



Alabama Department of Examiners of Public Accounts

Report on the
**Mobile County Board of
School Commissioners
Mobile County, Alabama**

October 1, 2021 through September 30, 2022

Filed: June 16, 2023

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

Dear Madam:

An audit was conducted on the Mobile County Board of School Commissioners, Mobile County, Alabama, for the period October 1, 2021 through September 30, 2022, by Examiners M. Lynn Benson, John Geary and Angela Waters. I, M. Lynn Benson, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

M. Lynn Benson
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Mobile County Board of School Commissioners October 1, 2021 through September 30, 2022

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

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

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2022.

AUDIT FINDING

A problem was found with the Board’s internal controls over financial reporting (Exhibit 17) and it is summarized below:

- ◆ 2022-001: The Board failed to ensure Theodore High School followed established policies and procedures relating to recording and depositing money collected.

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference held at the Board's office. Individuals in attendance were: Superintendent Chresal D. Threadgill; Chief School Financial Officer Lori Zirlott; and Board Members: Dr. Reginald A. Crenshaw, Sr., Don Stringfellow, L. Douglas Harwell, Jr. and Sherry D. McDade. Representing the Department of Examiners of Public Accounts were: Ashli Page, Assistant Director; and Brian Wheeler, Audit Manager. The results of the report were discussed by telephone with Board Member Dr. William C. Foster.

Independent Auditor's Report

Independent Auditor's Report

Members of the Mobile County Board of School Commissioners,
Superintendent and Chief School Financial Officer
Mobile, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mobile County Board of School Commissioners, as of and for the year ended September 30, 2022, and related notes to the financial statements, which collectively comprise the Mobile County Board of School Commissioners' basic financial statements as listed in the table of contents as Exhibits 1 through 6.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mobile County Board of School Commissioners, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

The Mobile County Board of Education's basic financial statements for the year ended September 30, 2022, reflect the provisions of the Governmental Accounting Standards Board (GASB) Statement Number 87, ***Leases***. The Mobile County Board of Education implemented the requirements of GASB Statement Number 87 during the fiscal year as reflected in Notes 5 and 9 to the Financial Statements. Our opinion on the basic financial statements is not modified with respect to this matter.

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 Mobile County Board of School Commissioners ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

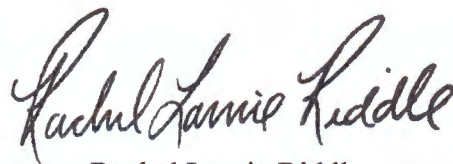
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 2, 2023, on our consideration of the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' internal control over financial reporting and compliance.

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

Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 2, 2023

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Management's Discussion and Analysis
(Required Supplementary Information)

Board of School Commissioners of Mobile County
Management Discussion and Analysis
September 30, 2022

This section of the Mobile County School Board's comprehensive annual financial report represents management's discussion and analysis of the School Board's overall financial position and operating results of the fiscal year that ended on September 30, 2022. Readers are encouraged to read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement NO. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. The Board has prepared its comprehensive annual financial report using this financial reporting model.

Financial Highlights

The reporting model is a combination of both government-wide financial statements and fund financial statements.

On the government-wide financial statements:

- The total revenues of the Board for the year were \$767.2 million, an increase of \$88.7 million. This increase in revenues contributed to creating a positive change in the net position.
- The total cost of the Board's programs for the year was \$637.7 million, an increase of \$35.8 million from 2021. After taking away a portion of these costs paid for with charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost funded from Mobile County taxpayers was \$53.2 million.
- The liabilities of the Board exceeded its assets at the close of the 2022 fiscal year by \$344.4 million (net position). This represents an \$129.4 million positive increase in the net position from 2021. The net investment in capital assets amounted to \$147.2 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.

On the fund financial statements:

- There was an overall increase of \$167.9 million in fund balance in governmental funds from 2021.
- The Board decreased its outstanding long-term debt by \$100.7 million, or 8.74 percent. This is largely related to changes in the Board's portion of the net pension liability and net other postemployment benefits liability.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section of the annual report for the Board consists of five parts - *management's discussion and analysis* (this section), the *independent auditor's report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The Board's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide financial statements - Perhaps the most notable feature of the GASB 34 reporting model is the requirement for *government-wide financial statements*. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the board reported in the *government-wide financial statements* are classified as governmental activities. These activities include the following:

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.

Instructional support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.

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

Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks, cashiers, and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.

General administration and central support include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

Interest and Fiscal Charges includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

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

Government-wide statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net position*, Exhibit #1, is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represent the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities*, Exhibit #2, is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The GASB 34 reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental *fund financial statements* begin with Exhibit #3. Basically, these statements account for the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the GASB 34 reporting model, the *fund financial statements* presented herein display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, Special Revenue Fund, Debt Service Fund, and Capital Project Fund.

The *fund financial statements* are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial statements* focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on Exhibits #4 and #6 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 10 in this section.

After the presentation of the basic financial statements, the new reporting model requires additional supplementary information to be presented following the notes to the basic financial statements. The required supplementary information beginning on page 50 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Financial Position Analysis

The passage of GASB Statement Number 68, GASB Statement Number 71, and GASB Statement Number 75 has had a significantly negative impact on the presentation of the Board's net position. GASB Statement Number 68 and GASB Statement Number 71 are both related to the employer's net pension liability. GASB Statement Number 75 is related to other post-employment benefits (OPEB).

Prior to the passage of these reporting changes, the change in net position was an analytic used to evaluate the financial condition of the school district. Alternatively, the net change in fund balances would be a more appropriate analytic providing a more direct representation of the change in financial condition from one year to the next.

Table 1: Summary of Net Position

	2022 Governmental Activities	2021 Governmental Activities	Difference	Percent Change
<u>Assets:</u>				
Current and other assets	517,224,469.86	350,009,492.64	167,214,977.22	47.77%
Capital and other assets	535,273,613.73	523,353,823.93	11,919,789.80	2.28%
Total Assets	1,052,498,083.59	873,363,316.57	179,134,767.02	20.51%
<u>Deferred Outflows of Resources:</u>				
Loss on Refunding of Debt	9,078,108.57	9,972,126.05	(894,017.48)	(8.97%)
Employer Pension Contribution	38,325,363.55	36,481,620.12	1,843,743.43	5.05%
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	65,084,000.00	77,682,000.00	(12,598,000.00)	(16.22%)
Employer Other Postemployment Benefits (OPEB) Contribution	10,130,851.00	8,533,455.00	1,597,396.00	18.72%
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	103,213,610.00	130,781,442.00	(27,567,832.00)	(21.08%)
Total Deferred Outflows of Resources	225,831,933.12	263,450,643.17	(37,618,710.05)	(14.28%)
<u>Liabilities:</u>				
Current and other liabilities	84,422,199.32	63,263,625.03	21,158,574.29	33.45%
Long-term liabilities	1,033,307,493.08	1,152,202,159.73	(118,894,666.65)	(10.32%)
Total Liabilities	1,117,729,692.40	1,215,465,784.76	(97,736,092.36)	(8.04%)
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue- Property Taxes	129,992,306.94	133,749,403.01	(3,757,096.07)	(2.81%)
Revenue Received in Advance- Motor Vehicle Taxes	3,601,037.50	3,565,383.67	35,653.83	1.00%
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	129,399,000.00	27,731,000.00	101,668,000.00	366.62%
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	242,027,610.00	230,171,326.00	11,856,284.00	5.15%
Total Deferred Inflows of Resources	505,019,954.44	395,217,112.68	109,802,841.76	27.78%
<u>Net Position:</u>				
Net Investment in Capital Assets	147,245,308.80	231,114,164.59	(83,868,855.79)	(36.29%)
Restricted for:				
Capital Projects	70,736,819.07	50,868,445.55	19,868,373.52	39.06%
Debt Service	144,687,900.58	39,718,063.45	104,969,837.13	264.29%
Other Purposes	29,149,661.49	15,007,339.48	14,142,322.01	94.24%
Unrestricted	(736,239,320.07)	(810,576,950.77)	74,337,630.70	9.17%
Total Net Position	(344,419,630.13)	(473,868,937.70)	129,449,307.57	(27.32)%

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on Exhibit #2. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net position as of September 30, 2022.

Table 2: Summary of Changes in Net Position from Operating Results

	2022 Governmental Activities	2021 Governmental Activities	Difference	Percent Change
<u>Revenues:</u>				
Program Revenues:				
Charges for services	58,017,934.65	43,220,144.47	14,797,790.18	34.24%
Operating grants and contributions	493,298,584.56	435,902,502.01	57,396,082.55	13.17%
Capital grants and contributions	33,147,390.53	18,736,002.25	14,411,388.28	76.92%
General Revenues:				
Property taxes for general/specific purposes	139,727,066.76	138,466,145.63	1,260,921.13	0.91%
Local sales tax	15,406,488.06	12,351,752.94	3,054,735.12	24.73%
Alcohol beverage tax	2,407,293.15	2,348,970.83	58,322.32	2.48%
Other taxes	4,594,427.34	4,333,282.35	261,144.99	6.03%
Grants and contributions not restricted for Specific purposes	14,540.00	9,800.00	4,740.00	48.37%
Investment earnings	3,643,077.27	3,063,386.78	579,690.49	18.92%
Gain on disposition of capital assets	392,654.89	18,809.95	373,844.94	1,987.49%
Miscellaneous	16,502,487.51	20,093,741.01	(3,591,253.50)	-17.87%
Total Revenues	767,151,944.72	678,544,538.22	88,607,406.50	13.06%
<u>Expenses:</u>				
Instruction	320,255,447.88	314,287,545.79	5,967,902.09	1.9 %
Instructional support	118,485,213.66	94,385,428.68	24,099,784.98	25.53%
Operation and maintenance	58,925,033.41	55,204,277.81	3,720,755.54	6.74%
Auxiliary services	74,181,220.97	50,652,669.62	23,528,551.35	46.45%
General administrative and central support	36,479,515.05	43,178,627.07	(6,699,112.02)	-15.41%
Interest in fiscal charges	9,714,740.40	10,231,054.37	(516,313.97)	-5.05%
Other	19,661,465.78	33,966,463.90	(14,304,998.12)	-42.12%
Total Expenses	637,702,637.15	601,906,067.24	35,796,569.91	5.95%
Change in Net Position	129,449,307.57	76,638,470.98	52,810,836.59	
Net Position - Beginning of Year	(473,868,937.70)	(550,507,408.68)	76,638,470.98	
Net Position - End of Year	(344,419,630.13)	(473,868,937.70)	129,449,307.57	

There was an \$129.4 million increase in net position due to numerous factors including a supplemental state allocation, local revenue increase, and CARES/ESSER funding.

Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2022, was \$637.7 million. It is important to note that not all of these costs were borne by the taxpayers of Mobile County:

- Some of the cost, \$58.0 million, was paid by users who benefited from services provided during the year, such as school lunches, summer school, driver's education instruction, and transfer tuition.
- State and federal governments subsidized certain programs with grants and contributions totaling \$526.4 million.
- Other general revenue sources, such as grants and contributions not restricted for specific programs, interest earnings, sale of surplus property, etc., provided for \$20.6 million in revenues.
- District and local taxpayers financed \$162.1 million of the Board's total costs of \$637.7 million.

Table 3 is a condensed statement taken from the Statement of Activities on Exhibit #2 showing the total cost for providing identified services for five major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	320,255,447.88	38,649,142.44	314,287,545.79	48,823,495.19
Instructional support	118,485,213.66	11,346,971.28	94,385,428.68	16,377,947.98
Operation and maintenance	58,925,033.41	(1,181,863.87)	55,204,277.81	15,622,280.01
Auxiliary services	74,181,220.97	(11,871,252.62)	50,652,669.62	(1,486,271.29)
General administrative and central support	36,479,515.05	7,170,551.69	43,178,627.07	16,881,684.92
Interest in fiscal charges	9,714,740.40	9,714,740.40	10,231,054.37	10,231,054.37
Other	19,661,465.78	(589,561.91)	33,966,463.90	(2,402,772.67)
Total	637,702,637.15	53,238,727.41	601,906,067.24	104,047,418.51

Fund Level Financial Analysis

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements, which begin with Exhibit #3.

Governmental Funds - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on Exhibits #4 and #6.) At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$318.4 million which is a \$167.9 million increase over the prior year.

- Included in this amount is the General Funds nonspendable fund balance of \$1.6 million, restricted fund balance of \$9.9 million, assigned fund balance of \$0.5 million and an unassigned fund balance of \$ 52.8 million totaling \$64.8 million.
- The Special Revenue Fund has a nonspendable fund balance of \$2.5 million, restricted fund balance of \$15.2 million and an assigned fund balance of \$15.6 million totaling \$33.3 million.
- The Capital Projects Fund has a nonspendable fund balance of \$1.8 million, restricted fund balance of \$70.7 million and an assigned fund balance of \$1.8, totaling \$74.3 million.
- The Debt Service Fund ended the year with a restricted fund balance of \$145.9 million.

General Fund - The general fund is the primary operating fund of the Board. There was a \$31.4 million net increase in the general fund balance this year as a result of operations. This was due to numerous factors including a supplemental state allocation, local revenue increase, and CARES/ESSER funding.

Overall, the Board's governmental funds had a \$167.9 million increase for the fiscal year.

Budgetary Highlights

As mandated by the State of Alabama, the Board submits to Alabama State Department of Education a balanced budget reflecting the projected Revenues and Expenditures plan for their use prior to the fiscal year commencing October 1 of every year. The original budget was amended twice during the year to reflect any materialistic changes in revenues and expenditures.

General Fund – The comparison of the original General Fund budget to the final amended budget is comprised of two amendments.

Amendment #1 was prepared to reflect the availability of carryover funds and any new funding received after the original budget.

Amendment #2 was prepared to reflect Summer School activity and additional funds received after the first amendment.

Prior to the entries made to convert to the modified accrual basis of accounting, the final budget of General Fund expenditures varies less than three percent from the actual operating activity for fiscal year 2022. Ad valorem revenues were above the prior year. The local revenue increase coupled with the supplemental state allocation and decreased expenditures due to COVID closing and CARES funding allowed the board to end the year with a significant fund balance increase.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities for the year ended September 30, 2022, amounted to \$147.2 million, net of accumulated depreciation and debt related to the acquisition of the assets. The Board's investment in capital assets includes land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, and construction in progress, and is shown in *Table 4*.

Table 4: Capital Assets (net of accumulated depreciation)

	2022	2021
Land and Improvements	15,116,526.95	15,000,386.00
Buildings and Improvements	448,288,753.34	456,259,662.35
Equipment and Furniture	32,033,635.32	22,754,718.45
Capital Lease Equipment		10,135,594.78
Construction in Progress	39,834,698.12	19,203,462.35
Total	535,273,613.73	523,353,823.93

Net capital assets increased slightly for the 2022 fiscal year. The Board expended available resources to acquire \$37.6 million in capital asset additions during the year. The additions are reduced by the current year's depreciation expense of \$20.1 million. Additional information on the Board's capital assets is presented in the notes to the basic financial statements.

Long-Term Debt - At year-end, the Board had \$1.051 billion in general obligation bonds and other long-term debt outstanding. This is a decrease of 8.74 percent in debt from last year, as shown in *Table 5* below.

**Table 5: Outstanding Long-Term Debt
Fiscal Year Ended September 30, 2022**

	Beginning Balance	Net Change	Ending Balance
<u>Bonds and Warrants Payable:</u>			
Bonds and Warrants Payable	25,415,000.00	-	25,415,000.00
Warrant Anticipation Notes	253,195,977.53	84,673,939.30	337,869,916.83
Unamortized Premium	17,665,473.29	12,193,226.99	29,858,700.28
Total Bonds and Notes Payable	296,276,450.82	96,867,166.29	393,143,617.11
<u>Other Liabilities:</u>			
Notes from Direct Borrowing	5,935,334.57	(1,972,538.18)	3,962,796.39
Compensated Absences	5,741,545.34	(253,651.84)	5,487,893.50
Net Pension Liability	518,336,000.00	(124,556,000.00)	393,780,000.00
Net OPEB Liability	325,912,829.00	(70,821,824.00)	255,091,005.00
Total Other Liabilities	855,925,708.91	(197,604,014.02)	658,321,694.89
Governmental Activities Long-Term Debt	1,152,202,159.73	(100,736,847.73)	1,051,465,312.00

Long-term debt activity for the year consisted of the following:

- The board continued to pay down its general obligation bonded debt issued/refunded in 2009, 2010, 2012, and 2016.
- The board refunded its general obligation bonded debt issued in 2012 and issued new bonded debt for \$96.7 million.
- Overall the outstanding long-term debt decreased as a result of reporting the board's portion of the pension liability and the other post-employment benefits (OPEB) liability.

(More detailed information about the Board's long-term liabilities is presented in the notes to the basic financial statements.)

Economic Factors and Fiscal Year 2023 Budget

As of this Management Discussion and Analysis (MD&A) Report, communication from the county revenue commissioner has indicated that property tax collections are expected to increase during the 2023 fiscal year.

Although local revenues are expected to increase, the cost of operations continues to increase and the system will continue cost savings efforts.

Airbus continues to make a significant contribution to the Mobile economy. Mobile is the fourth city in the world and the only U.S. city to assemble the A320 aircraft family. Last year, Airbus completed its 270,000-square-foot hangar constructed to produce the A220 family of aircraft. Mobile is the only city in the world outside of Mirabel (Quebec) Canada, where A220 aircraft are produced.

Austal USA remains a major contributor to the local economy. Further increasing its growing steel and aluminum shipbuilding portfolio, Austal USA has expanded its buildings and existing dry dock along the Mobile River. This past fall, the U.S. Navy awarded a \$144 million contract for two towing, salvage and rescue ships (T-ATS).

In February, AM/NS Calvert held a groundbreaking to launch a \$775 million project to construct a new steelmaking facility at its existing production site.

AutoMOBILE International Terminal opened a new \$60 million automobile roll-on/roll-off terminal at the Port of Mobile. Creating a new U.S. gateway for shipping finished automobiles domestically and globally. The facility has the capacity to process 150,000 units annually.

Mobile is home to both a Wal-Mart and Amazon distribution center. There are other companies with upcoming expansions that will add jobs such as Coca-Cola Bottler and Worthington Industries.

Other economic factors pertaining to Mobile County are:

- The unemployment rate in Mobile County as of September 2022 was 3.1 percent, which is a decrease from last year's rate of 4.1 percent. Mobile County's unemployment is above the state average of 2.5 percent and is above the national average of 3.5 percent.
- The population in Mobile County as of the 2020 census, was 414,809, which is a slight increase over the 2010 census.
- A positive economic factor for Mobile County is its strategic location, tremendous infrastructure and economic diversification. Mobile is the largest metropolitan area along the Gulf of Mexico between New Orleans, Louisiana and Tampa, Florida. Mobile has two interstate systems, two airports, and five major railroads. Mobile's businesses make it a center for finance, health care, education, manufacturing, transportation, construction, distribution, retail trade and technology.
- A few interesting notes about the Mobile water economy: the Mobile-Tensaw River Delta is the second largest in the U.S.; Mobile Bay is the fourth largest estuary in the nation; and Mobile Bay holds the second largest natural gas reserve in the world.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lori Zirlott, Chief School Financial Officer, at the Mobile County Board of School Commissioners, 1 Magnum Pass Mobile, AL 36618, or by calling (251) 221-4434 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:30 p.m., central standard time. The Board's website is located at <http://www.mcpss.com>.

Basic Financial Statements

Statement of Net Position ***September 30, 2022***

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 194,626,715.37
Investments	71,753.97
Ad Valorem Property Taxes Receivable	129,992,306.94
Receivables (Note 4)	40,760,592.05
Inventories	4,860,381.23
Restricted Assets - Cash with Fiscal Agent	145,933,779.84
Prepaid Items	978,940.46
Capital Assets (Note 5):	
Nondepreciable	48,869,799.04
Depreciable, Net	486,403,814.69
Total Assets	<u>1,052,498,083.59</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	9,078,108.57
Employer Pension Contribution	38,325,363.55
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	65,084,000.00
Employer Other Postemployment Benefit (OPEB) Contribution	10,130,851.00
Proportionate Share of Collective Deferred Outflows Related to Net Other	
Postemployment Benefits (OPEB) Liability	103,213,610.00
Total Deferred Outflows of Resources	<u>225,831,933.12</u>
<u>Liabilities</u>	
Payables (Note 8)	6,135,438.14
Accrued Interest Payable	1,245,879.26
Unearned Revenue	2,482,290.46
Salaries and Benefits Payable	56,400,772.54
Long-Term Liabilities (Note 9):	
Portion Payable Within One Year:	
Bonds/Warrants Payable	13,553,464.73
Notes from Direct Borrowings	1,927,508.20
Plus: Unamortized Premium	2,295,201.17
Liability for Compensated Absences	381,644.82
Portion Payable After One Year:	
Bonds/Warrants Payable	326,596,452.10
Tax Credit Warrants	23,135,000.00
Notes from Direct Borrowings	2,035,288.19
Plus: Unamortized Premium	27,563,499.11
Net Pension Liability	393,780,000.00
Net Other Postemployment Benefit (OPEB) Liability	255,091,005.00
Liability for Compensated Absences	5,106,248.68
Total Liabilities	<u>\$ 1,117,729,692.40</u>

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

	Governmental Activities
<hr/>	
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 129,992,306.94
Revenue Received in Advance - Motor Vehicle Taxes	3,601,037.50
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	129,399,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefit (OPEB) Liability	242,027,610.00
Total Deferred Inflows of Resources	<u>505,019,954.44</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	147,245,308.80
Restricted for:	
Capital Projects	70,736,819.07
Debt Service	144,687,900.58
Other Purposes	29,149,661.49
Unrestricted	<u>(736,239,320.07)</u>
Total Net Position	<u><u>\$ (344,419,630.13)</u></u>

Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities						
Instruction	\$ 320,255,447.88	\$ 6,930,819.87	\$ 269,680,047.56	\$ 4,995,438.01	\$	(38,649,142.44)
Instructional Support	118,485,213.66	5,043,667.82	102,044,593.99	49,980.57		(11,346,971.28)
Operation and Maintenance	58,925,033.41	1,175,247.15	38,925,316.02	20,006,334.11		1,181,863.87
Auxiliary Services:						
Student Transportation	36,905,017.59	2,570,595.90	33,425,272.09	4,768,449.00		3,859,299.40
Food Services	37,276,203.38	40,121,462.17	5,166,694.43			8,011,953.22
General Administrative and Central Support	36,479,515.05	634,520.99	25,347,253.53	3,327,188.84		(7,170,551.69)
Interest and Fiscal Charges	9,714,740.40					(9,714,740.40)
Other Expenses	19,661,465.78	1,541,620.75	18,709,406.94			589,561.91
Total Governmental Activities	<u>\$ 637,702,637.15</u>	<u>\$ 58,017,934.65</u>	<u>\$ 493,298,584.56</u>	<u>\$ 33,147,390.53</u>		<u>(53,238,727.41)</u>
General Revenues:						
Taxes:						
Property Taxes for General Purposes						101,294,716.74
Property Taxes for Specific Purposes						38,432,350.02
Local Sales Tax						15,406,488.06
Alcohol Beverage Tax						2,407,293.15
Other Taxes						4,594,427.34
Grants and Contributions Not Restricted for Specific Programs						14,540.00
Investment Earnings						3,643,077.27
Gain on Disposition of Capital Assets						392,654.89
Miscellaneous						16,502,487.51
Total General Revenues						<u>182,688,034.98</u>
Changes in Net Position						129,449,307.57
Net Position - Beginning of Year						<u>(473,868,937.70)</u>
Net Position - End of Year					\$	<u>(344,419,630.13)</u>

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

Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 94,454,518.95	\$ 33,335,392.27	\$	\$ 66,836,804.15	\$ 194,626,715.37
Cash with Fiscal Agent			145,933,779.84		145,933,779.84
Investments		71,753.97			71,753.97
Ad Valorem Property Taxes Receivable	95,198,355.66			34,793,951.28	129,992,306.94
Receivables (Note 4)	6,157,367.13	34,102,792.01		500,432.91	40,760,592.05
Interfund Receivables	30,602,236.48	746,954.66		7,667,505.66	39,016,696.80
Inventories	790,472.81	2,447,591.75		1,622,316.67	4,860,381.23
Prepaid Items	834,626.69			144,313.77	978,940.46
Total Assets	228,037,577.72	70,704,484.66	145,933,779.84	111,565,324.44	556,241,166.66
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables (Note 8)	2,483,409.73	2,615,284.94		1,036,743.47	6,135,438.14
Interfund Payables	6,495,173.89	32,464,457.39		57,065.52	39,016,696.80
Unearned Revenue	1,824,742.27	657,548.19			2,482,290.46
Salaries and Benefits Payable	54,712,802.81	1,687,969.73			56,400,772.54
Liability for Compensated Absences	230,000.00				230,000.00
Total Liabilities	65,746,128.70	37,425,260.25		1,093,808.99	104,265,197.94
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	95,198,355.66			34,793,951.28	129,992,306.94
Revenue Received in Advance - Motor Vehicle Taxes	2,251,856.09			1,349,181.41	3,601,037.50
Total Deferred Inflows of Resources	97,450,211.75			36,143,132.69	133,593,344.44
Fund Balances					
Nonspendable:					
Inventories	790,472.81	2,447,591.75		1,622,316.67	4,860,381.23
Prepaid Items	834,626.69			144,313.77	978,940.46
Restricted for:					
Debt Service			145,933,779.84		145,933,779.84
Capital Projects				69,203,914.41	69,203,914.41
Child Nutrition Program		12,707,348.93			12,707,348.93
Fleet Renewal				1,532,904.66	1,532,904.66
Other Purposes	9,873,494.91	2,498,909.23			12,372,404.14
Assigned to:					
Local Schools		15,411,523.92			15,411,523.92
Capital Projects				1,824,933.25	1,824,933.25
Other Purposes	500,000.00	213,850.58			713,850.58
Unassigned	52,842,642.86				52,842,642.86
Total Fund Balances	64,841,237.27	33,279,224.41	145,933,779.84	74,328,382.76	318,382,624.28
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$228,037,577.72	\$ 70,704,484.66	\$ 145,933,779.84	\$ 111,565,324.44	\$ 556,241,166.66

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2022***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 318,382,624.28

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds.

The Cost of Capital Assets is	\$ 950,437,951.70	
Accumulated Depreciation is	<u>(415,164,337.97)</u>	
		535,273,613.73

Losses on refunding of debt are reported as deferred outflows of resources and
are not available to pay for current period expenditures and therefore are
deferred on the Statement of Net Position. 9,078,108.57

Deferred outflows and deferred inflows of resources related to pensions are applicable
to future periods and, therefore, are not reported in the governmental funds. (25,989,636.45)

Deferred outflows and deferred inflows of resources related to Other Postemployment
Benefits (OPEB) obligations are applicable to future periods and, therefore, are not
reported in the governmental funds. (128,683,149.00)

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

Current Portion of Long-Term Debt	\$ 17,927,818.92	
Noncurrent Portion of Long-Term Debt	<u>1,033,307,493.08</u>	
		(1,051,235,312.00)

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

Accrued Interest Payable	<u>(1,245,879.26)</u>
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Total Net Position - Governmental Activities (Exhibit 1) \$ (344,419,630.13)

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
State	\$ 343,116,499.86	\$ 10,000.00	\$	\$ 33,110,358.53	\$ 376,236,858.39
Federal	14,540.00	187,346,603.63			187,361,143.63
Local	134,316,750.13	16,447,744.26	1,697,540.87	38,741,668.41	191,203,703.67
Other	3,038,049.07	5,557,273.10	593,167.04		9,188,489.21
Total Revenues	480,485,839.06	209,361,620.99	2,290,707.91	71,852,026.94	763,990,194.90
Expenditures					
Current:					
Instruction	267,251,242.17	65,284,948.34		183,185.56	332,719,376.07
Instructional Support	73,343,767.87	52,179,598.70		89,705.55	125,613,072.12
Operation and Maintenance	49,420,716.45	3,228,116.93		9,215,134.30	61,863,967.68
Auxiliary Services:					
Student Transportation	33,499,042.46	1,997,753.16			35,496,795.62
Food Services	2,725.78	42,297,135.49			42,299,861.27
General Administrative and Central Support	24,394,570.44	15,546,915.29	1,593,654.06	4,302,904.86	45,838,044.65
Other	6,043,924.68	15,679,726.00			21,723,650.68
Capital Outlay	2,772,723.86	5,448,496.33		23,784,938.50	32,006,158.69
Debt Service:					
Principal Retirement	341,628.62		10,280,000.00	3,951,970.26	14,573,598.88
Interest and Fiscal Charges	21,065.62		10,030,687.97	413,222.55	10,464,976.14
Debt Issuance Costs/Other Debt Service				49,650.00	49,650.00
Total Expenditures	457,091,407.95	201,662,690.24	21,904,342.03	41,990,711.58	722,649,151.80
Excess (Deficiency) of Revenues Over Expenditures	23,394,431.11	7,698,930.75	(19,613,634.12)	29,861,315.36	41,341,043.10
Other Financing Sources (Uses)					
Indirect Cost	12,260,851.67				12,260,851.67
Proceeds from Issuance of Long-Term Debt			165,610,000.00	9,500,000.00	175,110,000.00
Premiums on Long-Term Debt Issued			14,109,290.75		14,109,290.75
Transfers In	2,245,656.37	6,661,640.95	23,515,372.09	1,100,005.99	33,522,675.40
Other Financing Sources	276,632.38			2,492,462.55	2,769,094.93
Sale of Capital Assets	362,544.18			40,000.00	402,544.18
Transfers Out	(7,167,615.89)	(1,995,656.37)	(594,031.05)	(23,765,372.09)	(33,522,675.40)
Payment to Refunding Escrow Agent			(78,119,580.44)		(78,119,580.44)
Total Other Financing Sources (Uses)	7,978,068.71	4,665,984.58	124,521,051.35	(10,632,903.55)	126,532,201.09
Net Changes in Fund Balances	31,372,499.82	12,364,915.33	104,907,417.23	19,228,411.81	167,873,244.19
Fund Balances - Beginning of Year	33,468,737.45	20,914,309.08	41,026,362.61	55,099,970.95	150,509,380.09
Fund Balances - End of Year	\$ 64,841,237.27	\$ 33,279,224.41	\$ 145,933,779.84	\$ 74,328,382.76	\$ 318,382,624.28

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

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 167,873,244.19

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

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

Capital Outlays	\$ 32,006,158.69	
Depreciation Expense	<u>(20,076,479.60)</u>	11,929,679.09

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. 14,573,598.88

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 78,119,580.44

Proceeds from the issuance of debt are reported as other financing sources in governmental funds and thus contributes to the change in fund balance. However, in the Statement of Net Position, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (175,110,000.00)

Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (14,109,290.75)

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

Proceeds from Sale of Capital Assets	\$ (402,544.18)	
Gain on Disposition of Capital Assets	<u>392,654.89</u>	(9,889.29)

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

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

Accrued Interest Payable, Current Year Decrease	\$	(62,419.90)	
Compensated Absences, Current Year Decrease in Noncurrent Portion		(253,651.84)	
Amortization of Premiums/Loss on Refunding		(737,465.84)	
Pension Expense, Current Year Decrease		(12,133,743.43)	
Other Postemployment Benefits (OPEB) Expense, Current Year Decrease		<u>(32,995,104.00)</u>	
			<u>46,182,385.01</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 129,449,307.57</u></u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The proceeds from the county sales tax that are to be used exclusively for capital improvement, capital construction and maintenance purposes are also accounted for and reported in this fund. Some of the significant funding sources include the funds that are received for capital projects such as the Public School Fund – Capital Outlay, State Paid on Behalf, Fleet Renewal, and Special County Ad Valorem funding sources. Also, included in this fund are Alabama Department of Education appropriations which are restricted to their use.

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

3. Inventories

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

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 years

7. Deferred Outflows of Resources

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

8. Long-Term Obligations

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

9. Compensated Absences

The Board's annual leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn annual leave.

Annual leave for current twelve-month employees (240 days), those assigned or hired prior to July 1, 1999, accrues in accordance with the following policy:

An employee with 119 months of service or less accrues annual leave at a rate of ten (10) days per year. An employee with 120 months of service or more accrues annual leave at a rate of fifteen (15) days per year.

Newly hired or transferred twelve-month employees (260 days) are those assigned after June 30, 1999. The 260-day employees will accrue annual leave at a rate of five (5) days per year until they have twelve (12) months of service, when it increases to ten (10) days per year.

Annual leave will be fifteen (15) days per year after 120 months of service and twenty (20) days per year after 240 months of service.

A maximum of forty-five (45) days of annual leave may be accumulated and paid upon retirement or termination of service.

For twelve-month employees, effective June 30, 2003, any annual leave in excess of forty-five (45) days shall become sick leave days and may be used as sick leave or accumulated for purposes of retirement, subject to the Retirement Systems of Alabama (RSA) rules at the time of retirement.

10. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

11. Net Position/Fund Balances

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

E. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

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

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

B. Deficit Net Position

As of September 30, 2022, the government-wide financial statements reported a deficit net position of \$344,419,630.13. The deficit in net position is due to the implementation of GASB Statement 68, relating to Pensions, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 3 – Deposits and Investments

A. Deposits

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

The Board has \$71,753.97 of its funds 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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

B. Cash with Fiscal Agent

The Board has deposits totaling \$145,933,779.84 in the Debt Service Fund which are shown as cash with fiscal agents on the fund financial statements and restricted assets on the governmental-wide financial statements. Cash with fiscal agent includes \$17,102,403.60 of Qualified School Construction Bonds Series 2009-TC (Tax Credit Warrants) and \$15,240,812.70 of Series 2010 Qualified School Construction Bonds that are held as non-marketable securities for future debt payments, and \$13,563,651.34 of Series 2011 Qualified Zone Academy Bonds that are held by the State of Alabama for future debt payments. The funds are recorded by the Board as cash with fiscal agent in the Debt Service Fund. The remaining funds are invested in short-term money market funds and amounts in excess of FDIC coverage are required by the provisions of the bond covenant to be invested in federal securities. The remaining amounts on deposit with fiscal agents are invested as shown below:

Investment Type	Maturity	Rating	Amortized Cost
Morgan Stanley Institutional Liquidity Fund Treasury Portfolio	90 days or Less	AAAm	\$ 9,320.59
Fidelity Money Market Treasury Portfolio	90 days or Less	AAAm	100,017,591.61
Total			<u>\$100,026,912.20</u>

Fair Value Measurement

The Board categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board 72 standard. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quote prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Board's fair value measurements totaling \$32,343,216.30 as of September 30, 2022, are valued based on an independent vendor service (Level 1 inputs).

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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating, if applicable and available, is presented in the table of investments. The Board has no policy on credit risk.

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.

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

Note 4 – Receivables

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<u>Receivables:</u>				
Accounts	\$2,232,709.13	\$ 5,519,230.80	\$492,029.97	\$ 8,243,969.90
Intergovernmental	3,924,147.31	28,583,561.21	8,402.94	32,516,111.46
Other	510.69			510.69
Total Receivables	<u>\$6,157,367.13</u>	<u>\$34,102,792.01</u>	<u>\$500,432.91</u>	<u>\$40,760,592.05</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/01/2021 (*)	Additions/ Reclassifications (**)	Retirements/ Reclassifications (**)	Balance 09/30/2022
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,035,100.92	\$	\$	\$ 9,035,100.92
Construction in Progress	19,203,462.35	26,250,649.30	(5,619,413.53)	39,834,698.12
Total Capital Assets, Not Being Depreciated	28,238,563.27	26,250,649.30	(5,619,413.53)	48,869,799.04
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	11,938,844.03	721,439.68		12,660,283.71
Buildings	541,682,592.27	3,804,120.89		545,486,713.16
Buildings Improvements	241,356,920.61	1,093,852.96		242,450,773.57
Equipment and Vehicles	99,582,370.15	5,755,509.39	(4,367,497.32)	100,970,382.22
Total Capital Assets Being Depreciated	894,560,727.06	11,374,922.92	(4,367,497.32)	901,568,152.66
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	(5,973,558.95)	(605,298.73)		(6,578,857.68)
Buildings	(276,197,154.22)	(8,030,805.92)		(284,227,960.14)
Buildings Improvements	(50,582,696.31)	(4,838,076.94)		(55,420,773.25)
Equipment and Vehicles	(66,692,056.92)	(6,602,298.01)	4,357,608.03	(68,936,746.90)
Total Accumulated Depreciation	(399,445,466.40)	(20,076,479.60)	4,357,608.03	(415,164,337.97)
Total Capital Assets Being Depreciated, Net	495,115,260.66	(8,701,556.68)	(9,889.29)	486,403,814.69
Governmental Activities Capital Assets, Net	\$ 523,353,823.93	\$ 17,549,092.62	\$(5,629,302.82)	\$ 535,273,613.73
(*) Beginning capital assets previously reported as Assets Under Capital Lease totaling \$24,987,615.50 were reclassified to Equipment and Vehicles. This reclassification was made due to the implementation of GASB Statement Number 87, Leases during fiscal year ending September 30, 2022. Also, the remaining amount of \$8,178,671.96 was reclassified from Assets Under Capital Lease to Equipment and Vehicles due to classification error in prior years.				
(**) Included in the "Additions/Reclassifications" and the "Retirements/Reclassifications" amounts above are reclassifications in the amount of \$5,619,413.53 from Construction in Progress to Building Improvements, Buildings, Land Improvements in the amounts of \$1,093,852.96, \$3,804,120.89 and \$721,439.68, respectively.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$12,728,565.37
Instructional Support	7,574.50
Operation and Maintenance	325,361.53
Auxiliary Services – Transportation	5,449,736.22
Auxiliary Services – Food Services	545,705.12
General Administrative and Central Support	1,018,375.16
Other	1,161.70
Total Depreciation Expense – Governmental Activities	\$20,076,479.60

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

B. Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. 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. 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 30th, are paid to a qualified beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2022

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.43% of annual pay for Tier 1 members and 11.32% 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 \$38,325,363.55 for the year ended September 30, 2022.

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

At September 30, 2022, the Board reported a liability of \$393,780,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Board's proportion was 4.18011%, which was a decrease of 0.010270% from its proportion measured as of September 30, 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2022

For the year ended September 30, 2022, the Board recognized pension expense/income of \$26,282,000.00. At September 30, 2022, 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	\$ 18,232,000.00	\$ 22,943,000.00
Changes of Assumptions	41,335,000.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		92,951,000.00
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	5,517,000.00	13,505,000.00
Employer Contributions Subsequent to the Measurement Date	38,325,363.55	
Total	\$103,409,363.55	\$129,399,000.00

The \$38,325,363.55 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2023	\$ (9,782)
2024	\$ (7,451)
2025	\$(19,772)
2026	\$(27,310)
2027	\$ 0
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2022

E. Actuarial Assumptions

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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:

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

F. Discount Rate

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's Proportionate Share of Collective Net Pension Liability	\$579,607	\$393,780	\$237,267
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB Statement Number 68 as of September 30, 2021, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and dependents are eligible for 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. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Group Medicare Advantage plan replaced the UHC contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by Humana and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Notes to the Financial Statements

For the Year Ended September 30, 2022

C. Contributions

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

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

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

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

At September 30, 2022, the Board reported a liability of \$255,091,005.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Board's proportion was 4.937105%, which was a decrease of 0.084772% from its proportion measured as of September 30, 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2022

For the year ended September 30, 2022, the Board recognized OPEB income of \$22,872,484.00 with no special funding situations. At September 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,035,461.00	\$ 88,746,635.00
Changes of assumptions	90,848,194.00	98,875,459.00
Net difference between projected and actual earnings on OPEB plan investments		7,957,180.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,329,955.00	46,448,336.00
Employer contributions subsequent to the measurement date	10,130,850.67	
Total	\$113,344,460.67	\$242,027,610.00

The \$10,130,850.67 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

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

Year Ending:	
September 30, 2023	\$(44,305,511)
2024	\$(35,894,008)
2025	\$(37,740,777)
2026	\$ (7,959,276)
2027	\$ (4,800,743)
Thereafter	\$ (8,113,685)

Notes to the Financial Statements

For the Year Ended September 30, 2022

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, 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	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate the Measurement Date	3.97%
Single Equivalent Interest Rate the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025
(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 2022.	

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning with the year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Active Members	Teacher Employee-Below Median	None	65%
Service Retirees	Teacher 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
Disable Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

Notes to the Financial Statements

For the Year Ended September 30, 2022

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, 2020 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 weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

Notes to the Financial Statements

For the Year Ended September 30, 2022

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2021, was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021, and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group until reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of the collective net OPEB liability	\$200,162,940	\$255,091,005	\$325,860,497

Notes to the Financial Statements

For the Year Ended September 30, 2022

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Board's proportionate share of the collective net OPEB liability	\$313,773,212	\$255,091,005	\$208,021,388

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Payables

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

	Accounts Payable	Intergovernmental Payables	Other Payables	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$2,368,413.46	\$113,358.27	\$1,638.00	\$2,483,409.73
Special Revenue Fund	2,615,284.94			2,615,284.94
Capital Projects Fund	1,036,743.47			1,036,743.47
Total Governmental Activities	<u>\$6,020,441.87</u>	<u>\$113,358.27</u>	<u>\$1,638.00</u>	<u>\$6,135,438.14</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 9 – Long-Term Debt

On June 2, 2011, the Alabama Public School and College Authority (the “Authority”) issued the Series 2011 Qualified Zone Academy Bonds (the “Warrant”) Capital Outlay Pool Warrant on behalf of various Boards of Education in the State. The Warrant was issued for the purpose of rehabilitating or repairing the public school facility in which the academy is established and providing equipment for use at such academy. The Board had a 38.612% participation in the warrants resulting in the Board’s share of principal, issuance costs, and net proceeds of \$19,796,745.00, \$74,068.49, and \$19,722,676.51, respectively. The Board is required to make sinking fund deposits of \$991,730.08 on May 1 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the warrants upon maturity and are pledged to pay the debt service requirements of the warrants. This Warrant will be payable solely out of and secured by the annual amounts of Public School Fund Capital Purchase Funds. In the event of default of the terms and conditions of the agreement, remedies may be subject to (1) withholding all PSF Capital Purchase Funds entitled to the Board, (2) file suit to enjoin any acts which may be unlawful and (3) enforce any other action at law or in equity.

On October 1, 2010, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds Series 2010 (Taxable-Direct Subsidy QSCB) in the amount of \$25,415,000.00 with an interest rate of 4.95%. The Warrants were issued for the purposes of providing funding to finance the construction, rehabilitation, or repair of public school facilities. The Board is required to make sinking fund deposits of \$1,107,009.92 on October 20 in each year for seventeen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund payments are payable from and secured by a pledge of the Board’s special tax proceeds (the One-Half Cent Sales Tax) levied annually for public school purposes. The Board will receive Subsidy Payments from the United States Treasury in connection with the amount of interest payable. The Subsidy Payments are to be paid to the Board and may be used by the Board for any lawful purpose, including debt service on the Warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2022

On December 15, 2009, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds Series 2009-TC (Tax Credit Warrants) in the amount of \$23,135,000.00 with a tax credit rate of 5.68% and interest rate of 2.07%. The Board is required to make sinking fund deposits of \$1,106,315.00 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's special tax proceeds (the Twelve Mill Tax) levied annually for public school purposes.

On September 1, 2012, the Mobile County Board of School Commissioners issued Capital Outlay School Warrants Series 2012 in the amount of \$100,900,000.00. The Warrants were issued for the purpose of acquiring and constructing various capital improvements to the educational facilities of the Board. The Capital Outlay School Warrants, Series 2012 was refunded by the Special Tax School Warrants, Series 2022 during the 2022 fiscal year.

On March 2, 2016, the Mobile County Board of School Commissioners issued Public School Refunding Warrants Series 2016-A in the amount of \$54,855,000.00. The Warrants were issued for the purpose of current refunding the Limited Obligation Bonds, Series 2006, and paying the expenses of issuing the Series 2016-A Warrants.

On March 2, 2016, the Mobile County Board of School Commissioners issued Public School Refunding Warrants Series 2016-B in the amount of \$80,825,000.00. The Warrants were issued for the purpose of advance refunding a portion of the Limited Obligation School Bonds, Series 2009-A; a portion of the Limited Obligation School Bonds, Series 2009-B and paying the expenses of issuing the Series 2016-B Warrants.

On November 15, 2017, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2017 in the amount of \$8,200,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants.

On October 4, 2019, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2019 in the amount of \$8,030,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2022

On October 2, 2020, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2020 in the amount of \$8,000,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants.

On October 1, 2021, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2021-2022 in the amount of \$36,000,000.00. The Warrants were issued to provide funds deemed necessary for the administration and operation of the Board during fiscal year 2022. The Warrant evidences a line of credit. The Board did not draw down any funds from the Warrant. The line of credit expired on September 30, 2022.

On March 23, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022 in the amount of \$68,890,000.00. The Warrants were issued for the purposes of refunding the cost of Capital Outlay School Warrants, Series 2012, and paying the expenses of issuing the Series 2022 Warrants. Upon the occurrence and continuance of a default or an event of default with respect to the Warrants, Build America Mutual Assurance Company (BAM) will be deemed to be the sole holder of the Warrants for all purposes and will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Warrants or to the Bank.

On August 31, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022-B in the amount of \$96,720,000.00. The Warrants were issued for the purposes of providing funds for various public school capital improvements and paying the expenses of issuing the Series 2022-B Warrants. Upon the occurrence and continuance of a default or an event of default with respect to the Warrants, Build America Mutual Assurance Company (BAM) will be deemed to be the sole holder of the Warrants for all purposes and will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Warrants or to the Bank.

On September 15, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022-C in the amount of \$9,500,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2022

The following is a summary of long-term obligations for the Board for the year ended September 30, 2022:

	Debt Outstanding 10/01/2021 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable:					
2009 Tax Credit Warrants	\$ 23,135,000.00	\$	\$	\$ 23,135,000.00	\$
2010 Qualified School Construction Bonds	25,415,000.00			25,415,000.00	
2011 Qualified Zone Academy Bonds	19,796,745.00			19,796,745.00	
Capital Outlay School Warrants, Series 2012	80,535,000.00		(80,535,000.00)		
School Refunding Warrants, Series 2016-A	41,275,000.00		(3,200,000.00)	38,075,000.00	3,380,000.00
School Refunding Warrants, Series 2016-B	69,555,000.00		(4,380,000.00)	65,175,000.00	4,595,000.00
Special Tax School Warrants, Series 2017	5,041,231.55		(796,808.27)	4,244,423.28	813,692.87
Special Tax School Warrants, Series 2019	6,614,611.53		(762,489.80)	5,852,121.73	777,623.94
Special Tax School Warrants, Series 2020	7,243,389.45		(761,762.63)	6,481,626.82	772,187.42
Special Tax School Warrants, Series 2022		68,890,000.00		68,890,000.00	2,380,000.00
Special Tax School Warrants, Series 2022-B		96,720,000.00		96,720,000.00	
Special Tax School Warrants, Series 2022-C		9,500,000.00		9,500,000.00	834,960.50
Sub-Total Bonds/Warrants Payable	278,610,977.53	175,110,000.00	(90,436,060.70)	363,284,916.83	13,553,464.73
Unamortized Premium	17,665,473.29	14,109,290.75	(1,916,063.76)	29,858,700.28	2,295,201.17
Total Bonds and Warrants Payable, Net	296,276,450.82	189,219,290.75	(92,352,124.46)	393,143,617.11	15,848,665.90
Other Liabilities:					
Notes from Direct Borrowing	5,935,334.57		(1,972,538.18)	3,962,796.39	1,927,508.20
Compensated Absences	5,741,545.34		(253,651.84)	5,487,893.50	381,644.82
Net Pension Liability	518,336,000.00		(124,556,000.00)	393,780,000.00	
OPEB Liability	325,912,829.00		(70,821,824.00)	255,091,005.00	
Total Governmental Activities Long-Term Liabilities	\$1,152,202,159.73	\$189,219,290.75	\$(289,956,138.48)	\$1,051,465,312.00	\$18,157,818.92
(*) Debt outstanding at October 1, 2021 previously reported as Capital Leases were reclassified as Notes from Direct Borrowing. This reclassification was made due to the implementation of GASB Statement Number 87, Leases during fiscal year ending September 20, 2022. Also, the remaining balance of the Special Tax School Warrants, Series 2017, in the amount of \$5,041,231.55 was reclassified from Capital Leases to Bonds and Warrants Payable due to prior period errors.					

Notes to the Financial Statements

For the Year Ended September 30, 2022

Payments on the Series 2009-TC, 2010 QSCB, 2011 QZAB, Series 2016-A and Series 2016-B Public School Refunding Warrants, Special Tax School Warrants, Series 2022 and Series 2022-B are made by the Debt Service Fund (transferred from the Capital Projects Fund) with property taxes. Payments on the Special Tax School Warrants, Series 2017, Series 2019, Series 2020 and Series 2022-C are made by the Capital Projects Fund with fleet renewal funds. The obligations under Notes from Direct Borrowings are made by the Capital Projects Fund with fleet renewal funds and the General Fund with local funds. The compensated absences liability will be liquidated by the General Fund.

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

Fiscal Year Ending	Series 2009 Tax Credit Warrants		2010 QSCB		2011 QZAB	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2023	\$	\$ 478,894.52	\$	\$1,258,042.50	\$	\$ 991,730.08
2024	7,680,000.00	359,662.52		1,258,042.50		991,730.08
2025	7,680,000.00	200,686.52		1,258,042.50		991,730.08
2026	7,775,000.00	40,235.63		1,258,042.50	19,796,745.00	991,730.08
2027			25,415,000.00	1,258,042.50		
2028-2032						
2033-2037						
2038-2042						
2043-2047						
2048-2052						
Total	\$23,135,000.00	\$1,079,479.19	\$25,415,000.00	\$6,290,212.50	\$19,796,745.00	\$3,966,920.32

Fiscal Year Ending	Special Tax School Warrants Series 2019		Special Tax School Warrants Series 2020		Special Tax School Warrants Series 2022	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2023	\$ 777,623.94	\$108,125.51	\$ 772,187.42	\$ 83,348.63	\$ 2,380,000.00	\$ 2,932,850.00
2024	793,058.45	92,690.98	782,754.88	72,781.18	2,265,000.00	2,839,950.00
2025	808,799.33	76,950.12	793,466.97	62,069.11	2,355,000.00	2,735,775.00
2026	824,852.62	60,896.84	804,325.62	51,210.42	2,475,000.00	2,615,025.00
2027	841,224.56	44,524.89	815,332.90	40,203.15	2,595,000.00	2,488,275.00
2028-2032	1,806,562.83	38,748.55	2,513,559.03	53,049.16	15,060,000.00	10,308,250.00
2033-2037					18,835,000.00	6,527,300.00
2038-2042					22,925,000.00	2,364,700.00
2043-2047						
2048-2052						
Total	\$5,852,121.73	\$421,936.89	\$6,481,626.82	\$362,661.65	\$68,890,000.00	\$32,812,125.00

Notes to the Financial Statements

For the Year Ended September 30, 2022

Capital Outlay School Warrants Series 2016-A		Capital Outlay School Warrants Series 2016-B		Special Tax School Warrants Series 2017	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 3,380,000.00	\$1,819,250.00	\$ 4,595,000.00	\$ 3,143,875.00	\$ 813,692.87	\$ 89,940.50
3,565,000.00	1,645,625.00	4,825,000.00	2,908,375.00	830,935.24	72,698.13
3,765,000.00	1,462,375.00	5,065,000.00	2,661,125.00	848,392.06	55,241.31
3,970,000.00	1,269,000.00	5,315,000.00	2,401,625.00	866,520.65	37,112.72
4,190,000.00	1,065,000.00	5,575,000.00	2,129,375.00	884,882.46	18,750.90
19,205,000.00	1,985,375.00	32,335,000.00	6,064,625.00		
		7,465,000.00	186,625.00		
\$38,075,000.00	\$9,246,625.00	\$65,175,000.00	\$19,495,625.00	\$4,244,423.28	\$273,743.56

Special Tax School Warrants Series 2022-B		Special Tax School Warrants Series 2022-C		Notes From Direct Borrowing		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	Principal	Interest	
\$	\$ 4,435,499.20	\$ 834,960.50	\$ 255,338.80	\$1,927,508.20	\$ 69,422.98	\$ 31,147,290.65
	4,423,212.50	858,641.76	231,657.52	1,103,868.59	30,231.96	37,630,916.29
	4,423,212.50	882,994.67	207,304.60	931,419.60	9,273.65	37,273,858.02
	4,423,212.50	908,038.31	182,260.98			56,065,833.87
1,905,000.00	4,375,587.50	933,792.20	156,507.07			54,731,498.13
11,085,000.00	20,309,687.50	5,081,572.56	369,923.84			126,216,353.47
14,235,000.00	17,160,437.50					64,409,362.50
18,280,000.00	13,116,062.50					56,685,762.50
22,940,000.00	8,452,500.02					31,392,500.02
28,275,000.00	3,106,218.75					31,381,218.75
\$96,720,000.00	\$84,225,630.47	\$9,500,000.00	\$1,402,992.81	\$3,962,796.39	\$108,928.59	\$526,934,594.20

Notes to the Financial Statements

For the Year Ended September 30, 2022

Deferred Loss on Refunding and Premiums

The Board has deferred amounts associated with several of its debt issues. All are being amortized using the straight-line method. The 2010 Qualified School Construction Bonds has a premium which is being amortized over 17 years. The Series 2016-A Public School Refunding Warrants has a premium and deferred loss on refunding which are being amortized over 15 years. The Series 2016-B Public School Refunding Warrants has a premium and deferred loss on refunding which are being amortized over 17 years. The Series 2022 Special Tax School Warrants has a premium which is being amortized over 20 years. The Series 2022-B Special Tax School Warrants has a premium which is being amortized over 30 years.

	Loss on Refunding of Debt	Premium
Total Deferred Loss on Refunding and Premium Amounts from New Issue	\$14,889,222.19	\$26,798,798.35 14,109,290.75
Total Deferred Loss on Refunding and Premium Amount Amortized Prior Years	14,889,222.19 (4,917,096.14)	40,908,089.10 (9,133,325.06)
Balance Deferred Loss on Refunding and Premium Current Amount Amortized	9,972,126.05 (894,017.48)	31,774,764.04 (1,916,063.76)
Balance Deferred Loss on Refunding and Premium	<u>\$ 9,078,108.57</u>	<u>\$29,858,700.28</u>

Pledged Revenues

On December 15, 2009, the Board issued \$23,135,000.00 of Capital Outlay Warrants, Series 2009-TC (the "Tax Credit Warrants"). The Board intends to use the proceeds from the sale of the Tax Credit Warrants to finance the construction, rehabilitation or repair of public school facilities. The Tax Credit Warrants are limited obligations of the Board. The Board pledges to repay the bonds from proceeds of ad valorem taxes. Future revenues of \$24,214,479.19 are pledged to repay the principal and interest on the Series 2009-TC Warrants at September 30, 2022. Funds in the amount of \$478,894.52 were used to pay interest on the funding agreement during the 2022 fiscal year. The Series 2009-TC Warrant will mature in fiscal year 2026.

Notes to the Financial Statements

For the Year Ended September 30, 2022

On October 1, 2010, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds, Series 2010 (Taxable-Direct Subsidy QSCB) in the amount of \$25,415,000.00 with an interest rate of 4.95%. The sinking fund payments are payable from and secured by a pledge of the Board's special tax proceeds (the One-Half Cent Sales Tax) levied annually for public school purposes. The Board will receive Subsidy Payments from the United States Treasury in connection with the amount of interest payable. The Subsidy Payments are to be paid to the Board and may be used by the Board for any lawful purpose, including debt service on the Warrants. Future revenues of \$31,705,212.50 are pledged to repay the sinking fund deposits and interest payable through September 2027. Funds in the amount of \$1,258,042.50 were used to pay interest on the bonds during the 2022 fiscal year.

In 2011, the Alabama Public School and College Authority issued the Series 2011 Qualified Zone Academy Bonds Capital Outlay Pool Warrant on behalf of various Boards of Education in the State. The Board had a 38.612% participation in the warrants resulting in the Board's share of principal, issuance costs, and net proceeds of \$19,796,745.00, \$74,068.49, and \$19,722,676.51, respectively. The Board is required to make sinking fund deposits of \$991,730.08 on May 1 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the warrants upon maturity and are pledged to pay the debt service requirements of the warrants. This Warrant will be payable solely out of and secured by the annual amounts of Public School Fund Capital Purchase Funds. Future revenues of \$23,763,665.32 are pledged to repay the sinking fund deposits and interest payable through May 2026. Funds in the amount of \$991,730.08 were used to pay interest on the bonds during the 2022 fiscal year.

On March 2, 2016, the Mobile County Board of School Commissioners issued Public School Refunding Warrants Series 2016-A in the amount of \$54,855,000.00. The warrants were issued for the purposes of current refunding the Limited Obligation Bonds, Series 2006-A and paying the costs of issuance of the Series 2016-A Warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$47,321,625.00 are pledged to repay the principal and interest on the Series 2016-A Warrants at September 30, 2022. The Series 2016-A Warrants will mature in fiscal year 2031. Funds in the amount of \$5,183,750.00 were used to pay principal and interest on the warrants during the 2022 fiscal year.

On March 2, 2016, the Mobile County Board of School Commissioners issued Public School Refunding Warrants Series 2016-B in the amount of \$80,825,000.00. The warrants were issued for the purposes of advance refunding a portion of the Limited Obligation School Bonds, Series 2009-A; a portion of the Limited Obligation School Bonds, Series 2009-B and paying the costs of issuance of the Series 2016-B Warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$84,670,625.00 are pledged to repay the principal and interest on the Series 2016-B Warrants at September 30, 2022. The Series 2016-B Warrants will mature in fiscal year 2033. Funds in the amount of \$7,748,250.00 were used to pay principal and interest on the warrants during the 2022 fiscal year.

Notes to the Financial Statements

For the Year Ended September 30, 2022

On November 15, 2017, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2017 in the amount of \$8,200,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$4,518,166.84 are pledged to repay the principal and interest on the Special Tax School Warrants, Series 2017 at September 30, 2022. The Special Tax School Warrants, Series 2017 will mature in fiscal year 2027. Funds in the amount of \$903,633.37 were used to pay principal and interest on the warrants during the 2022 fiscal year.

On October 4, 2019, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2019 in the amount of \$8,030,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$6,274,058.62 are pledged to repay the principal and interest on the Special Tax School Warrants, Series 2019 at September 30, 2022. The Special Tax School Warrants, Series 2019 will mature in fiscal year 2029. Funds in the amount of \$885,749.42 were used to pay principal and interest on the warrants during the 2022 fiscal year.

On October 2, 2020, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2020 in the amount of \$8,000,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$6,844,288.47 are pledged to repay the principal and interest on the Special Tax School Warrants, Series 2020 at September 30, 2022. The Special Tax School Warrants, Series 2020 will mature in fiscal year 2030. Funds in the amount of \$855,536.07 were used to pay principal and interest on the warrants during the 2022 fiscal year.

On March 23, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022 in the amount of \$68,890,000.00. The warrants were issued for the purposes of refunding the Capital Outlay School Warrants, Series 2012 and paying the costs of issuance of the Series 2022 Warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$101,702,125.00 are pledged to repay the principal and interest on the Series 2022 Warrants at September 30, 2022. The Series 2022 Warrants will mature in fiscal year 2042. Funds in the amount of \$1,308,086.39 was used to pay interest on the warrants during the 2022 fiscal year.

Notes to the Financial Statements

For the Year Ended September 30, 2022

On August 31, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022-B in the amount of \$96,720,000.00. The warrants were issued for the purposes of paying the costs of acquiring, constructing and equipping various capital improvements to the public school facilities of the Board, and renovating various existing public school facilities in the District and paying the costs of issuance of the Series 2022-B Warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$180,945,630.47 are pledged to repay the principal and interest on the Series 2022-B Warrants at September 30, 2022. The Series 2022-B Warrants will mature in fiscal year 2052.

On September 15, 2022, the Mobile County Board of School Commissioners issued Special Tax School Warrants, Series 2022-C in the amount of \$9,500,000.00. The Warrants were issued for the purpose of acquiring school buses for use by the public-school system of the Board and to pay the cost of issuing the warrants. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$10,902,992.81 are pledged to repay the principal and interest on the Special Tax School Warrants, Series 2022-C at September 30, 2022. The Special Tax School Warrants, Series 2022-C will mature in fiscal year 2032.

Defeasance of Debt

On March 23, 2022, the Commission issued \$68,890,000.00 of Series 2022 Warrants to refund the Board's \$100,900,000.00 Capital Outlay School Warrants, Series 2012, dated September 1, 2012. The net proceeds of \$78,119,579.45 (after payment of \$703,136.00 in issuance costs and original issue premium of \$9,932,715.45) were used to refund Capital Outlay School Warrants, Series 2012. As a result, that portion of the Series 2012 Capital Outlay School Warrants is considered to be defeased and the liability for those warrants has been removed.

The Commission decreased its total debt service payment by approximately \$9,427,544.99 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$7,316,860.81.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 10 – Risk Management

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2022, were as follows:

	Interfund Receivables			
	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
Interfund Payables:				
General Fund	\$	\$746,954.66	\$5,748,219.23	\$ 6,495,173.89
Special Revenue Fund	30,545,170.96		1,919,286.43	32,464,457.39
Capital Projects Fund	57,065.52			57,065.52
Totals	<u>\$30,602,236.48</u>	<u>\$746,954.66</u>	<u>\$7,667,505.66</u>	<u>\$39,016,696.80</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2022, were as follows:

	Transfers Out				
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Transfers In:					
General Fund	\$	\$1,995,656.37	\$	\$ 250,000.00	\$ 2,245,656.37
Special Revenue Fund	6,661,640.95				6,661,640.95
Debt Service Fund				23,515,372.09	23,515,372.09
Capital Projects Fund	505,974.94		594,031.05		1,100,005.99
Totals	<u>\$7,167,615.89</u>	<u>\$1,995,656.37</u>	<u>\$594,031.05</u>	<u>\$23,765,372.09</u>	<u>\$33,522,675.40</u>

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

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Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	4.180117%	4.190387%	4.355660%	4.224703%	4.313273%	4.336764%	4.412924%	4.433443%
Employer's proportionate share of the collective net pension liability	\$ 393,780	\$ 518,336	\$ 481,601	\$ 420,045	\$ 423,929	\$ 469,498	\$ 461,843	\$ 402,759
Employer's covered payroll during the measurement period (*)	\$ 303,410	\$ 296,675	\$ 287,694	\$ 282,603	\$ 285,494	\$ 275,888	\$ 279,249	\$ 281,258
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	129.78%	174.72%	167.40%	148.63%	148.49%	170.18%	165.39%	143.20%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll (see GASB Statement Number 82).
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021

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

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 38,325	\$ 36,482	\$ 36,105	\$ 35,010	\$ 33,913	\$ 33,767	\$ 32,604	\$ 32,561
Contributions in relation to the contractually required contribution	\$ 38,325	\$ 36,482	\$ 36,105	\$ 35,010	\$ 33,913	\$ 33,767	\$ 32,604	\$ 32,561
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 317,698	\$ 303,410	\$ 296,675	\$ 287,694	\$ 282,603	\$ 285,494	\$ 275,888	\$ 279,248
Contributions as a percentage of covered payroll	12.06%	12.02%	12.17%	12.17%	12.00%	11.83%	11.82%	11.66%

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

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	4.937105%	5.021877%	5.690646%	5.602716%	5.517592%
Employer's proportionate share of the collective net OPEB liability (asset)	\$ 255,091	\$ 325,913	\$ 214,695	\$ 460,472	\$ 409,815
Employer's covered-employee payroll during the measurement period (*)	\$ 303,410	\$ 290,997	\$ 287,694	\$ 275,948	\$ 278,171
Employer's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	84.07%	112.00%	74.63%	166.87%	147.32%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll.
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021.

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

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 10,131	\$ 8,533	\$ 9,893	\$ 16,121	\$ 13,747
Contributions in relation to the contractually required contribution	\$ 10,131	\$ 8,533	\$ 9,893	\$ 16,121	\$ 13,747
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 317,698	\$ 303,410	\$ 290,997	\$ 287,694	\$ 275,948
Contributions as a percentage of covered-employee payroll	3.19%	2.81%	3.40%	5.60%	4.98%

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

Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB) For the Year Ended September 30, 2022

Changes in Actuarial Assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020, are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%

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

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

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

***Notes to Required Supplementary Information for
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2022***

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer's Contributions-Other Postemployment Benefits (OPEB) were calculated as of September 30, 2018, 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	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 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 2019.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
State	322,221,495.78	326,358,675.92	343,116,499.86	\$	\$	343,116,499.86
Federal	18,398.00	18,398.00	14,540.00			14,540.00
Local	119,576,785.14	128,654,692.77	134,339,045.73	(1)	(22,295.60)	134,316,750.13
Other	597,153.44	2,591,906.20	3,038,049.07			3,038,049.07
Total Revenues	442,413,832.36	457,623,672.89	480,508,134.66		(22,295.60)	480,485,839.06
Expenditures						
Current:						
Instruction	262,998,064.19	268,140,996.54	261,886,659.96	(2)	5,364,582.21	267,251,242.17
Instructional Support	76,470,244.29	77,635,721.97	72,674,700.65	(2)	669,067.22	73,343,767.87
Operation and Maintenance	44,085,063.50	43,878,595.01	49,372,532.62	(2)	48,183.83	49,420,716.45
Auxiliary Services:						
Student Transportation	35,005,225.39	34,861,090.04	33,342,868.24	(2)	156,174.22	33,499,042.46
Food Services			2,725.78			2,725.78
General Administrative and Central Support	24,333,781.84	26,163,087.72	24,382,273.73	(2)	12,296.71	24,394,570.44
Other	5,873,654.06	6,299,928.68	5,946,992.39	(2)	96,932.29	6,043,924.68
Capital Outlay	377,000.00	2,458,914.98	2,772,723.86			2,772,723.86
Debt Service:						
Principal Retirement	922,792.48	922,792.48	341,628.62			341,628.62
Interest and Fiscal Charges	127,276.49	127,276.49	21,065.62			21,065.62
Total Expenditures	450,193,102.24	460,488,403.91	450,744,171.47		6,347,236.48	457,091,407.95
Excess (Deficiency) of Revenues Over Expenditures	(7,779,269.88)	(2,864,731.02)	29,763,963.19		(6,369,532.08)	23,394,431.11
Other Financing Sources (Uses)						
Indirect Cost	38,201,100.97	35,636,136.26	12,260,851.67			12,260,851.67
Transfers In	21,143,399.10	21,143,399.10	2,245,656.37			2,245,656.37
Other Financing Sources			276,632.38			276,632.38
Sale of Capital Assets			362,544.18			362,544.18
Transfers Out	(25,152,350.04)	(25,152,350.07)	(7,167,615.89)			(7,167,615.89)
Other Fund Uses	(249,999.95)	(249,999.96)				
Total Other Financing Sources (Uses)	33,942,150.08	31,377,185.33	7,978,068.71			7,978,068.71
Net Changes in Fund Balances	26,162,880.20	28,512,454.31	37,742,031.90		(6,369,532.08)	31,372,499.82
Fund Balances - Beginning of Year	62,570,034.00	71,188,870.16	71,188,870.16	(3)	(37,720,132.71)	33,468,737.45
Fund Balances - End of Year	\$ 88,732,914.20	\$ 99,701,324.47	\$ 108,930,902.06		\$ (44,089,664.79)	\$ 64,841,237.27

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2022***

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

The Board budgets on the modified accrual basis of accounting except as shown below:

(1) The Board budgets for motor vehicle ad valorem tax revenue as it is received, rather than on the modified accrual basis.	\$ (22,295.60)
(2) The Board budgets salaries and benefits as they are actually paid, rather than on the modified accrual basis.	<u>6,347,236.48</u>
Net Change in Fund Balance - Budget to GAAP	<u><u>\$ (6,369,532.08)</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 because of the cumulative effect of transactions such as those described above.	

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
State	\$	\$	\$ 10,000.00	\$	\$ 10,000.00
Federal	418,749,143.51	430,795,369.29	187,346,603.63		187,346,603.63
Local	17,764,113.49	17,764,113.49	16,447,744.26		16,447,744.26
Other	373,663.32	373,663.32	5,557,273.10		5,557,273.10
Total Revenues	436,886,920.32	448,933,146.10	209,361,620.99		209,361,620.99
Expenditures					
Current:					
Instruction	125,593,720.19	128,942,117.07	65,284,948.34		65,284,948.34
Instructional Support	128,191,146.39	122,489,977.46	52,179,598.70		52,179,598.70
Operation and Maintenance	34,613,964.53	22,248,523.99	3,228,116.93		3,228,116.93
Auxiliary Services:					
Student Transportation	3,383,975.21	3,832,285.41	1,997,753.16		1,997,753.16
Food Services	40,486,792.90	39,346,885.08	42,065,831.65	(1) 231,303.84	42,297,135.49
General Administrative and Central Support	37,781,679.65	35,697,033.24	15,546,915.29		15,546,915.29
Other	33,096,946.56	37,159,768.88	15,679,726.00		15,679,726.00
Capital Outlay	33,279,000.04	57,513,816.98	5,448,496.33		5,448,496.33
Debt Service:					
Principal Retirement	3,537,180.01	3,537,180.01			
Interest and Fiscal Charges	53,249.37	53,249.37			
Total Expenditures	440,017,654.85	450,820,837.49	201,431,386.40	231,303.84	201,662,690.24
Excess (Deficiency) of Revenues Over Expenditures	(3,130,734.53)	(1,887,691.39)	7,930,234.59	(231,303.84)	7,698,930.75
Other Financing Sources (Uses)					
Transfers In	10,434,177.71	10,434,177.74	6,661,640.95		6,661,640.95
Transfers Out	(4,432,252.20)	(4,432,252.20)	(1,995,656.37)		(1,995,656.37)
Total Other Financing Sources (Uses)	6,001,925.51	6,001,925.54	4,665,984.58		4,665,984.58
Net Changes in Fund Balances	2,871,190.98	4,114,234.15	12,596,219.17	(231,303.84)	12,364,915.33
Fund Balances - Beginning of Year	17,729,397.45	22,356,028.36	22,356,028.36	(1,441,719.28)	20,914,309.08
Fund Balances - End of Year	\$ 20,600,588.43	\$ 26,470,262.51	\$ 34,952,247.53	\$ (1,673,023.12)	\$ 33,279,224.41

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2022***

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

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets salaries and benefits as they are actually paid, rather than on the modified accrual basis.

\$ (231,303.84)

Net Change in Fund Balance - Budget to GAAP

\$ (231,303.84)

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

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	N.A.	\$ 31,063,441.63
Career and Technical Education:			
Career and Technical Education - Basic Grants to States	84.048	N.A.	1,221,753.00
Carl D. Perkins Career and Technical Education (Perkins V Act)	84.048A	X220979	9,418.02
Sub-Total Career and Technical Education			1,231,171.02
Migrant Education - State Grant Program	84.011	N.A.	204,736.39
Twenty-First Century Community Learning Centers	84.287	N.A.	391,324.38
Education for Homeless Children and Youth	84.196	N.A.	92,000.00
COVID-19 Education Stabilization Fund:			
COVID-19 Governors Emergency Education Relief Fund	84.425C	N.A.	3,262,495.98
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	N.A.	37,405,984.32
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief - ESSER III	84.425U	N.A.	44,980,711.55
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	N.A.	495,168.54
Sub-Total COVID-19 Education Stabilization Fund			86,144,360.39
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	13,676,554.47
COVID-19 American Rescue Plan - IDEA Part B, Section 611	84.027X	N.A.	1,017,323.79
Sub-Total Special Education - Grants to States			14,693,878.26
Special Education - Preschool Grants	84.173	N.A.	299,216.00
COVID-19 American Rescue Plan - IDEA Part B Preschool, Section 619	84.173X	N.A.	101,494.52
Sub-Total Special Education - Preschool Grants			400,710.52
Sub-Total Special Education Cluster			15,094,588.78
Supporting Effective Instruction State Grants	84.367	N.A.	3,549,630.13
English Language Acquisition State Grants	84.365	N.A.	172,783.87
Student Support and Academic Enrichment Program	84.424A	N.A.	2,369,080.70
Total U. S. Department of Education			140,313,117.29
Sub-Total Forward			\$ 140,313,117.29

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 140,313,117.29
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	N.A.	28,635,706.95
COVID-19 CNP Emergency Operational Cost Reimbursement Program - Cash Assistance	10.555	N.A.	1,067,045.36
Non-Cash Assistance (Commodities)	10.555	N.A.	3,465,667.92
Sub-Total National School Lunch Program			33,168,420.23
School Breakfast Program	10.553	N.A.	10,540,149.81
Fresh Fruit and Vegetable Program	10.582	N.A.	465,964.76
Sub-Total Child Nutrition Cluster			44,174,534.80
Pandemic Electronic Benefit Transfer (P-EBT) Food Benefits	10.542	N.A.	36,180.00
State Administrative Expenses for Child Nutrition	10.560	N.A.	136,458.01
Total U. S. Department of Agriculture			44,347,172.81
<u>U. S. Department of Health and Human Services</u>			
<u>Passed Through Alabama Department of Public Health</u>			
Public Health Emergency Response: Cooperative agreement for Emergency Response: Public Health Crisis Response	93.354	N.A.	670,436.25
<u>Social Security Administration</u>			
<u>Passed Through Alabama Department of Education</u>			
Social Security - Disability Insurance	96.001	N.A.	14,540.00
<u>U. S. National Oceanic and Atmospheric Administration</u>			
<u>Passed Through University of Southern Mississippi</u>			
Sea Grant Support	11.417	N.A.	23,165.12
<u>National Science Foundation</u>			
<u>Direct Program</u>			
Education and Human Resources	47.076	N.A.	1,898.99
<u>U. S. Department of Defense</u>			
<u>Direct Programs</u>			
<u>Other Federal Assistance</u>			
Navy ROTC	N.A.	N.A.	86,310.40
Army ROTC	N.A.	N.A.	1,035,779.06
National Defense Education Program (NDEP)	12.006	N.A.	836,741.68
Total U. S. Department of Defense			1,958,831.14
Total Expenditures of Federal Awards			\$ 187,329,161.60

N.A. = Not Available or Not Applicable

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

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2022

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Mobile County Board of School Commissioners under programs of the federal government for the year ended September 30, 2022. 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 Mobile County Board of School Commissioners, it is not intended to and does not present the financial position or changes in net position of the Mobile County Board of School Commissioners.

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 Mobile County Board of School Commissioners has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*; instead, the Mobile Board of School Commissioners is using an indirect cost rate approved by the State of Alabama Department of Education.

Additional Information

Board Members and Administrative Personnel
October 1, 2021 through September 30, 2022

Board Members		Term Expires
William C. Foster, Ed.D.	President	November 2022
Sherry D. McDade	Vice-President	November 2026
Don Stringfellow	Member	November 2024
L. Douglas Harwell, Jr.	Member	November 2024
Reginald A. Crenshaw, Sr., Ph.D.	Member	November 2026
<u>Administrative Personnel</u>		
Chresal D. Threadgill	Superintendent	June 2024
Lori Zirlott	Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

Members of the Mobile County Board of School Commissioners,
Superintendent and Chief School Financial Officer
Mobile, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities and each major fund of the Mobile County Board of School Commissioners, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Mobile County Board of School Commissioners' basic financial statements, and have issued our report thereon dated June 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' internal control. Accordingly, we do not express an opinion on the effectiveness of the Mobile County Board of School Commissioners' 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mobile County Board of School Commissioners' 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***.

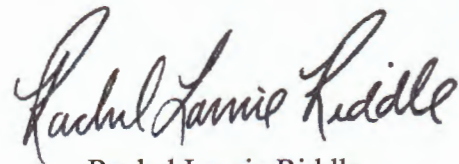
Mobile County Board of School Commissioners' Response to the Finding

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

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 2, 2023

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

Independent Auditor's Report

Members of the Mobile County Board of School Commissioners,
Superintendent and Chief School Financial Officer
Mobile, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' major federal programs for the year ended September 30, 2022. The Mobile County Board of School Commissioners' major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Mobile County Board of School Commissioners complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Mobile County Board of School Commissioners 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 Mobile County Board of School Commissioners' compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Mobile County Board of School Commissioners' compliance with the requirements of each major federal program as a whole.

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control Over Compliance

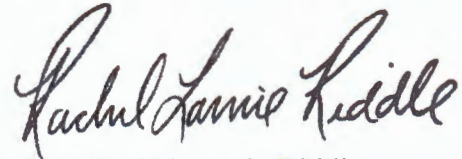
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 2, 2023

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2022

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I – Summary of Examiner's Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
	<u>COVID-19 Education Stabilization Fund</u>
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP-ESSER)
84.425W	COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth
84.367	Supporting Effective Instruction State Grants
84.424A	Student Support and Academic Enrichment Program

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

\$3,000,000.00

Auditee qualified as low-risk auditee?

 X Yes No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2022

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2022-001
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

The Board failed to ensure the policies and procedures established for the receipt and deposit of money were complied with at Theodore High School.

Finding

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Mobile County Public Schools *Business Division Procedures Manual* prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a receipt book as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher should take his/her receipt book along with the money collected to the school's bookkeeper daily. The school's bookkeeper should then reconcile the teacher's receipts written to the money being turned in by the teacher. Once verified, the school's bookkeeper should write the teacher a receipt from the school's master receipt book and the money should be deposited into the school's bank account.

Testing at Theodore High School revealed that a complete master receipt book was not maintained by the bookkeeper and master receipts that were issued were not filled out completely in several instances. Established policies and procedures related to recording and depositing money were not followed at Theodore High School. As a result, the accuracy of amounts recorded as revenues and amounts deposited into the local school bank account could not be determined.

Recommendation

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

Views of Responsible Officials

The Board agreed with the finding.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Auditee Response/Corrective Action Plan



Mobile County PUBLIC SCHOOLS

1 Magnum Pass | Mobile, Alabama 36618 | 251-221-4000 | www.mcpsd.com

BOARD OF SCHOOL COMMISSIONERS
Sherry Dillihay-McDade, President - District 4
Don Stringfellow, Vice President - District 2
L. Douglas Harwell, Jr. - District 1
Reginald A. Crenshaw, Ph.D. - District 3
Johnny Hatcher - District 5

SUPERINTENDENT Chresal D. Threadgill

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2022

As required by the Uniform *Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CRF 200.511 (c), the Mobile County Board of School Commissioners has prepared and here by submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

**Finding
Ref.
No.**

Corrective Action Plan Details

2022-001

Finding:

Financial Procedures for Local Schools, prescribed by the State of Alabama Department of Education, and the Mobile County Public Schools *Business Division Procedures Manual* prescribe policies and procedures to be implemented to maintain accountability within the local schools. All teachers are issued a receipt book as assigned by the school's bookkeeper. The teacher is required to issue receipts to individuals as money is collected. The teacher should take his/her receipt book along with the money collected to the school's bookkeeper daily. The school's bookkeeper should then reconcile the teacher's receipts written to the money being turned in by the teacher. Once verified, the school's bookkeeper should write the teacher a receipt from the school's master receipt book and the money should be deposited into the school's bank account.

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Recommendation:

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

Response/Views

We agree with this finding.

Corrective Action Planned:

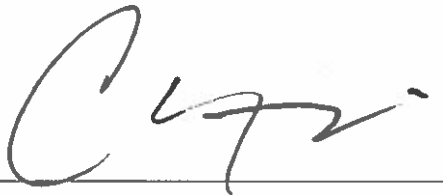
The Local School Accounting Procedures require all funds collected to be documented with a teacher receipt, master receipt, daily distribution report, and deposit slip. All funds collected must be remitted to the bookkeeper daily. All funds collected must be deposited into the school's bank account daily if collected funds total \$25.00 or more. All deposits are to be recorded in the cash receipts journal daily. The funds collected for the day should equal to the total of the teacher receipts, the master receipts, the daily distribution report, and the deposit slip. Absolutely no cash may be used/taken from collected funds. Any use of funds must go through the purchase order system. Continued training and emphasis on procedures will be provided to local school personnel.

Anticipated Completion Date:

Ongoing.

Contact Person(s):

Lori A. Zirlott, Chief School Financial Officer

A handwritten signature in black ink, appearing to read 'C. Threadgill', is written over a horizontal line.

Chresal D. Threadgill, Superintendent
Mobile County Board of School Commissioners