.79
Total U. S. Department of Defense			291,391.52
Total Expenditures of Federal Awards			\$ 49,160,839.60

N.A. = Not Available or Not Applicable

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

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## ***Notes to the Schedule of Expenditures of Federal Awards***

### ***For the Year Ended September 30, 2023***

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

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

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

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Andrea Lindsey	President	2024
Hon. Cecil Christenberry	Vice-President	2026
Hon. Michael Johnson	Member	2024
Hon. Tony Myrick	Member	2026
Hon. JaNay Dawson	Member	2022
Hon. Rondi Kirby	Member	2028
Hon. Jason Woerner	Member	2026
Hon. Shannon Cauley	Member	2022
Hon. April Bradley	Member	2028
<b><u>Administrative Personnel</u></b>		
Eddie Tyler, M.Ed.	Superintendent	2026
John C. Wilson	Chief School Financial Officer	Indefinite

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

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## **Independent Auditor's Report**

Members of the Baldwin County Board of Education,  
Superintendent and Chief School Financial Officer  
Bay Minette, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwin County Board of Education as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Baldwin County Board of Education's basic financial statements and have issued our report thereon dated March 8, 2024.

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

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

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

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

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

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

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

## **Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2024



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

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## **Independent Auditor's Report**

Members of the Baldwin County Board of Education  
Superintendent and Chief School Financial Officer  
Bay Minette, Alabama

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

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

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

In our opinion, the Baldwin County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2024

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

### ***For the Year Ended September 30, 2023***

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

##### **Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

##### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Programs or Clusters</b>
84.010 84.425	Title I Grants to Local Educational Agencies COVID-19 – Education Stabilization Fund

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

\$1,474,825.00

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

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

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

No matters were reportable.

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

No matters were reportable.