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June 24, 2024

This audit of the Pike County Board of Education was conducted by the firm of Jackson Thornton Certified Public Accountants & Consultants pursuant to a contract with the Department of Examiners of Public Accounts (the "Department") dated September 21, 2023. The Department is required by the *Code of Alabama 1975*, Section 16-13A-7(a)(2) to conduct audits of local boards of education and contracted with this firm to fulfill its statutorily required obligation. The audit is released following the same procedures the Department uses for audits it conducts and upon its release becomes a matter of public record.

Sincerely,

Rachel Laurie Riddle
Chief Examiner

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Certified Public Accountants
& Consultants

 **JACKSON
THORNTON**

**Pike County Board of Education
For the Year Ended September 30, 2023**
Annual Financial Report

Introductory Section

**Pike County Board of Education
Annual Financial Report
For the Year Ended September 30, 2023**

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**Pike County Board of Education
List of Board Members and Administrative Personnel
As of September 30, 2023**

Board Members

<u>Officials</u>	<u>Position</u>	<u>Term Expires</u>
Honorable Justin Davis	President	2022
Honorable Clint Foster, Ph. D.	President	2024
Honorable Linda Steed	Vice-President	2022
Honorable Cathy Keck	Vice-President	2028
Honorable Earnest Green	Member	2026
Honorable Scott Hartley	Member	2028
Honorable Greg Price, Ph. D.	Member	2026
Honorable Chris Wilkes	Member	2024

Administrative Personnel

<u>Officials</u>	<u>Position</u>	<u>Term Expires</u>
Dr. S. Mark Bazzell	Superintendent	2025
Brandi Mosley	Chief School Financial Officer	2026

Financial Section

Independent Auditor's Report

Members of the Pike County Board of Education,
Superintendent, and Chief School Financial Officer
Troy, Alabama

Opinion

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

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 Board, 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 Opinion

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. 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 Board, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Board's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 opinion. 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 Board'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 Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on pages 33 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the list of Board members and administrative personnel but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024, on our consideration of the Board'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 Board'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 Pike County Board of Education's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama

June 17, 2024

Basic Financial Statements

**Pike County Board of Education
Statement of Net Position
September 30, 2023**

	Governmental Activities
Assets	
Cash	\$ 6,772,534
Cash with fiscal agent	405,089
Investments	11,031
Ad valorem property taxes receivable	2,482,896
Receivables (Note 4)	2,124,769
Inventories	42,452
Capital assets (Note 5)	
Nondepreciable	2,453,410
Depreciable, net	20,976,640
Total assets	35,268,821
 Deferred Outflows of Resources	
Proportionate share of collective deferred outflows related to net pension liability	11,998,935
Proportionate share of collective deferred outflows related to net other postemployment benefits (OPEB) liability	6,129,463
Total deferred outflows of resources	18,128,398
 Liabilities	
Payables	913,332
Unearned revenue	49,774
Salaries and benefits payable	1,840,229
Long-term liabilities	
Portion due or payable within one year	633,197
Portion due or payable after one year	47,382,676
Total liabilities	50,819,208
 Deferred Inflows of Resources	
Unavailable revenue - property taxes	2,482,896
Proportionate share of collective deferred inflows related to net pension liability	1,621,000
Proportionate share of collective deferred inflows related to net other postemployment benefits (OPEB) liability	15,530,982
Total deferred inflows of resources	19,634,878
 Net Position	
Net investment in capital assets	10,343,420
Restricted for	
Debt service	405,089
Capital projects	632,725
Child nutrition program	633,404
Other purposes	1,601,132
Unrestricted	(30,672,637)
Total net position	\$ (17,056,867)

The accompanying notes are an integral part of these financial statements.

**Pike County Board of Education
Statement of Activities
For the Year Ended September 30, 2023**

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 15,064,305	\$ 215,826	\$ 13,903,033	\$ 863,350	\$ (82,096)
Instructional support	6,095,452	77,823	4,869,290		(1,148,339)
Operation and maintenance	3,663,856	80,681	985,428		(2,597,747)
Auxiliary services					
Student transportation	3,072,854	84,268	2,091,212	272,916	(624,458)
Food service	1,880,254	1,839,428	213,880		173,054
General administrative	1,893,972	12,204	1,252,081		(629,687)
Interest and fiscal charges	340,457				(340,457)
Other expenses	1,759,452	290,711	1,240,641		(228,100)
Total governmental activities	\$ 33,770,602	\$ 2,600,941	\$ 24,555,565	\$ 1,136,266	(5,477,830)
			General Revenues		
			Taxes		
			Property taxes for general purposes	2,318,507	
			Property taxes for specific purposes	94,260	
			Sales tax	5,800,119	
			Other taxes	51,013	
			Grants and contributions not restricted for specific programs	15,933	
			Investment earnings	95,898	
			Miscellaneous	579,138	
			Total general revenues	8,954,868	
			Change in Net Position	3,477,038	
			Net Position - Beginning	(20,533,905)	
			Net Position - Ending	\$ (17,056,867)	

The accompanying notes are an integral part of these financial statements.

**Pike County Board of Education
Balance Sheet - Governmental Funds
September 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 4,951,213	\$ 1,133,758	\$ 1,092,652	\$ 7,177,623
Investments		11,031		11,031
Ad valorem property taxes receivable	2,482,896			2,482,896
Receivables (Note 4)	841,281	1,283,488		2,124,769
Due from other funds	1,053,853			1,053,853
Inventories		42,452		42,452
Total assets	<u>\$ 9,329,243</u>	<u>\$ 2,470,729</u>	<u>\$ 1,092,652</u>	<u>\$ 12,892,624</u>
Liabilities				
Payables	\$ 724,682	\$ 133,812	\$ 54,838	\$ 913,332
Due to other funds		1,053,853		1,053,853
Unearned revenue	25,812	23,962		49,774
Salaries and benefits payable	1,772,933	67,296		1,840,229
Total liabilities	<u>2,523,427</u>	<u>1,278,923</u>	<u>54,838</u>	<u>3,857,188</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,482,896			2,482,896
Total deferred inflows of resources	<u>2,482,896</u>			<u>2,482,896</u>
Fund Balances				
Nonspendable				
Inventories		42,452		42,452
Restricted				
Debt service			405,089	405,089
Capital projects			632,725	632,725
Child nutrition program		633,404		633,404
Other purposes	1,601,132			1,601,132
Assigned to				
Local schools		515,950		515,950
Unassigned	2,721,788			2,721,788
Total fund balances	<u>4,322,920</u>	<u>1,191,806</u>	<u>1,037,814</u>	<u>6,552,540</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,329,243</u>	<u>\$ 2,470,729</u>	<u>\$ 1,092,652</u>	<u>\$ 12,892,624</u>

The accompanying notes are an integral part of these financial statements.

Pike County Board of Education
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
September 30, 2023

Differences in amounts reported for governmental activities in the statement of net position:

Total fund balances - governmental funds		\$ 6,552,540
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets	\$ 39,963,945	
Accumulated depreciation	<u>(16,533,895)</u>	
		23,430,050
<p>Deferred outflows and inflows of resources related to the pension plan are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
		10,377,935
<p>Deferred outflows and inflows of resources related to Other Postemployment Benefits (OPEB) obligations are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
		(9,401,519)
<p>Long-term liabilities, including net pension, Other Postemployment Benefits (OPEB) obligations and bonds/warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
Current portion of long-term debt	633,197	
Noncurrent portion of long-term debt	<u>47,382,676</u>	
Total long-term liabilities		<u>(48,015,873)</u>
Net position of governmental activities		<u><u>\$ (17,056,867)</u></u>

The accompanying notes are an integral part of these financial statements.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
State	\$ 18,077,918		\$ 898,065	\$ 18,975,983
Federal	383,270	\$ 8,071,110		8,454,380
Local	8,545,546	980,002	106,473	9,632,021
Other	336,437	22,833		359,270
Total revenues	<u>27,343,171</u>	<u>9,073,945</u>	<u>1,004,538</u>	<u>37,421,654</u>
Expenditures				
Current				
Instruction	12,608,010	1,936,972		14,544,982
Instructional support	3,963,331	2,142,407		6,105,738
Operation and maintenance	3,561,563	51,248	49,456	3,662,267
Auxiliary services				
Student transportation	2,853,927	164,900		3,018,827
Food service		2,059,118		2,059,118
General administrative	1,330,489	683,649		2,014,138
Other	688,916	1,098,767		1,787,683
Capital outlay	235,523	1,052,717	221,087	1,509,327
Debt service				
Principal retirement			618,867	618,867
Interest and fiscal charges			335,407	335,407
Debt issuance costs/other debt service	5,050			5,050
Total expenditures	<u>25,246,809</u>	<u>9,189,778</u>	<u>1,224,817</u>	<u>35,661,404</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,096,362</u>	<u>(115,833)</u>	<u>(220,279)</u>	<u>1,760,250</u>
Other Finances Sources (Uses)				
Transfers in	6,443	124,242	686,091	816,776
Insurance recoveries	98,670			98,670
Transfers out	(258,413)	(6,443)	(551,920)	(816,776)
Total other financing sources (uses)	<u>(153,300)</u>	<u>117,799</u>	<u>134,171</u>	<u>98,670</u>
Net changes in fund balances	1,943,062	1,966	(86,108)	1,858,920
Fund Balances - Beginning of Year	<u>2,379,858</u>	<u>1,189,840</u>	<u>1,123,922</u>	<u>4,693,620</u>
Fund Balances - End of Year	<u>\$ 4,322,920</u>	<u>\$ 1,191,806</u>	<u>\$ 1,037,814</u>	<u>\$ 6,552,540</u>

The accompanying notes are an integral part of these financial statements.

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

Differences in amounts reported for governmental activities in the statement of activities:

Net changes in fund balances - total governmental funds	\$	1,858,920
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$	1,509,327	
Depreciation expense		<u>(880,836)</u>	
			628,491

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.

618,867

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 this amount.

Loss on disposition of capital assets		<u>(17,293)</u>	(17,293)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension		2,066,663	
Other Postemployment Benefits (OPEB)		<u>(2,454,716)</u>	
			388,053
Change in net position of governmental activities			<u><u>\$ 3,477,038</u></u>

The accompanying notes are an integral part of these financial statements.

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Pike 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.

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

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

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Governmental Fund Type

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

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

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

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

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits and investments - Cash includes cash on hand and in demand deposits.

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

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

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

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

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

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.

Restricted assets - Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash equivalents and in cash with fiscal agent on the financial statements, are considered restricted assets because they are maintained separately, and their use is limited. The Public School Capital Projects and Bond and Warrant funds 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.

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

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Land improvements (exhaustible)	20 years	\$ 50,000
Building	50 years	50,000
Building improvements	50 years	50,000
Equipment and furniture	5 - 20 years	5,000
Vehicles	8 - 10 years	5,000

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.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

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

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.

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.

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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

Minimum fund balance policies - The Board has an established minimum fund balance policy. The Board's policy states that a General Fund reserve fund balance be maintained of an amount not less than one month's operating expenditures. Operating expenditures shall include all funds necessary to support the normal operations of the school district for one month. The Superintendent or the Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

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.

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

Note 3 - Deposits and 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.

Cash with fiscal agent - Statutes authorize the Board to invest in obligations of the United States Treasury, obligations of any state of the United States, general obligations of any Alabama County or City Board of Education secured by the pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

As of September 30, 2023, the Board had the following investments with a fiscal agent:

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Fidelity Investments Money Market Funds - Treasury Only	Average 40 days	\$ 405,089
Total		<u>\$ 405,089</u>

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

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. GASB Statement 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investment in debt securities as described by nationally recognized statistical rating organizations such as Standard & Poor's, Moody's Investors Service, and Fitch Ratings, rating agencies, as of the date of the financial statements. The Board does not have a formal investment policy requiring investments to be rated in the highest category rating. As of September 30, 2023, the Board's investments in the Money Market Funds were rated AAAM by Standard and Poor's and Aaa-mf by Moody's.

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

Note 4 - Receivables

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

<u>Receivables</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Sales tax	\$ 476,970		\$ 476,970
Intergovernmental	354,566	\$ 1,267,760	1,622,326
Accounts	9,745	15,728	25,473
Total receivables	<u>\$ 841,281</u>	<u>\$ 1,283,488</u>	<u>\$ 2,124,769</u>

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 5 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,469,724	\$ 12,778		\$ 1,482,502
Construction in progress	<u>7,433,272</u>	<u>1,229,776</u>	<u>\$ 7,692,140</u>	<u>970,908</u>
Total capital assets, not being depreciated	<u>8,902,996</u>	<u>1,242,554</u>	<u>7,692,140</u>	<u>2,453,410</u>
Capital assets being depreciated				
Land improvements (exhaustible)	2,193,192		26,900	2,166,292
Buildings	19,732,756	7,293,492	39,600	26,986,648
Buildings improvements	2,663,079	409,352	24,305	3,048,126
Equipment and furniture	1,487,417	249,222	73,826	1,662,813
Vehicles	<u>4,010,148</u>	<u>6,846</u>	<u>370,338</u>	<u>3,646,656</u>
Total capital assets being depreciated	<u>30,086,592</u>	<u>7,958,912</u>	<u>534,969</u>	<u>37,510,535</u>
Less accumulated depreciation for				
Land improvements (exhaustible)	(1,899,144)	(51,095)	26,900	(1,923,339)
Buildings	(8,045,245)	(395,740)	25,344	(8,415,641)
Buildings improvements	(2,089,783)	(100,340)	24,305	(2,165,818)
Equipment and furniture	(1,206,317)	(50,748)	70,790	(1,186,275)
Vehicles	<u>(2,930,247)</u>	<u>(282,913)</u>	<u>370,338</u>	<u>(2,842,822)</u>
Total accumulated depreciation	<u>(16,170,736)</u>	<u>(880,836)</u>	<u>517,677</u>	<u>(16,533,895)</u>
Total capital assets being depreciated, net	<u>13,915,856</u>	<u>7,078,076</u>	<u>17,292</u>	<u>20,976,640</u>
Total governmental activities capital assets, net	<u>\$ 22,818,852</u>	<u>\$ 8,320,630</u>	<u>\$ 7,709,432</u>	<u>\$ 23,430,050</u>

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

Governmental Activities	
Instruction	\$ 569,549
Operation and maintenance	4,125
Auxiliary services	
Student transportation	273,703
Food service	29,023
General administrative	3,941
Other expenses	495
Total depreciation expense - governmental activities	<u>\$ 880,836</u>

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 6 - Defined Benefit Pension Plan

Plan description - The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 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, Title 16, Chapter 25* 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.

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

Act 316 of the Legislature of 2019 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 credible 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 are paid to a qualified beneficiary.

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.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 6 - Defined Benefit Pension Plan (continued)

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% 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 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,011,935 for the year ended September 30, 2023.

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 \$30,862,000 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 net pension liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the Board's proportion was 0.198590%, which was an increase of 0.002780% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$2,066,663. 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	\$ 678,000	\$ 749,000
Changes of assumptions	1,400,000	
Net difference between projected and actual earnings on pension plan investments	6,193,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,716,000	872,000
Employer contributions subsequent to the measurement date	2,011,935	
Total	\$ 11,998,935	\$ 1,621,000

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 6 - Defined Benefit Pension Plan (continued)

The \$2,011,935 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:

<u>Year Ending September 30</u>	<u>Amount</u>
2024	\$ 2,530,000
2025	1,758,000
2026	1,557,000
2027	2,521,000
2028	-
Thereafter	-

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%
Projected salary increases	3.25% - 5.00%
Investment rate of return *	7.45%

* Net of pension plan investment expense, including inflation

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 year 2019:

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

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 6 - Defined Benefit Pension Plan (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Fixed income	15.0%	2.8%
U.S. large stocks	32.0%	8.0%
U.S. mid stocks	9.0%	10.0%
U.S. small stocks	4.0%	11.0%
International developed market stocks	12.0%	9.5%
International emerging market stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real estate	10.0%	6.5%
Cash equivalents	5.0%	2.5%
Total	<u>100.0%</u>	

* Includes assumed rate of inflation of 2.00%

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.

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 net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the 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 (dollar amounts in thousands):

	<u>1.00% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1.00% Increase (8.45%)</u>
Board's Proportionate Share of Collective Net Pension Liability	\$ 39,935,000	\$ 30,862,000	\$ 23,221,000

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

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 No. 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 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 7 - Other Postemployment Benefits (OPEB)

Plan description - The Alabama Retired Education Employees' Health Care Trust (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 (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (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, Title 16, Chapter 25A* (Act 83-455) 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 Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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.

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 7 - Other Postemployment Benefits (OPEB) (continued)

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 covered 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 MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, 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.

Contributions - The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board 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 Board 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 Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board 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.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 7 - Other Postemployment Benefits (OPEB) (continued)

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board 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 Board 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 Board 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 Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At September 30, 2023, the Board reported a liability of \$4,067,243 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 collective net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Board's proportion was 0.23342114%, which was an increase of 0.02037414% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized OPEB income of \$2,454,716, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 186,540	\$ 8,223,632
Changes of assumptions	3,299,090	5,920,118
Net difference between projected and actual earnings on OPEB plan investments	511,495	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,815,410	1,387,232
Employer contributions subsequent to the measurement date	316,928	
Total	<u>\$ 6,129,463</u>	<u>\$ 15,530,982</u>

The \$316,928 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 7 - Other Postemployment Benefits (OPEB) (continued)

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

<u>Year Ending September 30</u>	<u>Amount</u>
2024	\$ (2,444,038)
2025	(2,470,275)
2026	(1,219,362)
2027	(1,143,830)
2028	(1,543,629)
Thereafter	(897,313)

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

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate the Measurement Date	7.00%
Single Equivalent Interest Rate the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Initial Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2031 FYE
Medicare Eligible	4.50% in 2027 FYE
Optional Plans Trend Rate	2.00%

(1) Includes 2.75% wage inflation.

(2) Compounded annually, net of investment expense, and includes inflation.

(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 7 - Other Postemployment Benefits (OPEB) (continued)

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 in 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 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
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

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

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

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 7 - Other Postemployment Benefits (OPEB) (continued)

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

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

(*) Geometric mean, includes 2.5% inflation.

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

The discount rate changed from 3.97% in the prior year to 7.00% in the current year.

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 Net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)</u>	<u>Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)</u>	<u>1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)</u>
Board's Proportionate Share of the Collective Net OPEB Liability	\$ 3,084,199	\$ 4,067,243	\$ 5,272,855

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's Proportionate Share of the Collective Net OPEB Liability	\$ 5,028,546	\$ 4,067,243	\$ 2,360,259

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 - Long-Term Debt

On July 26, 2021, the Board issued \$4,515,000 in Series 2021-A Special Tax School Warrants and \$5,370,000 in Series 2021-B Special Tax School Warrants for the purpose of refunding the Series 2012 Capital Outlay School Warrants and the construction of school facilities that are under the administration of the Board, and to pay the expenses of issuing the 2021 warrants. The Series 2021-A and 2021-B Warrants are secured by the Board's pledge of its Privilege or Licenses Tax and Excise Tax.

During fiscal year 2017, the Board issued \$3,975,000 of Capital Outlay School Warrants for the purchase of new buses, for the construction of facilities that are under the administration of the Board, and to pay the expenses of issuing the 2017 warrants. The Series 2017 Warrants are secured by the Board's pledge of its County Sales and Use Tax. If the principal and interest on the Warrants are not paid promptly, the Board will owe the holders all expenses incident to the collection of any unpaid portion, including attorney's fees, plus an overdue interest rate of 6.00% on any portion not paid on time. In the event of default due to the Board not applying received tax proceeds, pledged to pay the debt service on the warrants, the bondholder has the right to pursue a court order directing the Board to apply the proceeds to the debt service. Additionally, the Series 2017 Warrants contain a provision that in the event of default, the holder's rights to enforce the provisions of the agreements shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under the agreement.

During fiscal year 2017, the Board issued a note from direct borrowing to purchase land for new construction. During fiscal year 2020, the Board increased this note from direct borrowing to purchase seven adjacent lots to the land purchased in fiscal year 2017. Payments on this note were made from the Board's annual Capital Purchase allocation.

During fiscal year 2013, the Board issued a note from direct borrowing to purchase two (2) school buses. Titles to the buses are held in the name of the Board with a lien held by the bank. Payments on the bus notes were made from the Board's annual State allocation of Transportation - Fleet Renewal funds and general funds. The Board's outstanding note is secured by two (2) Thomas School Buses. The outstanding note from direct borrowing contains a provision that in the event of default, the bank may (1) proceed with appropriate court action to enforce performance of applicable covenants of the note agreement or recover damages, (2) terminate agreement ceasing the Board's rights to the secured equipment, (3) foreclose and take possession of the secured equipment to sell for repayment of note and/or (4) by written notice to Board, declare the entire unpaid payments for the then current annual term of the agreement, plus interest thereon at the overdue rate of 7.50%, to be due and payable as liquidated damages for loss of bargain.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

Note 8 - Long-Term Debt (continued)

During fiscal year 2014, the Board issued a note from direct placement to purchase ten (10) school buses. The note from direct placement is secured by the Board's pledge of its County Sales and Use Tax. In the event of default, which is defined as a failure to pay principal and interest when due and a failure to comply with covenants in the loan agreement, the note contains a provision indicating if any payment is not made within 10 days of the due date, the Board shall pay the bank a late charge of 5.00% of the past due amount, with a minimum late charge of \$10 and maximum late charge of \$100 with respect to any single late payment. Also, all payments shall bear an additional 1.00% interest after their due date until paid.

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

	Debt				Debt	Amounts
	Outstanding	Issued/	Repaid/	Outstanding	Due Within	One Year
	10/1/2022	Increased	Decreased	9/30/2023	One Year	
Governmental Activities						
Bonds and Warrants Payable						
Series 2017 Capital Outlay Warrants	\$ 2,840,000		\$ 250,000	\$ 2,590,000	\$ 255,000	
Series 2021-A Special School						
Tax Warrants	4,515,000		15,000	4,500,000	20,000	
Series 2021-B Special School						
Tax Warrants	5,270,000		225,000	5,045,000	225,000	
Total Bonds and Warrants Payable	<u>12,625,000</u>		<u>490,000</u>	<u>12,135,000</u>	<u>500,000</u>	
Net Pension Liability	18,446,000	\$ 12,416,000		30,862,000		
Net OPEB Liability	11,007,741		6,940,498	4,067,243		
Notes from Direct Borrowings						
and Direct Placements	1,080,497		128,867	951,630	133,197	
Total Governmental Activities	<u>30,534,238</u>	<u>12,416,000</u>	<u>7,069,365</u>	<u>35,880,873</u>	<u>133,197</u>	
Long-Term Liabilities	<u>\$ 43,159,238</u>	<u>\$ 12,416,000</u>	<u>\$ 7,559,365</u>	<u>\$ 48,015,873</u>	<u>\$ 633,197</u>	

Payments on the Series 2021-A, Series 2021-B and Series 2017 Warrants payables were made by the Debt Service Fund with Public School Funds and Fleet Renewal Funds allocations. The long-term notes payable for buses are paid from the fleet renewal monies received from the State Department of Education as well as with county sales and use taxes. The long-term note payable for land is paid from Public School Funds allocation.

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

Fiscal Year Ending September 30	Capital Outlay Warrants		Capital Outlay Warrants		Capital Outlay Warrants		Notes from Direct Borrowings		Total Principal and Interest Requirements to Maturity
	Series 2017		Series 2021-A		Series 2021-B				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 255,000	\$ 67,554	\$ 20,000	\$ 115,388	\$ 225,000	\$ 107,142	\$ 133,197	\$ 33,756	\$ 957,037
2025	265,000	62,354	15,000	114,863	225,000	105,207	818,433	9,618	1,615,475
2026	270,000	57,004	15,000	114,413	230,000	102,702			789,119
2027	270,000	51,334	20,000	113,888	230,000	99,712			784,934
2028	55,000	47,676	15,000	113,363	240,000	96,302			567,341
2029-2033	310,000	214,769	90,000	559,088	1,250,000	415,845			2,839,702
2034-2038	355,000	166,391	110,000	543,638	1,390,000	270,180			2,835,209
2039-2043	420,000	104,200	470,000	520,988	1,255,000	71,470			2,841,658
2044-2048	390,000	28,175	2,100,000	323,363					2,841,538
2049-2052			1,645,000	56,081					1,701,081
Totals	<u>\$ 2,590,000</u>	<u>\$ 799,457</u>	<u>\$ 4,500,000</u>	<u>\$ 2,575,073</u>	<u>\$ 5,045,000</u>	<u>\$ 1,268,560</u>	<u>\$ 951,630</u>	<u>\$ 43,374</u>	<u>\$ 17,773,094</u>

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Pledged revenues - On July 26, 2021, the Board issued \$4,515,000 in Series 2021-A Special Tax School Warrants and \$5,370,000 in Series 2021-B Special Tax School Warrants for the purpose of refunding the Series 2012 Capital Outlay School Warrants and the construction of school facilities that are under the administration of the Board, and to pay the expenses of issuing the 2021 warrants. The Board pledged to repay the special tax school warrants from the proceeds of its share of the Privilege or Licenses Tax and Excise Tax. Future revenues in the amount of \$7,075,073 are pledged to repay the principal and interest on the Series 2021-A Warrants and \$6,313,560 are pledged to repay the principal and interest on the Series 2021-B Warrants at September 30, 2023. Proceeds of the County Sales and Use Tax in the amount of \$5,736,191 were received by the Board during the fiscal year ended September 30, 2023. The Series 2021-B Special Tax School Warrants will mature in fiscal year 2042 and the Series 2021-A Special Tax School Warrants will mature in fiscal year 2051.

In 2017, the Board issued Series 2017 Capital Outlay School Warrants for the purpose of purchasing new buses, the construction of school facilities that are under the administration of the Board, and to pay the expenses of issuing the 2017 warrants. The warrants are pledged to be repaid from the proceeds of County Sales and Use Tax. Future revenues in the amount of \$3,389,457 are pledged to repay the principal and interest on the warrants at September 30, 2023. Proceeds of the County Sales and Use Tax in the amount of \$5,736,191 were received by the Board during the fiscal year ended September 30, 2023. The Series 2017 Capital Outlay School Warrants will mature in fiscal year 2047.

The Board's outstanding notes from direct borrowings and direct placements for buses are pledged to be repaid from the proceeds of County Sales and Use Tax. However, during the fiscal year ended September 30, 2023, the long-term notes were paid with fleet renewal funds. Future revenues in the amount of \$995,004 are pledged to repay the principal and interest on the notes at September 30, 2023. Proceeds of the County Sales and Use Tax in the amount of \$5,736,191 were received by the Board during the fiscal year ended September 30, 2023. The notes from direct borrowing will mature in fiscal year 2025.

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 a commercial carrier. The Board pays an annual premium based on the amount of coverage requested. Automobile liability insurance is also purchased from a commercial carrier. 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.

**Pike County Board of Education
Notes to Financial Statements
September 30, 2023**

The Board does not have insurance coverage for 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 *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs, which the employee incurs as a result of an on-the-job injury, may be filed for reimbursement with the State Board of Adjustment.

Note 10 - Interfund Transactions

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

	Interfund Receivables	
	General Fund	Totals
Interfund Payables		
Special Revenue Fund	\$ 1,053,853	\$ 1,053,853
Totals	\$ 1,053,853	\$ 1,053,853

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

	Transfers Out			
	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Transfers In				
General Fund		\$ 6,443		\$ 6,443
Special Revenue Fund	\$ 124,242			124,242
Other Governmental Fund	134,171		\$ 551,920	686,091
Totals	\$ 258,413	\$ 6,443	\$ 551,920	\$ 816,776

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.

Pike County Board of Education
Notes to Financial Statements
September 30, 2023

Note 11 - Effect of New Pronouncements

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Board.

GASB 102, *Certain Risk Disclosures*. This Statement requires governments to disclose information about certain risks. Governments are required to disclose information about their exposure to some risks, such as interest and credit risk associated with investments. However, essential information about certain other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The Statement will provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. The Statement requires governments to disclose essential information about risks related to a government's current vulnerabilities due to certain concentrations and constraints common in the governmental environment. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2024.

Note 12 - Subsequent Events

The Board has evaluated subsequent events through June 17, 2024, the date which the financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of September 30, 2023 has been incorporated into these financial statements.

Required Supplementary Information

Pike County Board of Education
Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
Required Supplementary Information
For the Year Ended September 30,
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the collective net pension liability	0.198590%	0.195810%	0.178433%	0.198684%	0.181932%	0.186850%	0.186174%	0.184403%	0.184290%
Employer's proportionate share of the collective net pension liability	\$ 30,862	\$ 18,446	\$ 22,072	\$ 21,968	\$ 18,089	\$ 18,365	\$ 20,155	\$ 19,299	\$ 16,742
Employer's covered payroll during the measurement period (*)	\$ 15,377	\$ 14,738	\$ 14,071	\$ 13,288	\$ 12,153	\$ 12,387	\$ 11,876	\$ 11,669	\$ 11,686
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	200.70%	125.16%	156.86%	165.32%	148.84%	148.26%	169.71%	165.39%	143.27%
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%	71.50%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the measurement period for covered payroll 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.

Pike County Board of Education
Schedule of the Employer's Contributions - Pension
Required Supplementary Information
For the Year Ended September 30,
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,012	\$ 1,852	\$ 1,713	\$ 1,681	\$ 1,727	\$ 1,460	\$ 1,463	\$ 1,403	\$ 1,364
Contributions in relation to the contractually required contribution	<u>2,012</u>	<u>1,852</u>	<u>1,713</u>	<u>1,681</u>	<u>1,727</u>	<u>1,460</u>	<u>1,463</u>	<u>1,403</u>	<u>1,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 15,757	\$ 15,377	\$ 14,738	\$ 14,071	\$ 13,288	\$ 12,153	\$ 12,387	\$ 11,876	\$ 11,669
Contributions as a percentage of covered payroll	12.77%	12.04%	11.62%	11.95%	13.00%	12.01%	11.81%	11.81%	11.69%

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the covered payroll is for the reporting fiscal year October 1, 2022 through September 30, 2023.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the collective net OPEB liability	0.2334211%	0.2130470%	0.2182220%	0.2426930%	0.2236290%	0.2249390%
Employer's proportionate share of the collective net OPEB liability	\$ 4,067	\$ 11,088	\$ 14,162	\$ 9,156	\$ 18,379	\$ 16,707
Employer's covered-employee payroll during the measurement period (*)	\$ 15,377	\$ 14,738	\$ 14,071	\$ 13,288	\$ 12,153	\$ 12,387
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	26.45%	75.23%	100.65%	68.90%	151.23%	134.88%
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%

(*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan.

The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2023 year 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.

Pike County Board of Education
Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
Required Supplementary Information
For the Year Ended September 30,
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 317	\$ 445	\$ 372	\$ 431	\$ 690	\$ 555
Contributions in relation to the contractually required contribution	<u>317</u>	<u>445</u>	<u>372</u>	<u>431</u>	<u>690</u>	<u>555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 15,757	\$ 15,377	\$ 14,738	\$ 14,071	\$ 13,288	\$ 12,153
Contributions as a percentage of covered-employee payroll	2.01%	2.89%	2.52%	3.06%	5.19%	4.57%

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

**Pike County Board of Education
Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
September 30, 2023**

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

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

Recent Plan Changes - Beginning in plan year 2021, the MAPD plan premium rates exclude the 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 MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions - The actuarially determined contribution rates in the Schedule of OPEB Contributions 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.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>	<u>Budget - Positive (Negative)</u>
Revenues						
State	\$ 16,141,531	\$ 16,260,228	\$ 18,077,918		\$ 18,077,918	\$ 1,817,690
Federal		134,120	383,270		383,270	249,150
Local	7,821,350	8,180,325	8,532,559 (1)	\$ 12,987	8,545,546	352,234
Other			63,753		63,753	63,753
Total revenues	<u>23,962,881</u>	<u>24,574,673</u>	<u>27,057,500</u>	<u>12,987</u>	<u>27,070,487</u>	<u>2,482,827</u>
Expenditures						
Current						
Instruction	12,870,968	12,524,022	12,652,815 (2)	(44,805)	12,608,010	128,793
Instructional support	4,195,646	3,871,925	3,972,127 (2)	(8,796)	3,963,331	100,202
Operation and maintenance	3,343,958	3,386,805	3,560,790 (2)	773	3,561,563	173,985
Auxiliary services						
Student transportation	2,505,922	2,750,870	2,840,625 (2)	13,302	2,853,927	89,755
General administrative	1,122,540	1,268,211	1,330,489		1,330,489	62,278
Other	611,392	642,271	673,361 (2)	15,555	688,916	31,090
Capital outlay	55,950	55,950	235,523		235,523	179,573
Debt service						
Debt issuance costs/other debt service			5,050		5,050	5,050
Total expenditures	<u>24,706,376</u>	<u>24,500,054</u>	<u>25,270,780</u>	<u>(23,971)</u>	<u>25,246,809</u>	<u>770,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(743,495)</u>	<u>74,619</u>	<u>1,786,720</u>	<u>36,958</u>	<u>1,823,678</u>	<u>1,712,101</u>
Other Financing Sources (Uses)						
Indirect cost	231,950	401,284	272,684		272,684	(128,600)
Transfer in	8,318	33,317	6,443		6,443	(26,874)
Other financing sources			98,670		98,670	98,670
Transfers out	(718,406)	(296,112)	(258,413)		(258,413)	37,699
Total other financing sources (uses)	<u>(478,138)</u>	<u>138,489</u>	<u>119,384</u>		<u>119,384</u>	<u>(19,105)</u>
Net change in fund balances	<u>(1,221,633)</u>	<u>213,108</u>	<u>1,906,104</u>	<u>36,958</u>	<u>1,943,062</u>	<u>1,692,996</u>
Fund Balances - Beginning of Year	<u>4,149,812</u>	<u>3,667,668</u>	<u>3,667,668</u> (3)	<u>(1,287,810)</u>	<u>2,379,858</u>	
Fund Balances - End of Year	<u>\$ 2,928,179</u>	<u>\$ 3,880,776</u>	<u>\$ 5,573,772</u>	<u>\$ (1,250,852)</u>	<u>\$ 4,322,920</u>	<u>\$ 1,692,996</u>

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

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

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

(1) The Board budgets sales and use taxes as collected, rather than on the modified accrual basis (GAAP).	\$	12,987
(2) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).		<u>(23,971)</u>
Net Change in Fund Balances - Budget to GAAP	\$	<u><u>36,958</u></u>

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

Pike County Board of Education
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	Variance with Final
	Original	Final	Budgetary Basis	Differences	GAAP Basis	Budget - Positive (Negative)
Revenues						
Federal	\$ 4,995,897	\$ 10,310,122	\$ 8,071,110		\$ 8,071,110	\$ (2,239,012)
Local	381,880	763,259	980,002		980,002	216,743
Other	287,096	29,000	22,833		22,833	(6,167)
Total revenues	<u>5,664,873</u>	<u>11,102,381</u>	<u>9,073,945</u>		<u>9,073,945</u>	<u>(2,028,436)</u>
Expenditures						
Current						
Instruction	1,351,852	3,029,312	1,936,972		1,936,972	(1,092,340)
Instructional support	1,692,986	3,393,426	2,142,407		2,142,407	(1,251,019)
Operation and maintenance	12,800	43,730	51,248		51,248	7,518
Auxiliary services						
Student transportation	1,650	257,295	164,900		164,900	(92,395)
Food service	2,172,606	2,139,608	2,061,651	(1) \$ (2,533)	2,059,118	(77,957)
General administrative	526,229	783,726	683,649		683,649	(100,077)
Other	194,382	821,096	1,098,767		1,098,767	277,671
Capital outlay		962,686	1,052,717		1,052,717	90,031
Total expenditures	<u>5,952,505</u>	<u>11,430,879</u>	<u>9,192,311</u>	<u>(2,533)</u>	<u>9,189,778</u>	<u>(2,238,568)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(287,632)</u>	<u>(328,498)</u>	<u>(118,366)</u>	<u>2,533</u>	<u>(115,833)</u>	<u>210,132</u>
Other Financing Sources (Uses)						
Transfer in	808,852	362,085	124,242		124,242	(237,843)
Transfers out	(207,876)	(208,403)	(6,443)		(6,443)	201,960
Total other financing sources (uses)	<u>600,976</u>	<u>153,682</u>	<u>117,799</u>		<u>117,799</u>	<u>(35,883)</u>
Net change in fund balances	313,344	(174,816)	(567)	2,533	1,966	174,249
Fund Balances - Beginning of Year	<u>1,234,847</u>	<u>1,135,775</u>	<u>1,259,669</u>	(2) <u>(69,829)</u>	<u>1,189,840</u>	<u>123,894</u>
Fund Balances - End of Year	<u>\$ 1,548,191</u>	<u>\$ 960,959</u>	<u>\$ 1,259,102</u>	<u>\$ (67,296)</u>	<u>\$ 1,191,806</u>	<u>\$ 298,143</u>

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

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

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

(1) The Board budgets sales and use taxes as collected, rather than on the modified accrual basis (GAAP).

Net Change in Fund Balances - Budget to GAAP

	\$ 2,533
	\$ 2,533

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

**Pike County Board of Education
Notes to Budget to Actual Schedules
For the Year Ended September 30, 2023**

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

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.

Excess of expenditures over appropriations - For the year ended September 30, 2023, five Special Revenue functional expenditure categories (the legal level of budgetary control) exceeded appropriations.

Instruction expenditures exceeded budgeted amounts by 36.1% (\$1,092,340) due to year end GAAP adjustments.

Instructional support expenditures exceeded budgeted amounts by 36.9% (\$1,251,019) due to year end GAAP adjustments.

Student transportation expenditures exceeded budgeted amounts by 35.9% (\$92,395) due to year end GAAP adjustments.

Food service expenditures exceeded budgeted amounts by 3.6% (\$77,957) due to year end GAAP adjustments.

General administrative expenditures exceeded budgeted amounts by 12.8% (\$100,077) due to year end GAAP adjustments.

Supplementary Information

**Pike County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
U. S. Department of Education			
Passed Through Alabama Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A220001 / S367A220002 / S358B220001	\$ 992,718
Title I Grants to Local Educational Agencies - School Improvement CHANCE Special Education Cluster	84.010A	N/A	208,813
Special Education - Grants to States	84.027	H027A220015	653,463
ARPA - IDEA Part B	84.027X	N/A	95,508
Special Education - Preschool Grants	84.173	H173A220088	13,264
ARPA - IDEA Part B Preschool	84.173X	N/A	8,948
Sub-Total Special Education Cluster			<u>771,183</u>
Career and Technical Education - Basic Grants to States	84.048	V048A220001	55,088
Student Support and Academic Enrichment Program	84.424	S424A220001	77,705
COVID-19 Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) Fund	84.425D	N/A	825,933
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	N/A	2,957,850
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	N/A	12,092
Sub-Total COVID-19 Education Stabilization Fund			<u>3,795,875</u>
Passed Through Alabama Department of Rehabilitation Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	95,532
Total U. S. Department of Education			<u>5,996,914</u>

**Pike County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
U. S. Department of Agriculture			
Passed Through Alabama Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 458,378
National School Lunch Program			
Cash Assistance	10.555	N/A	1,329,596
Non-Cash Assistance (Commodities)	10.555	N/A	145,308
COVID-19 Cash Assistance	10.555	N/A	68,507
Sub-Total National School Lunch Program			<u>1,543,411</u>
Sub-Total Child Nutrition Cluster			<u>2,001,789</u>
Total U. S. Department of Agriculture			<u>2,001,789</u>
Social Security Administration			
Passed Through Alabama Department of Education			
Social Security - Disability Insurance	96.001	N/A	640
Other Federal Assistance			
U. S. Department of Defense			
Direct Program			
Air Force ROTC	97.UNKNOWN	N/A	155,752
Total Federal Awards			<u>\$ 8,155,095</u>

N/A - Not Available/Not Applicable

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

Pike County Board of Education
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Pike 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 Pike County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Pike 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 Pike County Board of Education has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

Other Reports

**Independent Auditor's 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***

Members of the Pike County Board of Education,
Superintendent and Chief School Financial Officer
Troy, Alabama

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pike County Board of Education (the Board), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 17, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not 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*.

The Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Board'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.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 17, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Members of the Pike County Board of Education,
Superintendent and Chief School Financial Officer
Troy, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pike County Board of Education's (the Board) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2023. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the types of 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Jackson Thornton & Co. PC

Montgomery, Alabama
June 17, 2024

**Pike County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal Control over Financial Reporting

- Material weakness(es) identified? _____ X _____ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes _____ X _____ None reported

Noncompliance Material to Financial Statements Noted?

_____ Yes _____ X _____ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ X _____ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes _____ X _____ None reported

Type of auditor's report issued on compliance for major programs - unmodified

Any audit findings disclosed that are required to be reported in accordance with *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*?

_____ Yes _____ X _____ No

Identification of major programs

Assistance Listing Number	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies
84.010A	Title I Grants to Local Educational Agencies - School Improvement CHANCE
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan - Elementary and Secondary School Relief Fund
84.425W	American Rescue Plan - Elementary and Secondary School Relief Fund - Homeless Children and Youth
10.553	National School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee? _____ Yes _____ X _____ No

**Pike County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2023-001 Material Weakness

Criteria - Segregated duties is the means by which no one person has sole control over the initiation, recording, and authorization functions of a transaction process.

Condition - There is inadequate segregation of duties over the payroll review process. The payroll clerks record and process monthly payroll, and there is no formal review process of the monthly payroll journals.

Effect - This absence of segregation poses an increased risk of errors, inaccuracies, or fraudulent activities going undetected, as the control mechanisms are weakened. The individual with combined responsibilities has the ability to initiate and approve payroll transactions without an independent review, creating a potential avenue for unauthorized or inaccurate payments.

Cause - There are a limited number of employees involved in the payroll process, and the Board's policies and procedures do not provide for a detail review of payroll reports.

Recommendation - It is recommended that the Board promptly implement a segregation of duties policy for payroll processing. This should involve assigning distinct responsibilities for initiating, approving, and reviewing payroll transactions to different individuals or departments. By doing so, the Board can enhance internal controls, mitigate risks, and ensure the accuracy and integrity of payroll processing.

Views of Responsible Officials and Planned Corrective Actions - Management concurs with the finding and acknowledges the importance of implementing segregation of duties in the payroll processing function. They commit to reviewing and revising the current procedures to establish a more robust internal control structure over payroll processes. Management will provide a detailed action plan and timeline for the segregation of duties implementation in response to this audit finding.

**Pike County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

Section III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to major federal programs that are required to be reported in accordance with the Uniform Guidance.

Finding 2023-002 Material Weakness

Same as Finding 2023-001.

PIKE COUNTY BOARD OF EDUCATION

Board of Education

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Superintendent



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Dr. W. Greg Price
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Mr. Chris Wilkes

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

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

Corrective Action Plan Details

Finding 2023-001 Material Weakness **FINANCIAL STATEMENT FINDINGS**

Criteria - Segregated duties is the means by which no one person has sole control over the initiation, recording, and authorization functions of a transaction process.

Condition - There is inadequate segregation of duties over the payroll review process. The payroll clerks record and process monthly payroll, and there is no formal review process of the monthly payroll journals.

Effect - This absence of segregation poses an increased risk of errors, inaccuracies, or fraudulent activities going undetected, as the control mechanisms are weakened. The individual with combined responsibilities has the ability to initiate and approve payroll transactions without an independent review, creating a potential avenue for unauthorized or inaccurate payments.

Cause - There are a limited number of employees involved in the payroll process, and the Board's policies and procedures do not provide for a detail review of payroll reports.

Recommendation - It is recommended that the Board promptly implement a segregation of duties policy for payroll processing. This should involve assigning distinct responsibilities for initiating, approving, and reviewing payroll transactions to different individuals or departments. By doing so, the Board can enhance internal controls, mitigate risks, and ensure the accuracy and integrity of payroll processing.

PIKE COUNTY BOARD OF EDUCATION

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Views of responsible officials and planned corrective actions - Management concurs with the finding and acknowledges the importance of implementing segregation of duties in the payroll processing function. They commit to reviewing and revising the current procedures to establish a more robust internal control structure over payroll processes. Management will provide a detailed action plan and timeline for the segregation of duties implementation in response to this audit finding.

Management's response: CSFO will begin reviewing and signing the Prior Period Comparison Report before payroll is ran each month.

Anticipated Completion Date: Will take effect immediately.

Contact Person(s): Dr. Samuel M. Bazzell, Superintendent or Mrs. Brandi Mosley, Chief School Financial Officer

Finding 2023-002 Material Weakness (same as Finding 2023-001) **FEDERAL AWARD FINDINGS**

Criteria - Segregated duties is the means by which no one person has sole control over the initiation, recording, and authorization functions of a transaction process.

Condition - There is inadequate segregation of duties over the payroll review process. The payroll clerks record and process monthly payroll, and there is no formal review process of the monthly payroll journals.

Effect - This absence of segregation poses an increased risk of errors, inaccuracies, or fraudulent activities going undetected, as the control mechanisms are weakened. The individual with combined responsibilities has the ability to initiate and approve payroll transactions without an independent review, creating a potential avenue for unauthorized or inaccurate payments.

Cause - There are a limited number of employees involved in the payroll process, and the Board's policies and procedures do not provide for a detail review of payroll reports.

Recommendation - It is recommended that the Board promptly implement a segregation of duties

PIKE COUNTY BOARD OF EDUCATION

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policy for payroll processing. This should involve assigning distinct responsibilities for initiating, approving, and reviewing payroll transactions to different individuals or departments. By doing so, the Board can enhance internal controls, mitigate risks, and ensure the accuracy and integrity of payroll processing.

Views of responsible officials and planned corrective actions - Management concurs with the finding and acknowledges the importance of implementing segregation of duties in the payroll processing function. They commit to reviewing and revising the current procedures to establish a more robust internal control structure over payroll processes. Management will provide a detailed action plan and timeline for the segregation of duties implementation in response to this audit finding.

Management's response: CSFO will begin reviewing and signing the Prior Period Comparison Report before payroll is ran each month.

Anticipated Completion Date: Will take effect immediately.

Contact Person(s): Dr. Samuel M. Bazzell, Superintendent or Mrs. Brandi Mosley, Chief School Financial Officer

X



Dr. Samuel M. Bazzell
Superintendent

**Pike County Board of Education
Summary of Prior Audit Findings
For the Year Ended September 30, 2023**

There were no prior audit findings reported.