



Dale County Board of Education

FINANCIAL STATEMENTS

September 30, 2023



| | Page |
|---|------|
| FINANCIAL SECTION | |
| Independent Auditor’s Report | 1 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 6 |
| Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 8 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund | 12 |
| Notes to Financial Statements | 13 |
| Required Supplementary Information | |
| Teachers’ Retirement System of Alabama | |
| Schedule of the Employer's Proportionate Share of the Net Pension Liability | 46 |
| Schedule of Employer’s Contributions | 47 |
| Alabama Retired Education Employees’ Health Care Trust | |
| Schedule of the Employer’s Proportionate Share of the Net OPEB Liability | 48 |
| Schedule of Employer’s Contributions | 49 |
| Notes to Required Supplementary Information | 50 |
| REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 52 |
| Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 54 |
| Schedule of Findings and Questioned Costs | 57 |
| Schedule of Expenditures of Federal Awards | 59 |
| Notes to the Schedule of Expenditures of Federal Awards | 61 |



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRlcpa.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Dale County Board of Education
Ozark, Alabama

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's

ability to continue as a going concern for 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of the employer's proportionate share of the net pension liability and net OPEB liability and schedules of employer contributions, on pages 46 – 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 25, 2024, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Board's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 25, 2024

Dale County Board of Education
Statement of Net Position

| <i>September 30, 2023</i> | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 9,972,911 |
| Investments | 11,336,114 |
| Ad Valorem property taxes receivable | 2,332,875 |
| Receivables | 4,195,737 |
| Inventories | 114,272 |
| Prepaid expenses | 3,872 |
| Capital assets, not being depreciated | 3,156,932 |
| Capital assets, net of depreciation | 25,367,469 |
| <hr/> | |
| Total assets | 56,480,182 |
| Deferred Outflows of Resources | |
| Deferred outflows related to pension | 13,844,712 |
| Deferred outflows related to OPEB | 9,059,312 |
| <hr/> | |
| Total deferred outflows of resources | 22,904,024 |
| Liabilities | |
| Accounts payable | 947,572 |
| Salaries and benefits payable | 3,118,295 |
| Accrued interest payable | 94,199 |
| Unearned revenue | 19,300 |
| Long-term liabilities | |
| Net pension liability | 38,525,000 |
| Net OPEB liability | 5,500,150 |
| Due and payable within one year | 314,900 |
| Due and payable after one year | 13,929,600 |
| <hr/> | |
| Total liabilities | 62,449,016 |
| Deferred Inflows of Resources | |
| Unavailable revenue - property and motor vehicle taxes | 2,568,513 |
| Deferred inflows related to pension | 1,017,000 |
| Deferred inflows related to OPEB | 20,453,281 |
| <hr/> | |
| Total deferred inflows of resources | 24,038,794 |
| Net Position (Deficit) | |
| Net investment in capital assets | 14,279,900 |
| Unrestricted (deficit) | (21,383,504) |
| <hr/> | |
| Total net position (deficit) | \$ (7,103,604) |

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

Dale County Board of Education
Statement of Activities

For the year ended September 30, 2023

| Functions/Programs | Expenses |
|------------------------------------|----------------------|
| Instructional services | \$ 24,881,142 |
| Instructional support services | 5,045,404 |
| Operation and maintenance services | 3,591,254 |
| Student transportation services | 2,554,954 |
| Food services | 2,714,851 |
| General administrative services | 2,107,312 |
| Interest and fiscal charges | 387,025 |
| Other expenses | 1,723,860 |
| Total | \$ 43,005,802 |

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

| Program Revenues | | | | Net (Expenses) Revenues and Changes In Net Position Governmental Activities |
|----------------------------|--|--|----|--|
| Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | | |
| \$ 778,739 | \$ 22,954,634 | \$ 5,538,926 | \$ | 4,391,157 |
| 32,595 | 4,303,405 | - | | (709,404) |
| 202,443 | 1,280,129 | 2,344 | | (2,106,338) |
| 109,329 | 1,998,044 | 318,402 | | (129,179) |
| 2,351,809 | 218,403 | - | | (144,639) |
| 124 | 1,258,665 | 17,764 | | (830,759) |
| - | - | - | | (387,025) |
| 384,992 | 868,500 | - | | (470,368) |
| <u>\$ 3,860,031</u> | <u>\$ 32,881,780</u> | <u>\$ 5,877,436</u> | | <u>(386,555)</u> |

General revenues

Taxes

| | |
|-------------------------------------|-----------|
| Property taxes for general purposes | 2,182,579 |
| Local sales tax | 4,484,345 |
| Other taxes | 28,263 |

| | |
|---|-----|
| Grants and contributions not restricted for specific programs | 460 |
|---|-----|

| | |
|---------------------------------------|--------|
| Gain on disposition of capital assets | 23,712 |
|---------------------------------------|--------|

| | |
|---------------------|---------|
| Investment earnings | 495,494 |
|---------------------|---------|

| | |
|---------------|-----------|
| Miscellaneous | 1,329,918 |
|---------------|-----------|

| | |
|-------------------------------|------------------|
| <u>Total general revenues</u> | <u>8,544,771</u> |
|-------------------------------|------------------|

| | |
|-------------------------------|------------------|
| <u>Change in net position</u> | <u>8,158,216</u> |
|-------------------------------|------------------|

| | |
|--|---------------------|
| <u>Net position (deficit), beginning of year</u> | <u>(15,261,820)</u> |
|--|---------------------|

| | |
|--|-----------------------|
| <u>Net position (deficit), end of year</u> | <u>\$ (7,103,604)</u> |
|--|-----------------------|

Dale County Board of Education Balance Sheet – Governmental Funds

| <i>September 30, 2023</i> | General Fund | Special Revenue Fund | Capital Projects Fund |
|--|----------------------|----------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 3,928,206 | \$ 1,499,841 | \$ 2,322,984 |
| Investments | 11,270,758 | 65,356 | - |
| Receivables | 3,215,061 | 3,313,551 | - |
| Due from other funds | 2,677,084 | - | - |
| Inventories | - | 114,272 | - |
| Prepaid expenses | 3,872 | - | - |
| Total assets | \$ 21,094,981 | \$ 4,993,020 | \$ 2,322,984 |
| Liabilities, Deferred Inflows of Resources, and Fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 813,486 | \$ 134,086 | \$ - |
| Due to other funds | - | 2,677,084 | - |
| Salaries and benefits payable | 2,707,723 | 410,572 | - |
| Unearned revenue | - | 19,300 | - |
| Total liabilities | 3,521,209 | 3,241,042 | - |
| Deferred inflows of resources | | | |
| Unavailable revenue - property and motor vehicle taxes | 2,568,513 | - | - |
| Fund balances | | | |
| Non-spendable | 3,872 | 114,272 | - |
| Restricted | - | - | - |
| Assigned | - | 1,637,706 | 2,322,984 |
| Unassigned | 15,001,387 | - | - |
| Total fund balances | 15,005,259 | 1,751,978 | 2,322,984 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 21,094,981 | \$ 4,993,020 | \$ 2,322,984 |

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

| <u>Nonmajor Fund</u> Debt Service Fund | Total Governmental Funds |
|--|--------------------------------|
| \$ 2,221,880 | \$ 9,972,911 |
| - | 11,336,114 |
| - | 6,528,612 |
| - | 2,677,084 |
| - | 114,272 |
| - | 3,872 |
| <hr/> | |
| \$ 2,221,880 | \$ 30,632,865 |
| <hr/> | |
| \$ - | \$ 947,572 |
| - | 2,677,084 |
| - | 3,118,295 |
| - | 19,300 |
| <hr/> | |
| - | 6,762,251 |
| - | 2,568,513 |
| - | 118,144 |
| 2,221,880 | 2,221,880 |
| - | 3,960,690 |
| - | 15,001,387 |
| <hr/> | |
| 2,221,880 | 21,302,101 |
| <hr/> | |
| \$ 2,221,880 | \$ 30,632,865 |
| <hr/> | |

**Dale County Board of Education
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position**

September 30, 2023

Total fund balance - governmental funds \$ 21,302,101

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

| | | |
|---|---------------------|------------|
| Governmental capital assets not being depreciated | \$ 3,156,932 | |
| Governmental capital assets being depreciated | 49,088,208 | |
| Accumulated depreciation | <u>(23,720,739)</u> | 28,524,401 |

Deferred inflows and outflows related to pension and OPEB represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.

| | | |
|--------------------------------------|--------------------|-----------|
| Deferred outflows related to OPEB | \$ 9,059,312 | |
| Deferred inflows related to OPEB | (20,453,281) | |
| Deferred outflows related to pension | 13,844,712 | |
| Deferred inflows related to pension | <u>(1,017,000)</u> | 1,433,743 |

Long-term liabilities, including bonds payable, bond discounts, deferred loss on refunding and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

| | | |
|---------------------------------------|---------------------|--------------|
| Accrued interest payable | \$ (94,199) | |
| Net OPEB liability | (5,500,150) | |
| Net pension liability | (38,525,000) | |
| Current portion of long-term debt | (314,900) | |
| Non-current portion of long-term debt | <u>(13,929,600)</u> | (58,363,849) |

Net position (deficit) - governmental activities \$ (7,103,604)

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

Dale County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

| <i>For the year ended September 30, 2023</i> | General Fund | Special Revenue Fund | Capital Projects Fund |
|--|----------------------|----------------------------|-----------------------------|
| Revenues | | | |
| State revenues | \$ 27,951,866 | \$ - | \$ 5,744,151 |
| Federal revenues | 36,588 | 7,003,230 | - |
| Local revenues | 7,245,394 | 2,556,627 | - |
| Other revenues | 176,087 | 29,006 | - |
| Total revenues | 35,409,935 | 9,588,863 | 5,744,151 |
| Expenditures | | | |
| Instructional services | 19,094,776 | 4,511,975 | - |
| Instructional support services | 4,403,226 | 567,298 | - |
| Operation and maintenance services | 3,264,169 | 345,315 | - |
| Student transportation services | 2,361,746 | 67,281 | - |
| Food services | 7,030 | 2,717,699 | - |
| General administrative services | 1,686,690 | 336,560 | 17,764 |
| Capital outlay | 257,450 | 839,306 | 4,918,637 |
| Debt service | | | |
| Principal | - | - | 44,900 |
| Interest | - | - | - |
| Other | 2,500 | - | - |
| Other expenses | 713,268 | 994,334 | - |
| Total expenditures | 31,790,855 | 10,379,768 | 4,981,301 |
| Excess (deficiency) of revenues over (under) expenditures | 3,619,080 | (790,905) | 762,850 |
| Other Financing Sources (Uses) | | | |
| Proceeds from sale of capital assets | 38,376 | - | - |
| Insurance recoveries | 187,986 | - | - |
| Transfers in | 41,741 | 446,435 | - |
| Transfers out | (1,092,761) | (41,741) | - |
| Total other financing sources (uses) | (824,658) | 404,694 | - |
| Net change in fund balances | 2,794,422 | (386,211) | 762,850 |
| Fund balances, beginning of year | 12,210,837 | 2,138,189 | 1,560,134 |
| Fund balances, end of year | \$ 15,005,259 | \$ 1,751,978 | \$ 2,322,984 |

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

| <u>Nonmajor Fund</u> | | <u>Total</u> | |
|----------------------|------------------|---------------------|-------------------|
| <u>Debt Service</u> | | <u>Governmental</u> | |
| <u>Fund</u> | | <u>Funds</u> | |
| \$ | 130,942 | \$ | 33,826,959 |
| | - | | 7,039,818 |
| | 78,434 | | 9,880,455 |
| | - | | 205,093 |
| | <u>209,376</u> | | <u>50,952,325</u> |
| | - | | 23,606,751 |
| | - | | 4,970,524 |
| | - | | 3,609,484 |
| | - | | 2,429,027 |
| | - | | 2,724,729 |
| | - | | 2,041,014 |
| | - | | 6,015,393 |
| | 260,000 | | 304,900 |
| | 386,560 | | 386,560 |
| | - | | 2,500 |
| | - | | 1,707,602 |
| | <u>646,560</u> | | <u>47,798,484</u> |
| | (437,184) | | 3,153,841 |
| | - | | 38,376 |
| | - | | 187,986 |
| | 646,326 | | 1,134,502 |
| | - | | (1,134,502) |
| | <u>646,326</u> | | <u>226,362</u> |
| | 209,142 | | 3,380,203 |
| | <u>2,012,738</u> | | <u>17,921,898</u> |
| \$ | <u>2,221,880</u> | \$ | <u>21,302,101</u> |

Dale County Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities

For the year ended September 30, 2023

Total net change in fund balances - governmental funds \$ 3,380,203

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

| | | |
|---------------------------------------|--------------------|-----------|
| Capital outlays | \$ 6,015,393 | |
| Depreciation and amortization expense | <u>(1,704,375)</u> | 4,311,018 |

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.

| | | |
|--------------------------------------|--|---------|
| Principal payments on long-term debt | | 304,900 |
|--------------------------------------|--|---------|

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.

| | | |
|--|--------------------|---------|
| Interest | \$ 2,031 | |
| Current year change in OPEB expense | 2,891,790 | |
| Current year change in pension expense | <u>(2,717,062)</u> | 176,759 |

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

| | | |
|--|--|-----------------|
| | | <u>(14,664)</u> |
|--|--|-----------------|

| | | |
|---|--|---------------------|
| Change in net position of governmental activities | | <u>\$ 8,158,216</u> |
|---|--|---------------------|

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

Dale County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – General Fund

| <i>For the year ended September 30, 2023</i> | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|-----------------------------------|--|
| Revenues | | | | |
| State revenues | \$ 24,527,434 | \$ 27,020,410 | \$ 27,951,866 | \$ 931,456 |
| Federal revenues | 960 | 23,764 | 36,588 | 12,824 |
| Local revenues | 6,298,790 | 6,298,790 | 7,325,453 | 1,026,663 |
| Other revenues | 47,804 | 25,000 | 176,087 | 151,087 |
| Total revenues | 30,874,988 | 33,367,964 | 35,489,994 | 2,122,030 |
| Expenditures | | | | |
| Instructional services | 17,205,087 | 18,872,065 | 19,150,990 | (278,925) |
| Instructional support services | 4,122,319 | 4,551,136 | 4,399,530 | 151,606 |
| Operation and maintenance services | 3,110,637 | 3,075,474 | 3,267,471 | (191,997) |
| Student transportation services | 2,293,434 | 2,443,434 | 2,359,586 | 83,848 |
| Food services | - | - | 7,030 | (7,030) |
| General administrative services | 1,778,474 | 1,912,259 | 1,686,690 | 225,569 |
| Capital outlay | 201,398 | 230,318 | 257,450 | (27,132) |
| Other debt service | - | - | 2,500 | (2,500) |
| Other expenses | 550,057 | 669,695 | 720,937 | (51,242) |
| Total expenditures | 29,261,406 | 31,754,381 | 31,852,184 | (97,803) |
| Excess revenues over expenditures | 1,613,582 | 1,613,583 | 3,637,810 | 2,024,227 |
| Other Financing Sources (Uses) | | | | |
| Indirect cost | 300,000 | 300,000 | - | (300,000) |
| Proceeds from sale of capital assets | 10,000 | 10,000 | 38,376 | 28,376 |
| Insurance recoveries | 5,000 | 5,000 | 187,986 | 182,986 |
| Transfers in | 35,000 | 35,000 | 41,741 | 6,741 |
| Transfers out | (910,672) | (910,672) | (1,092,761) | (182,089) |
| Total other financing sources (uses) | (560,672) | (560,672) | (824,658) | (263,986) |
| Excess revenues and other sources over expenditures and other uses | 1,052,910 | 1,052,911 | 2,813,152 | 1,760,241 |
| Fund balances, beginning of year | 12,641,532 | 15,035,367 | 15,034,556 | (811) |
| Fund balances, end of year | \$ 13,694,442 | \$ 16,088,278 | \$ 17,847,708 | \$ 1,759,430 |

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

Dale County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – General Fund (Continued)

| <i>For the year ended September 30, 2023</i> | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|-----------------------------------|--|
| Reconciliation of Budgetary Basis to GAAP | | | | |
| Budgetary basis revenues | \$ 30,874,988 | \$ 33,367,964 | \$ 35,489,994 | \$ (2,122,030) |
| Non-budgeted local revenues | - | - | (80,059) | 80,059 |
| GAAP basis revenues | \$ 30,874,988 | \$ 33,367,964 | \$ 35,409,935 | \$ (2,041,971) |
| Budgetary basis expenditures | \$ 29,261,406 | \$ 31,754,381 | \$ 31,852,184 | \$ (97,803) |
| Non-budgeted accrued salaries and fringe benefits | | | | |
| Instructional services | - | - | (56,214) | 56,214 |
| Instructional support services | - | - | 3,696 | (3,696) |
| Operation and maintenance services | - | - | (3,302) | 3,302 |
| Student transportation services | - | - | 2,160 | (2,160) |
| Other expenditures | - | - | (7,669) | 7,669 |
| GAAP basis expenditures | \$ 29,261,406 | \$ 31,754,381 | \$ 31,790,855 | \$ (36,474) |

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

Dale County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – Special Revenue Fund

| <i>For the year ended September 30, 2023</i> | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|-----------------------------------|--|
| Revenues | | | | |
| State revenues | \$ - | \$ - | \$ - | \$ - |
| Federal revenues | 10,491,239 | 10,580,126 | 7,003,230 | (3,576,896) |
| Local revenues | 1,571,365 | 1,571,365 | 2,556,627 | 985,262 |
| Other revenues | 143,000 | 143,000 | 29,006 | (113,994) |
| Total revenues | 12,205,604 | 12,294,491 | 9,588,863 | (2,705,628) |
| Expenditures | | | | |
| Instructional services | 4,888,168 | 4,989,708 | 4,511,975 | 477,733 |
| Instructional support services | 884,229 | 771,799 | 567,298 | 204,501 |
| Operation and maintenance services | 180,725 | 76,275 | 345,315 | (269,040) |
| Student transportation | 32,850 | 32,850 | 67,281 | (34,431) |
| Food service | 2,961,500 | 2,961,500 | 2,701,305 | 260,195 |
| General administrative services | 675,235 | 675,235 | 336,560 | 338,675 |
| Capital outlay | 1,900,000 | 2,099,924 | 839,306 | 1,260,618 |
| Other expenses | 1,407,742 | 1,407,610 | 994,334 | 413,276 |
| Total expenditures | 12,930,449 | 13,014,901 | 10,363,374 | 2,651,527 |
| Excess revenues over expenditures | (724,845) | (720,410) | (774,511) | (54,101) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 330,065 | 330,065 | 446,435 | 116,370 |
| Transfers out | (95,250) | (95,250) | (41,741) | 53,509 |
| Total other financing sources (uses) | 234,815 | 234,815 | 404,694 | 169,879 |
| Excess revenues and other sources over expenditures and other uses | (490,030) | (485,595) | (369,817) | 115,778 |
| Fund balances, beginning of year | 1,399,000 | 2,291,596 | 2,278,700 | (12,896) |
| Fund balances, end of year | \$ 908,970 | \$ 1,806,001 | \$ 1,908,883 | \$ 102,882 |
| Reconciliation of Budgetary Basis to GAAP | | | | |
| Budgetary basis expenditures | \$ 12,930,449 | \$ 13,014,901 | \$ 10,363,374 | \$ 2,651,527 |
| Non-budgeted accrued salaries and fringe benefits | | | | |
| Food service | - | - | 16,394 | (16,394) |
| GAAP basis expenditures | \$ 12,930,449 | \$ 13,014,901 | \$ 10,379,768 | \$ 2,635,133 |

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

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dale County Board of Education (the "Board") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Board's accounting policies are described below.

Reporting Entity

GASB establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Board. The Board is a legally separate agency of the State of Alabama.

The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2023, as a special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. These statements include the financial activities of the overall government, except for fiduciary activities.

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. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

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

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

The Board reports the following major governmental funds:

General Fund – This is the Board’s primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board’s general fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the 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, state 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, Child Nutrition Program, and the Education Stabilization Fund in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

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

The Board reports the following governmental fund type in the “Nonmajor Fund” column:

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 when a liability is 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 property taxes is recognized in the fiscal year for which the taxes are levied and due. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental funds 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 reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty (60) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

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

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education.

The 2023 budget was amended in June 2023 primarily to budget carryover federal funds and adjust federal allocations.

The Superintendent of Education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. Similarly, unbudgeted capital asset acquisitions that are not financed are reported as expenditures in the fund financial statements but are not reported as expenditures for budgetary purposes. For the year ended September 30, 2023, expenditures exceeded appropriations in the general fund by \$97,803. The over-expenditure was funded by unanticipated revenues.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deficit Net Position

As of September 30, 2023, the government-wide financial statements reported an unrestricted deficit net position of \$21,383,504. The deficit in net position is due to the implementation of GASB Statement 68, relating to Pension, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Deposits and Investments

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments consist of certificates of deposit and mutual funds which are invested in short-term U.S. Treasury obligations. These investments meet all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost.

Restricted Assets

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

Receivables and Allowance for Doubtful Accounts

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial. Sales tax receivables are based on the amounts collected within 60 days after year-end.

Property Tax Calendar

The Dale County Commission (the "Commission") levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

Dale County Board of Education
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their acquisition value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

| | | | |
|-------------------------|----|--------|---------------|
| Land improvements | \$ | 50,000 | 20 years |
| Buildings | \$ | 50,000 | 25 - 50 years |
| Building improvements | \$ | 50,000 | 7 - 30 years |
| Equipment and furniture | \$ | 5,000 | 5 - 15 years |
| Vehicles | \$ | 5,000 | 8 - 10 years |

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items reported in this category, deferred outflows related to pension and deferred outflows related to OPEB. The deferred outflows related to pension are an aggregate of items related to pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

Deferred outflows related to OPEB result from OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between actual and expected experience. The deferred outflows related to pension and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, unavailable revenue – property and motor vehicle taxes, deferred inflows related to pension, and deferred inflows related to OPEB. Unavailable revenue – property and motor vehicle taxes is the result of property taxes being levied in a different fiscal year than when the revenue becomes available to the Board. The deferred inflows related to pension are an aggregate of items related to pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*.

Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pension or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability (as the benefits are earned by the employees), if both of these conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees receive 10 days of vacation and 5 days of personal leave per year. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System of Alabama, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Compensated Absences (continued)

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed two weeks of vacation per year with pay. Personnel considered full time support personnel and instructional personnel contracted for the fiscal year are eligible for vacation leave. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Unearned Revenues

Unearned revenues are a liability that represents amounts received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt and capital leases are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2002, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

Pension Plan

The Teachers' Retirement System of Alabama (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized 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 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.

Other Postemployment Benefits (OPEB) Liability

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Other Postemployment Benefits (OPEB) Liability (continued)

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.

Categories and Classification of Fund Balance

Net position flow assumption – Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

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 – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Fund Balance Flow Assumptions – Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Dale County Board of Education
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Fund Balance (continued)

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Board’s reported governmental fund balance at September 30, 2023, is comprised of the following:

| | General Fund | Special Revenue Fund | Capital Projects Fund | <u>Nonmajor Fund</u> Debt Service Fund | Total Governmental Funds |
|--------------------------|----------------------|----------------------------|-----------------------------|--|--------------------------------|
| Nonspendable: | | | | | |
| Inventories | \$ 3,872 | \$ 114,272 | \$ - | \$ - | \$ 118,144 |
| Restricted: | | | | | |
| Debt service | - | - | - | 2,221,880 | 2,221,880 |
| Assigned: | | | | | |
| Subsequent years' budget | - | 1,637,706 | 2,322,984 | - | 3,960,690 |
| Unassigned | 15,001,387 | - | - | - | 15,001,387 |
| | <u>\$ 15,005,259</u> | <u>\$ 1,751,978</u> | <u>\$ 2,322,984</u> | <u>\$ 2,221,880</u> | <u>\$ 21,302,101</u> |

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Minimum Fund Balance Policy

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

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Economic Dependency

The Board receives a substantial amount of its support from federal and state government. A significant reduction in the level of support, if this were to occur, may have a significant impact on the Board's programs and activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021. The implementation of GASB 91 did not result in any significant change in the Board's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of GASB 94 are effective for fiscal years beginning after June 15, 2022. The implementation of GASB 94 did not result in any significant change in the Board's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which GASB 96 is implemented.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of GASB 96 did not result in any significant change in the Board's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). This GASB 99 provides guidance on the following:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in GASB 96, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of GASB 99 are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The implementation of GASB 99 did not result in any significant change in the Board's financial statements.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

The GASB has issued statements that will become effective in future years. These statements are as follows:

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Dale County Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

GASB Statement No. 103, *Financial Reporting Model Improvements*. The new standard will revise and build upon the requirements in GASB Statement No. 34. Key changes in the new standard are summarized below.

- Revises the requirements for management’s discussion and analysis (MD&A) with the goal of making it more readable and understandable
- Combines extraordinary items and special items into one category of “unusual or infrequent items”
- Defines operating and nonoperating revenues, specifically by defining nonoperating revenues and classifying all other revenues as operating
- Includes a new section for noncapital subsidies for proprietary funds’ statement of revenues, expenses, and changes in fund net position
- Requires the presentation of proprietary funds’ statement of revenues, expenses, and changes in fund net position in the statistical section report the same categories of revenues and expenses as the face of the financial statements
- Removes the option to disclose major component units in a condensed form in the notes to the financial statements and requires them to be shown individually or in combining financial statements following the fund financial statements
- Requires budgetary comparisons to be presented as RSI and adds new columns for variances between original-to-final budget and final budget-to-actual results

The requirements of this Statement are effective for fiscal years ending June 30, 2026, and all reporting periods thereafter.

The Board is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover 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 deposit 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 with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Board's certificates of deposit are classified as "Investments" on the financial statements and have maturities of one year or less.

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the Code of Alabama 1975, Section 19-3-120 and Section 19-3-120.1. The Board’s cash with fiscal agent is to be invested in accordance with these applicable statutes.

As of September 30, 2023, the Board’s cash with fiscal agents was \$2,867,981. \$2,167,981 was invested in Federated U.S. Treasury Cash Reserves and \$700,000 was not invested and held in a checking account for future debt repayment.

Custodial Credit Risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Board places its deposits are certified as “qualified public depositories,” as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Board has limited its interest rate risk by investing in certificates of deposits held at local banks with an original maturity of one year or less.

Accounts Receivable

Receivables as of September 30, 2023, consist of the following:

| | General | Special Revenue Fund | Total |
|--------------------------|---------------------|-------------------------|---------------------|
| Taxes | \$ 566,327 | \$ - | \$ 566,327 |
| Accounts | 110,690 | 5,577 | 116,267 |
| Intergovernmental | 2,538,044 | - | 2,538,044 |
| IDEA Special Ed | - | 43,079 | 43,079 |
| Special Ed Preschool | - | 5,851 | 5,851 |
| Basic Grant | - | 41,375 | 41,375 |
| Title I | - | 143,331 | 143,331 |
| Title II | - | 11,199 | 11,199 |
| Title IV | - | 28,750 | 28,750 |
| APR IDEA Part B | - | 74,976 | 74,976 |
| ESSER III Reserve | - | 166,582 | 166,582 |
| ESSER II | - | 2,217,475 | 2,217,475 |
| CNP | - | 575,356 | 575,356 |
| Total receivables | \$ 3,215,061 | \$ 3,313,551 | \$ 6,528,612 |

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (continued)

The Board deems all amounts collectible and, therefore an allowance for doubtful accounts is not necessary.

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2023:

| <i>For the year ended September 30, 2023</i> | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 367,568 | \$ - | \$ - | \$ 367,568 |
| Construction in progress | 2,284,949 | 5,422,661 | 4,918,246 | 2,789,364 |
| Capital assets, not being depreciated | 2,652,517 | 5,422,661 | 4,918,246 | 3,156,932 |
| Capital assets, being depreciated | | | | |
| Land improvements | 327,628 | - | - | 327,628 |
| Buildings | 19,502,845 | 4,918,246 | - | 24,421,091 |
| Building improvements | 17,161,543 | - | - | 17,161,543 |
| Furniture and equipment | 1,630,217 | 75,775 | - | 1,705,992 |
| Vehicles | 5,255,628 | 516,957 | 300,632 | 5,471,953 |
| Capital assets, being depreciated | 43,877,861 | 5,510,978 | 300,632 | 49,088,207 |
| Less accumulated depreciation for | | | | |
| Land improvements | 127,464 | 12,131 | - | 139,595 |
| Buildings | 8,707,524 | 409,627 | - | 9,117,151 |
| Building improvements | 9,445,315 | 827,219 | - | 10,272,534 |
| Furniture and equipment | 947,844 | 88,181 | - | 1,036,025 |
| Vehicles | 3,074,185 | 367,217 | 285,969 | 3,155,433 |
| Total accumulated depreciation | 22,302,332 | 1,704,375 | 285,969 | 23,720,738 |
| Total capital assets, being depreciated, net | 21,575,529 | 3,806,603 | 14,663 | 25,367,469 |
| Total capital assets, net | \$ 24,228,046 | \$ 9,229,264 | \$ 4,932,909 | \$ 28,524,401 |

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

| <i>For the year ended September 30,</i> | 2023 |
|--|--------------|
| Instructional services | \$ 1,208,812 |
| Instructional support services | 12,962 |
| Operation and maintenance services | 42,350 |
| Student transportation services | 343,558 |
| Food services | 80,581 |
| General and administrative | 16,112 |
| Total governmental activities depreciation expense | \$ 1,704,375 |

Long-Term Debt and Liabilities

In June 2011, the Alabama Public School and College Authority (PSCA) issued Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011, on behalf of various Boards of Education in the State. The Board's share of the bonds, issuance costs, and net proceeds were \$2,500,000, \$9,400, and \$2,490,600, respectively. The interest rates on these bonds are 4.60%, however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. The Board is required to make sinking fund deposits of \$125,239 on May 1 of each year for 15 years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. In the event of default, whether due to failure to comply with terms and conditions of the Bonds or in failure to pay amount due on the Bonds, the PSCA may (1) withhold all PSF Capital Purchase funds due to the Board until full compliance with the terms and/or (2) file suit to compel performance of the obligations of the Board under the bond agreement. Annual debt service requirements to maturity for the Series 2011 Qualified Zone Academy Bonds Capital Outlay Pool Warrants are payable as follows:

| <i>For the years ending</i> | | |
|-----------------------------|--------------|------------|
| <i>September 30,</i> | Principal | Interest |
| 2024 | \$ - | \$ 115,000 |
| 2025 | - | 115,000 |
| 2026 | 2,500,000 | 115,000 |
| Total | \$ 2,500,000 | \$ 345,000 |

In fiscal year 2016, the Board issued School Tax Warrants (Qualified Zone Academy Project), Series 2016-A, in the amount of \$1,500,000 at 0% interest. The Board is required to make annual payments in July of \$100,000 for 15 years. The warrants are payable from and secured by the special sales tax levied by the Dale County Commission.

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

In the event of default, whether due to failure to comply with terms and conditions of Warrants or in failure to pay amount due on the Warrants, Friend Bank (the Lender) may (1) declare the principal of all the Warrants and the interest accrued thereon to be due and payable immediately, (2) apply all money on deposit in the Financing Agreement Funds to satisfy the Financing Agreement Indebtedness in accordance with the Financing Agreement and applicable law, and/or (3) cause the Board to enter into a written depository agreement pursuant to which each such banking institution shall agree to hold any and all Pledge Tax Proceeds from time to time on deposit with such banking institution as assets on a trust for the Lender and to transfer such Pledged Tax Proceeds to the Lender upon receipt from the lender of a notice stating that delivery of such Pledged Tax Proceeds is required hereunder. Annual debt service requirements to maturity for the School Tax Warrants (Qualified Zone Academy Project) Series 2016-A are payable as follows:

| For the years ending September 30, | Principal | | Interest | |
|---------------------------------------|-----------|------------------|-----------|----------|
| 2024 | \$ | - | \$ | - |
| 2025 | | - | | - |
| 2026 | | - | | - |
| 2027 | | 1,500,000 | | - |
| Total | \$ | 1,500,000 | \$ | - |

On December 13, 2016, the Board approved a warrant purchase agreement to refinance Capital Outlay Tax Anticipation Warrants, Series 2008 and Capital Outlay Tax Anticipation Refunding Warrants, Series 2007 with the issuance of Special Tax School Warrants, Series 2017-A in the amount of \$9,750,000 and Special Tax School Warrants Series 2017-B in the amount of \$1,735,000 for a total of \$11,485,000. In addition to the refunding, the Board received proceeds of \$4,004,149 to provide financing for additional capital improvements. The warrants are payable from a special sales tax levied by the Dale County Commission. Annual debt service requirements to maturity for the Series 2017-A and Series 2017-B Special School Tax Warrants are payable as follows:

| For the years ending September 30, | Series 2017-A | | Series 2017-B | |
|---------------------------------------|---------------------|---------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ - | \$ 367,750 | \$ 270,000 | \$ 4,523 |
| 2025 | 280,000 | 363,550 | - | - |
| 2026 | 285,000 | 355,075 | - | - |
| 2027 | 295,000 | 346,006 | - | - |
| 2028 | 305,000 | 336,256 | - | - |
| 2029-2033 | 1,695,000 | 1,516,044 | - | - |
| 2034-2038 | 2,035,000 | 1,169,413 | - | - |
| 2039-2043 | 2,480,000 | 728,244 | - | - |
| 2044-2048 | 2,375,000 | 194,700 | - | - |
| Total | \$ 9,750,000 | \$ 5,377,038 | \$ 270,000 | \$ 4,523 |

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

In fiscal year 2018, the Board issued Capital Outlay School Warrants (Qualified Zone Academy Project) in the amount of \$449,000 at 0% interest. The Board is required to make annual payments in December of \$44,900 for 10 years. The warrants are payable from and secured by the special sales tax levied by the Dale County Commission. In the event of default, whether due to failure to comply with terms and conditions of Warrants or in failure to pay amount due on the Warrants, Regions Bank (the Lender) may (1) become due and payable upon acceleration or otherwise for a period of ten days after written notice of such failure given by the Bank of the Board and/or (2) at its option exercise the rights and remedies of setoff or banker's lien against the interest of the Board in and to every account and other property of the Board which is in the possession or under the control of the Bank or any subsequent holder of the Warrant, to the extent of the full amount of the Warrants. Annual debt service requirements to maturity for the School Tax Warrants (Qualified Zone Academy Project) Series 2017 are payable as follows:

| For the years ending September 30, | Principal | Interest |
|---------------------------------------|-------------------|-------------|
| 2024 | \$ 44,900 | \$ - |
| 2025 | 44,900 | - |
| 2026 | 44,900 | - |
| 2027 | 44,900 | - |
| 2028 | 44,900 | - |
| Total | \$ 224,500 | \$ - |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-----------|------------------|-------------------|------------------------|
| Governmental Activities | | | | | |
| <i>Bonds/warrants payable</i> | | | | | |
| 2016-A School Tax Warrants | | | | | |
| Qualified Zone Academy Project | \$ 1,500,000 | \$ - | \$ - | \$ 1,500,000 | \$ - |
| 2011 Qualified Zone Academy Bonds (QZAB) Capital Outlay Pool Warrants | 2,500,000 | - | - | 2,500,000 | - |
| Special Tax School Warrants: | | | | | |
| 2017 Series-A | 9,750,000 | - | - | 9,750,000 | - |
| 2017 Series-B | 530,000 | - | (260,000) | 270,000 | 270,000 |
| 2017 Capital Outlay School Warrants | | | | | |
| Qualified Zone Academy Project | 269,400 | - | (44,900) | 224,500 | 44,900 |
| Total bonds/warrants payable | 14,549,400 | - | (304,900) | 14,244,500 | 314,900 |

Dale County Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities (continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------------|-----------------------|----------------------|------------------------|
| <i>Other long-term liabilities</i> | | | | | |
| Net Pension Liability | 22,867,000 | 15,658,000 | - | 38,525,000 | - |
| Net OPEB Liability | 14,202,640 | - | (8,702,490) | 5,500,150 | - |
| Total other long-term liabilities | 37,069,640 | 15,658,000 | (8,702,490) | 44,025,150 | - |
| Total governmental activities long-term liabilities | \$ 51,619,040 | \$ 15,658,000 | \$ (9,007,390) | \$ 58,269,650 | \$ 314,900 |

Pledged Revenues

The Board participated in the Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011 issued by PSCA. The sinking fund deposits to be made by the Board are pledged to be paid from their allocation of public school funds received from the State of Alabama. The proceeds from the bonds are to be used to finance capital improvements at various local schools. Future revenues in the amount of \$500,956 are pledged for the payments of the sinking fund deposits on the bonds at September 30, 2023. The Series 2011 Qualified Zone Academy Bonds will mature in fiscal year 2026.

The Board issued School Tax Warrants (Qualified Zone Academy Project), Series 2016-A, for the purpose of rehabilitating or repairing the public school facility in which the Qualified Zone Academy is established or providing equipment for use at the Qualified Zone Academy. The Board pledged to repay the school tax warrants from the proceeds of a special sales tax levied by the Dale County Commission pursuant to Act Number 94-765, Acts of Alabama, of which the Board receives 100 percent of the proceeds. Future revenues of \$1,500,000 are pledged to repay the principal on the warrants at September 30, 2023. Proceeds of the special sales tax in the amount of \$2,020,440 were received by the Board and no principal payments were made during the fiscal year ended September 30, 2023. The Series 2016-A School Tax Warrants will mature in fiscal year 2031.

The Board issued Series 2017-A and Series 2017-B Special School Tax Warrants for the purpose of refunding the 2007 Tax Anticipation Warrants and the 2008 Tax Anticipation Warrants as well for the purpose of constructing gymnasium facilities and other capital improvements at G.W. Long Elementary and High Schools, Ariton School and Midland City Elementary School. The Board pledged to repay the special school tax warrants from the proceeds of a special sales tax levied by the Dale County Commission pursuant to Act Number 94-765, Acts of Alabama, of which the Board receives 100 percent of the proceeds. Future revenues of \$16,042,418 are pledged to repay the principal and interest on the warrants at September 30, 2023. Proceeds of the special sales tax in the amount of \$2,020,440 were received by the Board during the fiscal year ended September 30, 2023, of which \$260,000 was used to pay principal and interest on the Series 2017-A and 2017-B warrants. The Series 2017-A and Series 2017-B Special School Tax Warrants will mature in fiscal years 2047 and 2024, respectively.

**Dale County Board of Education
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Pledged Revenues (continued)

The Board issued Capital Outlay School Warrants (Qualified Zone Academy Project), Series 2017, in the amount of \$449,000 for the purpose of capital improvements to public schools. The Board pledged to repay the warrants from the proceeds of a special sales tax levied by the Dale County Commission pursuant to Act Number 94-765, Acts of Alabama, of which the Board receives 100 percent of the proceeds. Future revenues of \$269,400 are pledged to repay the principal on the warrants at September 30, 2023. Proceeds of the special sales tax in the amount of \$2,020,440 were received by the Board and principal payments of \$44,900 were made during the fiscal year ended September 30, 2023. The Capital Outlay School Warrants (Qualified Zone Academy Project), Series 2017 will mature in fiscal year 2028.

Net Investment In Capital Assets

The elements of this calculation are as follows:

| | |
|--|---------------|
| Capital assets (net) | \$ 28,524,400 |
| Outstanding debt related to capital assets | (14,244,500) |
| <hr/> | |
| Net investment in capital assets | \$ 14,279,900 |
| <hr/> | |

Interfund Receivables, Payables and Transfers

| Transfers Out | Transfers In | | | Total |
|----------------------|-----------------|-------------------------|----------------------------------|--------------|
| | General Fund | Special Revenue Fund | Nonmajor Debt Service Fund | |
| General Fund | \$ - | \$ 446,435 | \$ 646,326 | \$ 1,092,761 |
| Special Revenue Fund | 41,741 | - | - | 41,741 |
| <hr/> | | | | |
| | \$ 41,741 | \$ 446,435 | \$ 646,326 | \$ 1,134,502 |
| <hr/> | | | | |

The Special Revenue Fund owed the General fund \$2,677,085 as of September 30, 2023 due to timing of grant receivables. This is expected to be repaid within the next year.

Note 3: EMPLOYEE RETIREMENT PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control which consists of 15 trustees.

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Plan Description (continued)

The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

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

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

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

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

Contributions

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by a 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.

Dale County Board of Education
Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Contributions (continued)

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 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,489,000.

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pension

At September 30, 2023, the Board reported a liability of \$38,525,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers.

At September 30, 2023, the System's proportion was 0.247896%, which was an increase of 0.005155% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$5,222,000. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 847,000 | \$ 935,000 |
| Changes of assumptions | 1,748,000 | - |
| Net difference between projected and actual earnings on pension plan investments | 7,731,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,030,000 | 82,000 |
| Employer contributions subsequent to the measurement date | 2,488,712 | - |
| Total | \$ 13,844,712 | \$ 1,017,000 |

Dale County Board of Education
Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pension (continued)

\$2,489,000 reported as deferred outflows of resources related to pension resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,

| | |
|------|--------------|
| 2024 | \$ 3,155,000 |
| 2025 | 2,326,000 |
| 2026 | 1,678,000 |
| 2027 | 3,180,000 |

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

| | |
|--|---------------|
| Inflation | 2.50% |
| Projected salary increases | 3.25% - 5.00% |
| Investment rate of return* | 7.45% |
| * Net of pension plan investment expense | |

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021, which became effective at the beginning of fiscal year 2021. Mortality rates for TRS were based on the Pub-2010 Teacher Tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

| Group | Membership Table | Set Forward (+) / Set Back (-) | 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% > ages 74, Phasing down 69-74 |
| Beneficiaries | Contingent Survivor Below Median | Male: +2, Female: None | None |
| Disabled Retirees | Teacher Disability | Male: +8, Female: +3 | None |

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**Dale County Board of Education
Notes to Financial Statements**

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pension (continued)

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 | 100.00% | |

* Includes assumed rate of inflation of 2.00%

Changes in Net Pension Liability and Sensitivity to Changes in 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.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|-------------------------------|---------------------------|-------------------------------------|---------------------------|
| Board's net pension liability | \$ 49,850,000 | \$ 38,525,000 | \$ 28,986,000 |

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

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

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

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.

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Benefits Provided (continued)

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

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

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

Contributions

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

Dale County Board of Education
Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Contributions (continued)

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

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

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2023, the Board reported a liability of \$5,500,150 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2023, the Board's proportion was 0.31565637%, which was an increase of 0.04077437% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the System recognized OPEB expense of (\$2,456,620), with no special funding situations. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 252,259 | \$ 11,120,852 |
| Changes of assumptions | 4,461,373 | 8,005,800 |
| Net difference between projected and actual earnings on OPEB plan investments | 691,696 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,218,121 | 1,326,629 |
| Employer contributions subsequent to the measurement date | 435,863 | - |
| Total | \$ 9,059,312 | \$ 20,453,281 |

Dale County Board of Education
Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$436,000 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

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

Year ending September 30,

| | |
|--------------|------------------------|
| 2024 | \$ (2,977,746) |
| 2025 | (3,174,666) |
| 2026 | (1,402,808) |
| 2027 | (1,292,761) |
| 2028 | (1,877,422) |
| Thereafter | (1,104,429) |
| Total | \$ (11,829,832) |

Actuarial Assumptions

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

| | |
|---|---------------|
| Inflation | 2.50% |
| Salary increases ¹ | 3.25% - 5.00% |
| Long-term investment rate of return ² | 7.00% |
| Municipal Bond Index rate at the measurement date | 4.40% |
| Municipal Bond Index rate at the prior measurement date | 2.29% |
| Year fiduciary net position (FNP) is projected to be depleted | N/A |
| Single equivalent interest rate the measurement date | 7.00% |
| Single equivalent interest rate the prior measurement date | 3.97% |
| Healthcare cost trend rate | |
| Pre-Medicare eligible | 6.50% |
| Medicare eligible | ** |
| Ultimate trend rate | |
| Pre-Medicare eligible | 4.50% in 2031 |
| Medicare eligible | 4.50% in 2027 |

¹ Includes 2.75% wage inflation.

² Compounded annually, net of investment expense, and including inflation.

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

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

**Dale County Board of Education
Notes to Financial Statements**

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Actuarial Assumptions (continued)

The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

| Group | Membership Table | Set Forward (+) / Set Back (-) | Adjustment to Rates |
|----------------------|--|---|---|
| Active Members | Teacher Employee Below Median | None | 65% |
| Service Retirees | Teacher Below Median | Male: +2, Female: +2 | Male: 108% ages <63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% > ages 74, Phasing down 69-74 |
| Disabled Retirees | Teacher Disability | Male: +8, Female: +3 | None |
| Beneficiaries | Teacher Contingent Survivor Below Median | Male: +2, Female: None | None |

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

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

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

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

**Dale County Board of Education
Notes to Financial Statements**

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Actuarial Assumptions (continued)

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---------------------------------------|----------------------|--|
| Fixed income | 30.00% | 4.40% |
| U.S. large stocks | 38.00% | 8.00% |
| U.S. mid stocks | 8.00% | 10.00% |
| U.S. small stocks | 4.00% | 11.00% |
| International developed market stocks | 15.00% | 9.50% |
| Cash | 5.00% | 1.50% |
| Total | 100.00% | |

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates.

Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 15.27% of the employer contributions were used to assist in funding retiree benefit payments in 2022, and it is assumed that the 15.27% will increase or decrease at the same rate as expected benefits for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

**Dale County Board of Education
Notes to Financial Statements**

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

| | 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) |
|--------------------|---|--|---|
| Net OPEB liability | \$ 4,170,775 | \$ 5,500,150 | \$ 7,130,503 |

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability | \$ 6,800,123 | \$ 5,550,150 | \$ 4,408,861 |

OPEB Plan Fiduciary Net Position

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

Note 5: 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 purchases commercial property and liability insurance for its buildings and contents, fidelity bonds, and vehicles.

Errors and omissions insurance is purchased from Alabama Trust for Boards of Education (ATBE), a public entity risk pool. ATBE collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. 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 set annually based on the amounts necessary to fund coverage.

**Dale County Board of Education
Notes to Financial Statements**

Note 5: RISK MANAGEMENT (Continued)

The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Board is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Board, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Board or results of activities.

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

| | Contract Amount | Remaining Balance |
|-------------------------------|--------------------|----------------------|
| GW Long Ag Shop and Gymnasium | \$ 3,020,000 | \$ 536,388 |
| Total | \$ 3,020,000 | \$ 536,388 |

**Dale County Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of Alabama
Last Nine Fiscal Years**

| <i>As of and for the year ended September 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the collective net pension liability | 0.247896% | 0.242741% | 0.237759% | 0.239674% | 0.227743% | 0.226748% | 0.220979% | 0.220812% | 0.219277% |
| Employer's proportionate share of the collective net pension liability | \$ 38,525,000 | \$ 22,867,000 | \$ 29,410,000 | \$ 26,501,000 | \$ 22,644,000 | \$ 22,286,000 | \$ 23,923,000 | \$ 23,109,000 | \$ 19,920,000 |
| Employer's covered payroll during the measurement period* | \$ 19,012,000 | \$ 17,564,000 | \$ 16,762,000 | \$ 15,697,000 | \$ 15,168,000 | \$ 14,948,000 | \$ 14,013,000 | \$ 13,943,000 | \$ 13,904,000 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 202.64% | 130.19% | 175.46% | 168.83% | 149.29% | 149.09% | 170.72% | 165.74% | 143.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.21% | 76.44% | 67.72% | 69.85% | 72.29% | 71.50% | 67.93% | 67.51% | 71.01% |

*Employer's covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For FY 2023, the measurement period is October 1, 2021 through September 30, 2022.

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

**Dale County Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Teachers' Retirement System of Alabama
Last Nine Fiscal Years**

| <i>As of and for the year ended September 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 2,489,000 | \$ 2,298,000 | \$ 2,118,000 | \$ 2,041,000 | \$ 1,915,000 | \$ 1,828,000 | \$ 1,775,000 | \$ 1,661,000 | \$ 1,627,000 |
| Contributions in relation to the actuarially determined contribution | 2,489,000 | 2,298,000 | 2,118,000 | 2,041,000 | 1,915,000 | 1,828,000 | 1,775,000 | 1,661,000 | 1,627,000 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 20,394,000 | \$ 19,012,000 | \$ 17,564,000 | \$ 16,762,000 | \$ 15,697,000 | \$ 15,168,000 | \$ 14,948,000 | \$ 14,013,000 | \$ 13,943,000 |
| Contributions as a percentage of covered payroll | 12.20% | 12.09% | 12.06% | 12.18% | 12.20% | 12.05% | 11.87% | 11.85% | 11.67% |

Note to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

**Dale County Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
Last Six Fiscal Years**

| <i>As of and for the year ended September 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------------|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the collective net OPEB liability | 0.315656% | 0.274882% | 0.273351% | 0.303731% | 0.287620% | 0.277352% |
| Employer's proportionate share of the collective net OPEB liability | \$ 5,500,150 | \$ 14,203,000 | \$ 17,740,000 | \$ 11,459,000 | \$ 23,639,000 | \$ 20,600,000 |
| Employer's covered-employee payroll during the measurement period* | \$ 19,012,000 | \$ 17,564,000 | \$ 16,762,000 | \$ 15,697,000 | \$ 15,168,000 | \$ 14,948,000 |
| Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 28.93% | 80.86% | 105.83% | 73.00% | 155.85% | 137.81% |
| Plan fiduciary net position as a percentage of the total collective OPEB liability | 48.39% | 27.11% | 19.80% | 28.14% | 14.81% | 15.37% |

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

Note to Schedule

Note 1: GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

Note 2: For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

**Dale County Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Alabama Retired Education Employees' Health Care Trust
Last Six Fiscal Years**

| <i>As of and for the year ended September 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 436,000 | \$ 604,000 | \$ 491,000 | \$ 542,000 | \$ 868,000 | \$ 713,000 |
| Contributions in relation to the actuarially determined contribution | 436,000 | 604,000 | 491,000 | 542,000 | 868,000 | 713,000 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered-employee payroll | \$ 20,394,000 | \$ 19,012,000 | \$ 17,564,000 | \$ 16,762,000 | \$ 15,697,000 | \$ 29,927,000 |
| Contributions as a percentage of covered-employee payroll | 2.14% | 3.18% | 2.80% | 3.23% | 5.53% | 2.38% |

Notes to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

Dale County Board of Education Notes to Required Supplementary Information

PENSION

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarially determined contribution rates as of September 30, two years prior to the beginning of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution rate:

| | General Employees |
|--|----------------------|
| Inflation | 2.50% |
| Salary increases (including inflation) | 3.25 - 5.00% |
| Investment rate of return * | 7.45% |

*Net of pension plan investment expense

OPEB

Changes in Actuarial Assumptions

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

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

Recent Plan Changes

Beginning in plan year 2021, the Medicare Advantage (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 MAPD plan.

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

Dale County Board of Education Notes to Required Supplementary Information

Methods and Assumptions Used to Determine Contribution Rates

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

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

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

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Dale County Board of Education
Ozark, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dale County Board of Education (the “Board”) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 25, 2024



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRlcpa.com

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

Members of the Board
Dale County Board of Education
Ozark, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2024

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

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 4. Identification of major programs | |

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|------------------------------|---|
| 84.425D 84.425U | Education Stabilization Fund CARES Act ESSER II CARES Act ESSER III |
| 84.027 84.027X | Special Education Cluster Special Education- Grants to States COVID-19 ARPA – IDEA Part B |
| 84.173 84.010 | Special Education- Preschool Title I Grants to Local Education Agencies |

- | | |
|---|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs? | \$ 750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520? | Yes |

Section II - Financial Statements Findings

No matters were reported.

**Dale County Board of Education
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2023**

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Findings and Questioned Costs For Federal Award

No matters were reported.

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

| Federal Grantor/Pass-Through Grantor Program Title | Federal Assistance Listing Number | Pass Through Grantor's Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|-------------------------------------|---------------------------------------|-------------------------------|
| Social Security Administration | | | | |
| Passed through State Department of Education Disability Insurance/SSI Cluster | | | | |
| Social Security Disability Insurance*** | 96.001 | N/A | \$ - | \$ 460 |
| U.S. Department of Education | | | | |
| Passed through State Department of Education | | | | |
| COVID-19 - Education Stabilization Fund - CARES Act ESSER II | 84.425D | N/A | - | 999,147 |
| COVID-19 - Education Stabilization Fund - CARES Act ESSER III | 84.425U | N/A | - | 1,734,551 |
| Subtotal for 84.425 | | | | 2,733,698 |
| Special Education Cluster | | | | |
| Special Education - Grants to States** | 84.027 | N/A | - | 788,495 |
| COVID-19 - ARPA - IDEA Part B** | 84.027X | N/A | - | 74,976 |
| Subtotal for 84.027 | | | | 863,471 |
| Special Education - Preschool Grants** | 84.173 | N/A | - | 14,397 |
| Subtotal Special Education Cluster | | | | 877,868 |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | - | 841,657 |
| Supporting Effective Instruction State Grant | 84.367 | N/A | - | 126,256 |
| English Language Acquisition State Grants | 84.365 | N/A | - | 5,607 |
| Student Support and Academic Enrichment Program | 84.424 | N/A | - | 55,178 |
| Career and Technical Education – Basic Grants to States | 84.048 | N/A | - | 44,903 |
| Subtotal | | | | 1,073,601 |
| Total U.S. Department of Education | | | | 4,685,167 |

(Continued)

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

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

| Federal Grantor/Pass-Through Grantor Program Title | Federal Assistance Listing Number | Pass Through Grantor's Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|-------------------------------------|---------------------------------------|-------------------------------|
| U.S. Department of Agriculture | | | | |
| Passed through State Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| National School Lunch Program*(N) | 10.555 | N/A | - | 118,990 |
| National School Lunch Program* | 10.555 | N/A | - | 1,384,990 |
| COVID-19 - National School Lunch Program* | 10.555 | N/A | - | 98,789 |
| Subtotal for 10.555 | | | | - 1,602,769 |
| School Breakfast Program* | 10.553 | N/A | - | 751,422 |
| Subtotal Child Nutrition Cluster/Total U.S. Department of Agriculture | | | | - 2,354,191 |
| Total Expenditures of Federal Awards | | | \$ | - \$ 7,039,818 |

* Child Nutrition Cluster

** Special Education Cluster

*** Disability Insurance / SSI Cluster

(N) USDA Donated Food – No actual cash transactions.

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("schedule") includes the federal spending of the Dale County Board of Education (the "Board") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Board, it is not intended to and does not represent the financial position of the Board.

Child Nutrition Cluster - Includes awards that assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourage the domestic consumption of nutritious agricultural commodities.

Special Education Cluster - Includes awards that ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents or guardians are protected; assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities.

Disability Insurance/SSI Cluster - Includes awards that provide benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. These awards provide payments to financially needy individuals who are aged, blind, or disabled.

Note 2: INDIRECT COST RATE

The Board has not elected to use the 10% de minimis cost rate.

Note 3: LOANS AND LOAN GUARANTEES

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ended September 30, 2023.

Note 4: SUBRECIPIENTS

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2023.

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

Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal, state and/or pass-through agencies and the schedule may differ. Some of the factors that may account for any difference include the following:

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.

Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports and the schedule.

Note 6: FEDERAL PASS-THROUGH FUNDS

The Board is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

Note 7: DONATED FOOD PROGRAM

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$118,990 for fiscal year 2023.

Note 8: CONTINGENCIES

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of June 25, 2024, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.