Report on the

Elmore County
Board of Education

Elmore County, Alabama

October 1, 2019 through September 30, 2020

Filed: September 10, 2021

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

21-389

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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Elmore County Board of Education, Elmore County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Chris Newton, Kathy Roberts and Caitlin Baker. I, Chris Newton, served as the Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Chris Newton
Examiner of Public Accounts

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Department of
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SUMMARY

Elmore County Board of Education
October 1, 2019 through September 30, 2020

The Elmore County Board of Education (the "Board") is governed by a seven-member body elected by the citizens of Elmore County. The members and administrative personnel in charge with governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Elmore County public school, preschool through high school, with the exception of the Tallassee City School System.

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

An unmodified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

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

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference held at Wetumpka High School. Individuals in attendance were: Superintendent: Richard Dennis; Chief School Financial Officer: Jason Mann; and Board Members: Michael Morgan, David Jones, Wendell Saxon, and Joey Holley. Representing the Department of Examiners of Public Accounts were: Teresa Dekle, Audit Manager; Chris Newton, Examiner; and Kathy Roberts, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Elmore County Board of Education,
Superintendent and Chief School Financial Officer
Wetumpka, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Elmore County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Elmore County Board of Education's basic financial statements, listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Elmore County Board of Education's preparation and fair presentation of the financial statements 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 Elmore County Board of Education's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the remaining fund information of the Elmore County Board of Education, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elmore County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, is presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The accompanying 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. Such 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 August 19, 2021, on our consideration of the Elmore County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elmore County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Elmore County Board of Education's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 19, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2020

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	20,703,738.14
Cash with Fiscal Agent		55,194,307.14
Investments		17,524.93
Ad Valorem Property Taxes Receivable		10,048,527.35
Receivables (Note 4)		5,916,218.34
Inventories		821,095.20
Capital Assets (Note 5):		
Nondepreciable		4,790,538.14
Depreciable, Net		78,752,269.84
Total Assets		176,244,219.08
Deferred Outflows of Resources		
Employer Pension Contribution		7,142,184.45
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability		7,884,000.00
Employer Other Postemployment Benefits (OPEB) Contribution		1,934,233.00
Proportionate Share of Collective Deferred Outflows Related to		
Net Other Postemployment Benefits (OPEB) Liability		9,314,617.00
Total Deferred Outflows of Resources		26,275,034.45
Liabilities		
Accounts Payable		54,938.31
Unearned Revenue		224,714.28
Salaries and Benefits Payable		7,860,686.78
Accrued Interest Payable		568,899.40
Long-Term Liabilities (Note 9):		
Portion Due or Payable Within One Year		4,283,888.63
Portion Due or Payable After One Year		223,695,424.26
Total Liabilities		236,688,551.66
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes		9,897,794.39
Revenue Received in Advance - Motor Vehicle Taxes		523,075.92
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability		3,759,000.00
Proportionate Share of Collective Deferred Inflows Related to Net		
Other Postemployment Benefits (OPEB) Liability		50,463,150.00
Total Deferred Inflows of Resources	$	64,643,020.31

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

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 31,392,901.53
Restricted for:	
Debt Service	5,707,129.26
Capital Projects	2,234,242.88
Child Nutrition Program	5,212,632.74
Other Purposes	32,421.52
Unrestricted	(143,391,646.37)
Total Net Position	$ (98,812,318.44)

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$ 62,966,374.83	$ 1,209,095.00	$ 50,936,154.26	$ 2,992,315.00	$ (7,828,810.57)
Instructional Support	13,848,506.29	240,255.06	11,847,294.94		(1,760,956.29)
Operation and Maintenance	7,343,309.14	466,845.88	5,129,469.26	53,917.00	(1,693,077.00)
Auxiliary Services:					
Student Transportation	6,618,611.66	139,947.04	5,225,974.04	957,490.00	(295,200.58)
Food Service	3,934,221.54	3,474,980.62	409,895.79		(49,345.13)
General Administrative and Central Support	6,599,674.02	3,744.99	4,829,260.35		(1,766,668.68)
Interest and Fiscal Charges	2,628,122.29				(2,628,122.29)
Other Expenses	10,130,659.38	11,142,945.40	1,720,332.97		2,732,618.99
Total Governmental Activities	$ 114,069,479.15	$ 16,677,813.99	$ 80,098,381.61	$ 4,003,722.00	(13,289,561.55)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					8,959,850.78
Property Taxes for Specific Purposes					1,336,349.28
Sales Tax					11,564,584.09
Alcohol Beverage Tax					431,975.31
Other Taxes					40,509.73
Grants and Contributions Not Restricted for Specific Programs					2,740.00
Investment Earnings					456,843.30
Miscellaneous					2,608,960.00
Total General Revenues					25,401,812.49
Changes in Net Position					12,112,250.94
Net Position - Beginning of Year					(110,924,569.38)
Net Position - End of Year					$ (98,812,318.44)

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 15,407,564.07	$ 3,685,019.58	$ 1,610,875.82	$ 278.67	$ 20,703,738.14
Cash with Fiscal Agent			49,464,274.39	5,730,032.75	55,194,307.14
Investments		17,524.93			17,524.93
Ad Valorem Property Taxes Receivable	10,048,527.35				10,048,527.35
Receivables (Note 4)	1,964,271.94	3,937,362.05	14,584.35		5,916,218.34
Interfund Receivable		10,286.18			10,286.18
Inventories		821,095.20			821,095.20
Total Assets	27,420,363.36	8,471,287.94	51,089,734.56	5,730,311.42	92,711,697.28
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	43,144.71	11,793.60			54,938.31
Interfund Payable	10,286.18				10,286.18
Unearned Revenues		224,714.28			224,714.28
Salaries and Benefits Payable	7,572,905.88	287,780.90			7,860,686.78
Total Liabilities	7,626,336.77	524,288.78			8,150,625.55
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	9,897,794.39				9,897,794.39
Revenue Received in Advance - Motor Vehicle Taxes	523,075.92				523,075.92
Total Deferred Inflows of Resources	10,420,870.31				10,420,870.31
Fund Balances					
Nonspendable:					
Inventories		821,095.20			821,095.20
Restricted:					
Debt Service				5,730,311.42	5,730,311.42
Capital Projects			50,103,645.96		50,103,645.96
Child Nutrition Program		4,391,537.54			4,391,537.54
Fleet Renewal			986,088.60		986,088.60
Other Purposes	2,747,761.69	32,421.52			2,780,183.21
Assigned:					
Local Schools		2,701,944.90			2,701,944.90
Unassigned	6,625,394.59				6,625,394.59
Total Fund Balances	9,373,156.28	7,946,999.16	51,089,734.56	5,730,311.42	74,140,201.42
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 27,420,363.36	$ 8,471,287.94	$ 51,089,734.56	$ 5,730,311.42	$ 92,711,697.28

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2020

Total Fund Balances - Governmental Funds		$ 74,140,201.42
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
The Cost of Capital Assets is	$ 160,410,568.84	
Accumulated Depreciation is	(76,867,760.86)	
		83,542,807.98
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		11,267,184.45
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(39,214,300.00)
Long-term liabilities, including bonds/warrants payable and pension/OPEB obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Current Portion of Long-Term Debt	$ 4,283,888.63	
Noncurrent Portion of Long-Term Debt	223,695,424.26	
		(227,979,312.89)
Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable		(568,899.40)
Total Net Position - Governmental Activities		$ (98,812,318.44)

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
State	$ 71,424,800.38	$	$ 3,891,893.85	$ 122,091.80	$ 75,438,786.03
Federal	484,784.30	20,299,228.99			20,784,013.29
Local	23,019,367.05	4,837,326.94	1,575,353.50	179,977.11	29,612,024.60
Other	116,815.85	230,090.32			346,906.17
Total Revenues	95,045,767.58	25,366,646.25	5,467,247.35	302,068.91	126,181,730.09
Expenditures					
Current:					
Instruction	54,488,540.26	6,655,644.34			61,144,184.60
Instructional Support	12,108,368.91	1,702,448.53			13,810,817.44
Operation and Maintenance	6,378,932.64	730,130.89	56,312.00		7,165,375.53
Auxiliary Services:					
Student Transportation	6,024,327.17	88,553.28			6,112,880.45
Food Service		3,748,451.85			3,748,451.85
General Administrative and Central Support	4,517,407.56	1,865,025.50		329,353.74	6,711,786.80
Other	2,941,107.30	7,465,813.47			10,406,920.77
Capital Outlay	1,092,226.15	10,109.00	1,969,835.43		3,072,170.58
Debt Service:					
Principal Retirement			3,773,020.42	806,330.44	4,579,350.86
Interest and Fiscal Charges			928,586.72	1,463,907.24	2,392,493.96
Other Debt Service				8,000.00	8,000.00
Total Expenditures	87,550,909.99	22,266,176.86	6,727,754.57	2,607,591.42	119,152,432.84
Excess (Deficiency) of Revenues Over Expenditures	7,494,857.59	3,100,469.39	(1,260,507.22)	(2,305,522.51)	7,029,297.25
Other Financing Sources (Uses)					
Indirect Cost	94,149.34				94,149.34
Proceeds from Long-Term Debt Issued				56,915,000.00	56,915,000.00
Premiums on Long-Term Debt Issued				4,466,545.75	4,466,545.75
Transfers In	190,738.23	1,080,851.20	50,000,000.00	2,973,425.23	54,245,014.66
Transfers Out	(4,054,276.43)	(190,738.23)		(50,000,000.00)	(54,245,014.66)
Payments to Refunding Escrow Agent				(11,052,192.01)	(11,052,192.01)
Total Other Financing Sources (Uses)	(3,769,388.86)	890,112.97	50,000,000.00	3,302,778.97	50,423,503.08
Net Changes in Fund Balances	3,725,468.73	3,990,582.36	48,739,492.78	997,256.46	57,452,800.33
Fund Balances - Beginning of Year	5,647,687.55	3,956,416.80	2,350,241.78	4,733,054.96	16,687,401.09
Fund Balances - End of Year	$ 9,373,156.28	$ 7,946,999.16	$ 51,089,734.56	$ 5,730,311.42	$ 74,140,201.42

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2020

Net Changes in Fund Balances - Total Governmental Funds		$ 57,452,800.33
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures differ from depreciation expense in the period.		
Capital Outlays	$ 3,072,170.58	
Depreciation Expense	(4,965,432.57)	(1,893,261.99)
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.		4,579,350.86
Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		11,052,192.01
Proceeds from the issuance of debt are reported as other financing sources in governmental funds, and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.		(56,915,000.00)
Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities		(4,466,545.75)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Accrued Interest Payable, Current Year Increase/(Decrease)	$ 318,174.80	
Amortization of Bond Premiums	(136,267.47)	
Loss on Refunding	45,721.00	
Pension Expense, Current Year Increase/(Decrease)	2,086,471.19	
OPEB Expense, Current Year Increase/(Decrease)	(4,616,815.00)	
		2,302,715.48
Change in Net Position of Governmental Activities		$ 12,112,250.94

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

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

- ***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 the Alabama Department of Education appropriations which are restricted to their use.

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

Governmental Fund Type

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

3. Inventories

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

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash 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 used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	$50,000	20 years
Buildings	$50,000	25 – 50 years
Building Improvements	$50,000	5 – 30 years
Equipment and Furniture	$ 5,000	5 – 20 years
Assets Under Lease	$ 5,000	5 – 20 years

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

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

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

8. Deferred Inflows of Resources

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

9. Net Position/Fund Balances

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

- ***Net Investment in Capital Assets*** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ***Restricted*** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.

B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

Note 3 – Deposits and Investments

A. Deposits

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

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

B. Cash with Fiscal Agent

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

The Board has cash with fiscal agent totaling $49,854,350.73 in the Capital Projects Fund and the Other Governmental Fund on the governmental fund financial statements and on the government-wide financial statements. As of September 30, 2020, the Board had cash with fiscal agent invested as follows:

Investments	Maturities	Rating	Balance
Synovus Bank Public Funds Money Market Fund – Collateralized 100% with Treasuries	180 days or less	A3 by Moody's	$49,854,350.73

Cash with fiscal agent also includes $5,339,956.41 of Qualified School Construction Bonds, Series 2009D and Series 2010 funds that are actually held by the State of Alabama for future debt payment. The funds are recorded by the Board as cash with fiscal agent in the Debt Service Fund.

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

Credit Risk – Is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices.

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

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

Note 4 – Receivables

On September 30, 2020, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Sales Tax	$1,962,591.79	$	$	$1,962,591.79
Intergovernmental	1,680.15	3,937,362.05	14,584.35	3,953,626.55
Total Receivables	$1,964,271.94	$3,937,362.05	$14,584.35	$5,916,218.34

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 2,559,692.61	$ 176,182.54	$	$ 2,735,875.15
Construction in Progress	38,905.35	2,097,663.64	(81,906.00)	2,054,662.99
Total Capital Assets, Not Being Depreciated	2,598,597.96	2,273,846.18	(81,906.00)	4,790,538.14
Capital Assets Being Depreciated:				
Land Improvements	6,571,017.73	248,286.00		6,819,303.73
Buildings	72,598,811.44			72,598,811.44
Building Improvements	53,962,553.05	125,378.05		54,087,931.10
Furniture and Equipment	5,431,355.66	19,150.00	(22,258.00)	5,428,247.66
Vehicles	9,501,033.42	487,416.35		9,988,449.77
Assets Under Capital Lease	6,697,287.00			6,697,287.00
Total Capital Assets Being Depreciated	154,762,058.30	880,230.40	(22,258.00)	155,620,030.70
Sub-Total	157,360,656.26	3,154,076.58	(104,164.00)	160,410,568.84
Less Accumulated Depreciation for:				
Land Improvements	(3,028,582.79)	(314,606.08)		(3,343,188.87)
Buildings	(27,956,105.88)	(1,309,332.36)		(29,265,438.24)
Building Improvements	(30,324,618.87)	(2,028,611.22)		(32,353,230.09)
Furniture and Equipment	(3,385,053.43)	(250,006.05)	22,258.00	(3,612,801.48)
Vehicles	(6,057,234.23)	(530,633.76)		(6,587,867.99)
Assets Under Capital Lease	(1,172,991.09)	(532,243.10)		(1,705,234.19)
Total Accumulated Depreciation	(71,924,586.29)	(4,965,432.57)	22,258.00	(76,867,760.86)
Total Capital Assets, Being Depreciated, Net	82,837,472.01	(4,085,202.17)		78,752,269.84
Total Governmental Activities Capital Assets, Net	$ 85,436,069.97	$(1,811,355.99)	$ (81,906.00)	$ 83,542,807.98

(*) The Board completed construction projects during the fiscal year and, therefore; $81,906.00 was reclassified from Construction in Progress to Land Improvements.

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$3,083,875.72
Instructional Support	281,385.21
Operation and Maintenance	353,054.95
Auxiliary Services:	
Student Transportation	937,833.16
Food Services	228,603.24
General Administrative and Central Support	44,077.17
Other	36,603.12
Total Depreciation Expense – Governmental Activities	$4,965,432.57

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

B. Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits, equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30th, are paid to a qualified beneficiary.

C. Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% 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 $7,142,184.45 for the year ended September 30, 2020.

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

At September 30, 2020, the Board reported a liability of $86,264,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the Board's proportion was 0.780186%, which was a decrease of 0.010690% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized pension expense of $9,228,655.64. At September 30, 2020, 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	$ 1,275	$2,861
Changes of assumptions	2,658	
Net difference between projected and actual earnings on pension plan investments	3,004	
Changes in proportion and differences between employer contributions and proportionate share of contributions	947	898
Employer contributions subsequent to the measurement date	7,142	
Total	$15,026	$3,759

(Dollar amounts in thousands)

The $7,142,184.45 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. 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, 2021	$ 284
2022	$ 421
2023	$1,758
2023	$1,717
2025	$ (55)
Thereafter	$ 0

(Dollar amounts in thousands)

E. Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015 and a discount rate of 7.70%, as adopted by the Board of Trustees on December 4, 2018.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the sex distinct RP-2000 Disabled Mortality Table Projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
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%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	$117,109	$86,264	$60,163
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2019. The auditor's report dated August 18, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

C. Contributions

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

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

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

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

At September 30, 2020, the Board reported a liability of $41,255,632 for its proportionate share of the net collective OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective 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, 2019, the Board's proportion was 1.093511%, which was an increase of 0.055397% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized OPEB income of $2,688,101 with no special funding situations. At September 30, 2020, 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	$ 1,366,011	$31,633,035
Changes of assumptions	1,972,266	17,088,325
Net difference between projected and actual earnings on OPEB plan investments	85,105	
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,891,235	1,741,790
Employer contributions subsequent to the measurement date	1,934,233	
Total	$11,248,850	$50,463,150

The $1,934,233.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

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, 2021	$(8,586,695)
2022	$(8,586,695)
2022	$(8,478,590)
2024	$(6,782,483)
2025	$(7,413,128)
Thereafter	$(1,300,942)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (*)	3.25% - 5.00%
Long-Term Investment Rate of Return (**)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate the Measurement Date	5.50%
Single Equivalent Interest Rate the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(***)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(*) Includes 3.00% wage inflation.
(**) Compounded annually, net of investment expense, and includes inflation.
(***) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however, updated Medicare Advantage premium rates which reflect the repeal of the Affordable Care Act (ACA) Health Insurer Fee, updated optional claims costs, and updated participation assumptions were used in this report.

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

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

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

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

(*) Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (the "SEIR"), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. 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. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that once benefit payments exceed employer contributions, this the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

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

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Board's Proportionate Share of the Collective Net OPEB Liability	$33,079,595	$41,255,632	$51,552.979

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Board's Proportionate Share of the Collective Net OPEB Liability	$49,866,993	$41,255,632	$34,222,990

H. 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, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Lease Obligations

Capital Leases Payable

On March 30, 2017, the Board entered into a capital lease agreement in the amount of $5,038,164.00 to finance the acquisition of school buses. The outstanding capital lease agreement contains a provision that in the event of default, the bank may (1) proceed with appropriate court action to enforce the lease agreement; (2) terminate the lease agreement within 10 days; (3) take possession of any or all of the equipment and place terms on the sale or disposition of the equipment; and (4) exercise any other right, remedy, election or recourse provided for in the agreement which is allowable under the Alabama Uniform Commercial Code or any other applicable law. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass the to the Board. Until that time, the leased equipment will be identified separately on the balance sheet.   The following is a schedule of future minimum lease payments as of September 30, 2020.

Fiscal Year Ending	Governmental Activities
September 30, 2021	$ 580,722.68
2022	580,722.68
2023	580,722.68
2024	580,722.68
2025	580,722.68
2026-2027	1,161,445.36
Total Minimum Payments	4,065,058.76
Less: Amount Representing Interest	401,564.87
Present Value of Net Minimum Lease Payments	$3,663,493.89

On October 30, 2017, the Board entered into capital lease agreement in the amount of $901,009 to finance the equipment lease for lights and all supplies associated with the LED Lighting Project. The outstanding capital lease agreement contains a provision that in the event of default, the bank may (1) declare all lease payments and other amounts payable to be due immediately; (2) require the Board to return all equipment and require the Board to continue to make lease payments; (3) if the lease is terminated, the bank may sell the equipment and retain all sale proceeds; and (4) the bank may take whatever legal action it considers necessary. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass the to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments as of September 30, 2020.

Fiscal Year Ending	Governmental Activities
September 30, 2021	$171,513.67
2022	171,513.67
2023	171,513.67
2024	171,513.67
Total Minimum Payments	686,054.68
Less: Amount Representing Interest	60,384.47
Present Value of Net Minimum Lease Payments	$625,670.21

On October 23, 2017, the Board entered into capital lease agreement in the amount of $758,114, to finance the equipment lease for lights and all supplies associated with the LED Lighting Project. The outstanding capital lease agreement contains a provision that in the event of default, the bank may (1) proceed by appropriate court actions; (2) upon 30 days written notice, may terminate the lease agreement and return all equipment and remain liable for the lease agreement; (3) take possession of any or all equipment; (4) sell, dispose of, or hold use or lease the equipment; (5) declare the entire lease payments due and payable immediately plus 1.5% interest per month; and (6) exercise any right provided under law.

Fiscal Year Ending	Governmental Activities
September 30, 2021	$165,534.20
2022	165,534.20
2023	165,534.20
Total Minimum Payments	496,602.60
Less: Amount Representing Interest	28,364.09
Present Value of Net Minimum Lease Payments	$468,238.51

Note 9 – Long-Term Debt

On December 23, 2019, the Board entered into School Tax Warrants, Series 2019, in the amount of $56,915,000 for the current refunding and defeasance of the Capital Outlay School Warrants, Series 2016, Capital Outlay School Warrants, Series 2017, School Tax Warrants, Series 2018 and also for various capital improvement projects. In the event of default, the extent of the remedies afforded to the holders of the Series 2019 Warrants by any such suit, and the enforceability of any judgment against the Issuer resulting therefrom, are subject to those limitations inherent in the fact that the Series 2019 Warrants are special or limited obligations of the Board, and may be subject to, among other things, (1) the provisions of the United States Bankruptcy Code, and (2) the provisions of other laws that may hereafter be enacted by the Congress of the United States or the Legislature of Alabama extending the time for payment of county, municipal or public authority indebtedness or imposing other constraints upon the enforcement of rights of creditors.

On September 19, 2018, the Board issued $9,900,000 of School Tax Warrants, Series 2018, with an interest rate of 3.9% to currently refund $7,400,000 of the Capital Outlay School Warrants, Series 2014, and to obtain $2,472,500 in additional funds for construction projects. If an event of default shall have occurred and be continuing under the loan or any event or condition occurs or exists which, following any grace, cure or notice and cure period required by the terms of the loan may become an event of default then the participating banks and the originating bank shall determine by mutual agreement whether, and in what manner and to what extent, any and all right and remedies of originating bank under the loan will be exercised, and the subsequent management and disposition of the any collateral. If the originating bank and participating banks have not agreed within 10 calendar days of an event which requires the originating bank and the participating bank to attempt to agree, subject to the participating banks' rights, then the originating bank shall, in a commercially reasonable fashion, make such decisions as to the administration of the loan as the originating bank deems appropriate. Such decisions shall bind both the originating bank and the participating banks. If, as a result of default under the loan, any collateral is acquired by foreclosure, deed in lieu of foreclosure or otherwise, title shall be taken in the names of the originating bank and the participating banks as tenants in common. Any decisions regarding the operation, improvement, or disposition of such collateral shall be made by the originating bank and the participating banks jointly. These warrants were refunded by the School Tax Warrants, Series 2019 during the fiscal year.

On September 8, 2017, the Board issued $1,500,000 of Capital Outlay School Warrants, Series 2017, with an interest rate of 3.25% for the purpose of purchasing equipment. The Board's principal and interest payments will be made from the proceeds of the Board's apportioned share of a special privilege license and excise tax (commonly called a sales tax). If an event of default shall have occurred and be continuing under the loan or any event or condition occurs or exists which, following any grace, cure or notice and cure period required by the terms of the loan may become an event of default then the participating banks and the originating bank shall determine by mutual agreement whether, and in what manner and to what extent, any and all right and remedies of originating bank under the loan will be exercised, and the subsequent management and disposition of the any collateral. If the originating bank and participating banks have not agreed within 10 calendar days of an event which requires the originating bank and the participating bank to attempt to agree, subject to the participating banks' rights, then the originating bank shall, in a commercially reasonable fashion, make such decisions as to the administration of the loan as the originating bank deems appropriate. Such decisions shall bind both the originating bank and the participating banks. If, as a result of default under the loan, any collateral is acquired by foreclosure, deed in lieu of foreclosure or otherwise, title shall be taken in the names of the originating bank and the participating banks as tenants in common. Any decisions regarding the operation, improvement, or disposition of such collateral shall be made by the originating bank and the participating banks jointly. These warrants were paid off during the fiscal year.

On August 4, 2016, the Board entered in a long-term debt agreement with a consortium of local banks in accordance with Act Number 2011-631, Acts of Alabama, adopted by the Alabama Legislature in the 2011 Regular Session. The debt limit for this Capital Outlay School Warrants, Series 2016, is $1,500,000, and at September 30, 2016, the entire amount had been borrowed. The maturity date for these warrants was February 1, 2019, when the outstanding principal balance owed must be paid in full. This line was extended at interest only costs to the Board. Until the maturity date, simple interest is charged monthly at a rate of 2.60% per annum. At any time, the Board can make prepayment of principal in whole or in part without penalty. If an event of default shall have occurred and be continuing under the loan or any event or condition occurs or exists which, following any grace, cure or notice and cure period required by the terms of the loan may become an event of default then the participating banks and the originating bank shall determine by mutual agreement whether, and in what manner and to what extent, any and all right and remedies of originating bank under the loan will be exercised, and the subsequent management and disposition of the any collateral. If the originating bank and participating banks have not agreed within 10 calendar days of an event which requires the originating bank and the participating bank to attempt to agree, subject to the participating banks' rights, then the originating bank shall, in a commercially reasonable fashion, make such decisions as to the administration of the loan as the originating bank deems appropriate. Such decisions shall bind both the originating bank and the participating banks. If, as a result of default under the loan, any collateral is acquired by foreclosure, deed in lieu of foreclosure or otherwise, title shall be taken in the names of the originating bank and the participating banks as tenants in common. Any decisions regarding the operation, improvement, or disposition of such collateral shall be made by the originating bank and the participating banks jointly. Interest only payments were made thru December 2019 where amount was paid off as part of the new bond warrant. These warrants were refunded by the School Tax Warrants, Series 2019 during the fiscal year.

On January 7, 2016, the Board issued the Capital Outlay School Refunding Warrants, Series 2016, for $7,795,000 for the partial advanced refunding of the Public Education Revenue Warrants, Series 2007.

On March 30, 2015, the Board issued the Capital Outlay School Refunding Warrants (Tax-Exempt), Series 2015, for $9,510,000 to partially refund the Public Education Revenue Warrants, Series 2007.

On October 1, 2012, the Board issued Capital Outlay School Refunding Warrants (Tax-Exempt), Series 2012A, for $9,905,000 and Capital Outlay School Refunding Warrants (Federally Taxable), Series 2012B, for $9,335,000 issued to partially refund Limited Obligation School Warrants, Series 2005. The Board's principal and interest payments will be made from a special sales and use tax.

The Board is obligated for the Qualified School Construction Bonds, Series 2009-D and Series 2010, issued for the purpose of funding capital improvement. The Board's interest obligation is paid solely from funds received from the State of Alabama. In the event of default, whether due to failure to comply with the terms and conditions of Bonds or in failure to pay amounts due on the Bonds, the Alabama Public School and College Authority (the "Authority") may (1) withhold all leveraged funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

The following is a summary of long-term debt obligations for the Board for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable:					
Qualified School Construction Bonds, Series 2009-D	$ 5,532,000.00	$	$	$ 5,532,000.00	$
Qualified School Construction Bonds, Series 2010	4,400,000.00			4,400,000.00	
Capital Outlay School Refunding Warrants, Series 2012-A	8,695,000.00		(180,000.00)	8,515,000.00	180,000.00
Capital Outlay School Refunding Warrants, Series 2012-B	4,180,000.00		(1,945,000.00)	2,235,000.00	1,985,000.00
Capital Outlay School Refunding Warrants, Series 2015	9,220,000.00		(75,000.00)	9,145,000.00	75,000.00
Capital Outlay School Refunding Warrants, Series 2016	5,675,000.00		(1,045,000.00)	4,630,000.00	1,080,000.00
Capital Outlay School Warrants, Series 2016	1,500,000.00		(1,500,000.00)		
Capital Outlay School Warrants, Series 2017	516,847.60		(516,847.60)		
School Tax Warrants, Series 2018	9,564,142.36		(9,564,142.36)		
School Tax Warrants, Series 2019		56,915,000.00		56,915,000.00	
Unamortized Premium		4,466,545.75	(136,267.47)	4,330,278.28	181,690.00
Total Bonds and Warrants Payable	49,282,989.96	61,381,545.75	(14,962,257.43)	95,702,278.28	3,501,690.00
Other Liabilities:					
Capital Lease Contracts Payable – Direct Borrowings	5,517,234.52		(759,831.91)	4,757,402.61	782,198.63
Net Pension Liability	78,633,000.00	7,631,000.00		86,264,000.00	
Net OPEB Liability	85,319,749.00		(44,064,117.00)	41,255,632.00	
Total Other Liabilities	169,469,983.52	7,631,000.00	(44,823,948.91)	132,277,034.61	782,198.63
Total Governmental Activities Long-Term Debt	$218,752,973.48	$69,012,545.75	$(59,786,206.34)	$227,979,312.89	$4,283,888.63

Payments on the Construction Warrants and Bonds and Capital Lease Payables – Direct Borrowings are made by the Debt Service Fund with property taxes and sales taxes, State Fleet Renewal Funds and Public-School Funds.

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

	Bonds and Warrants Payable		Direct Borrowings – Capital Lease Contracts Payable		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	To Maturity
September 30, 2021	$ 3,320,000.00	$ 3,101,185.55	$ 782,198.63	$135,571.92	$ 7,338,956.10
2022	2,905,000.00	3,021,281.80	805,237.52	112,533.03	6,844,052.35
2023	2,970,000.00	2,955,930.55	828,969.23	88,801.32	6,843,701.10
2024	3,040,000.00	2,887,598.05	687,880.89	64,355.46	6,679,834.40
2025	3,125,000.00	2,803,889.30	536,584.47	44,138.21	6,509,611.98
2026-2030	24,007,000.00	11,392,827.95	1,116,531.87	44,913.49	36,561,273.31
2031-2035	15,935,000.00	7,766,250.00			23,701,250.00
2036-2040	18,780,000.00	4,469,700.00			23,249,700.00
2041-2044	17,290,000.00	1,315,800.00			18,605,800.00
Totals	$91,372,000.00	$39,714,463.20	$4,757,402.61	$490,313.43	$136,334,179.24

Deferred Loss on Refunding and Premiums

The Board has deferred charges on refunding and a premium in connection with the issuance of the School Tax Warrants, Series 2019. The premium is being amortized using the straight-line method over a period of twenty-five years while the deferred loss on refunding was expensed in the current year.

	Premium	Deferred Loss on Refunding
Total Deferred Premium and Loss on Refunding	$4,466,545.75	$ 45,721.00
Amount Amortized in Prior Years		
Balance Deferred Premium and Loss on Refunding	4,466,545.75	45,721.00
Current Amount Amortized	(136,267.47)	(45,721.00)
Balance Deferred Premium and Loss on Refunding	$4,330,278.28	$

Defeased Debt

The Board issued $56,915,000 in School Tax Warrants, Series, 2019, with an interest rate of 3.00% to 5.00% to refund the Capital Outlay School Warrants, Series 2016 (the "Series 2016"), the School Tax Warrants, Series 2018 (the "Series 2018"), and additional funding for capital improvement projects. The net proceeds of $11,052,192.01 (after a premium of $4,446,545.75, additional proceeds of $50,000,000 for capital improvements and payments of $329,353.74 in underwriting fees, insurance and other issuance costs) were sent to the paying agent to refund the Series 2016 and the Series 2018 Warrants.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt ($5,556.16 for the Series 2016 and $40,164.84 for the Series 2018). The total amount ($45,721.00) was expensed in the current year. As a result of the current refunding, the Board decreased its total debt service requirements by $729,180.51 and $733,816.89, for the Series 2016 and Series 2018, respectively. The result of the refunding was an economic loss of $3,628.28 for the Series 2016 and an economic gain of $823,768.20 for the Series 2018.

Pledged Revenues

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 3.79% participation in the bonds resulting in the Board's share of principal, issuance costs, and net proceeds. The Board is required to make sinking fund deposits of $287,891.87 on December 15th of each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. The Board received $2,861,807.20 in Public School Capital Outlay Funds for fiscal year 2020 and used $103,171.80 to pay interest on this debt. This represents 3.61% of the revenues received.

On August 26, 2010, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2010, on behalf of various Boards of Education in the State. The Board had a 2.84% participation in the bonds resulting in the Board's share of principal, issuance costs, and net proceeds. The Board is required to make sinking fund deposits of $196,083.39 on September 1st of each year for seventeen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. The Board received $2,861,807.20 in Public School Capital Outlay Funds for fiscal year 2020 and used $18,920.00 to pay interest on this debt, with the remaining interest owed of $207,680.00 paid mostly by a State subsidy, and a small amount by the General Fund due to Federal Sequestration. This $18,920.00 represents 0.66% of the pledged revenues received.

On October 1, 2012, the Board partially refunded the Limited Obligation School Warrants, Series 2005, with Capital Outlay School Refunding Warrants (Tax-Exempt), Series 2012A, for $9,905,000 and Capital Outlay School Refunding Warrants (Federally Taxable), Series 2012B, for $9,335,000. The Board pledged to repay the capital outlay refunding warrants from a special sales and use tax. Future revenues in the amount of $9,089,417.50 and $2,265,338.75, respectively are pledged to repay the principal and interest at September 30, 2020. The Board paid principal and interest on the Capital Outlay School Refunding Warrant, Series 2012A and 2012B, in the amount of $369,495.00 and $2,012,155.00, respectively. This represents 3.30% and 17.96%, respectively of the proceeds received during the fiscal year. The Capital Outlay School Refunding Warrants, Series 2012A, will mature in fiscal year 2025 and the Capital Outlay School Refunding Warrants, Series 2012B, will mature in fiscal year 2022.

On March 30, 2015, the Board partially refunded the Elmore County Public Education Cooperative Lease Payable, Series 2007, with Capital Outlay School Refunding Warrants (Tax-Exempt), Series 2015, for $9,595,000. The Board pledged to repay the capital outlay refunding warrants from a special sales and use tax. Future revenues in the amount of $12,171,305.00 are pledged to repay the principal and interest on the debt at September 30, 2020. The Board paid principal and interest on the Capital Outlay School Refunding Warrant, Series 2015, in the amount of $392,042.50 from a portion of the proceeds received during the fiscal year. This represents 3.50% of the revenues received. The Capital Outlay School Refunding Warrants, Series 2015, will mature in fiscal year 2032.

On August 4, 2016, the Board entered in a long-term debt agreement with a consortium of local banks. The debt limit for this Capital Outlay School Warrant issue is $1,500,000. As of September 30, 2016, the entire amount had been drawn down. The Board pledged to repay the capital outlay warrants out of special sales and use tax. Until the warrant maturity date, simple interest is charged monthly at a rate of 2.60% per annum. The original maturity date for these warrants was February 1, 2019, at which time the outstanding principal balance must be paid in full. This line was extended at an interest only costs to the Board. The entire balance of the Capital Outlay School Warrants were refunded by the School Tax Warrants, Series 2019 during the fiscal year. No amounts were paid from special sales and use tax revenues in the current year.

On January 21, 2016, the Board partially advance refunded the Elmore County Public Education Cooperative Lease Payable, Series 2007, with Capital Outlay School Refunding Warrants, Series 2016, for $7,795,000. The Board pledged to repay the capital outlay refunding warrants from the special privilege license and excise tax (commonly called a sales tax). Future revenues in the amount of $5,223,400.00 are pledged to repay the principal and interest on the debt at September 2020. The Board paid principal and interest on the Capital Outlay School Refunding Warrants, Series 2016, in the amount of $1,227,750.00 from a portion of the proceeds received during the fiscal year. This represents 10.96% of revenues received. The Capital Outlay School Refunding Warrants, Series 2016, will mature in fiscal year 2026.

On March 30, 2017, the Board entered into a capital lease agreement to finance the acquisition of school buses. Future revenues in the amount of $4,065,058.76 are pledged to repay the lease agreement at September 30, 2020. The Board received $957,490.00 in fleet renewal funds from the State. During the fiscal year, the Board paid principal and interest payments of $580,722.68 which represents 60.65% of the funds received.

On September 8, 2017, the Board issued $1,500,000.00 in Capital Outlay School Warrants, Series 2017, with an interest rate of 3.25%. Principal and interest is to be repaid on the 15th day of each calendar month beginning October 15, 2017. The Board has pledged to repay the warrants from special sales and use tax proceeds. The Board paid principal and interest payments of $532,870.45 from a portion of the special sales and use tax proceeds during the fiscal year. This represents 4.76% of revenues received. The Capital Outlay School Warrants, Series 2017, matured in fiscal year 2020.

On September 19, 2018, the Board issued $9,900,000 in School Tax Warrants, Series 2018, with an interest rate of 3.9 percent. Principal and interest is to be repaid on the 15th day of each calendar month beginning October 15, 2018. The Board has pledged to repay the warrants from the sales and use tax proceeds. The School Tax Warrants, Series 2018 were refunded in the current fiscal year. The Board paid principal and interest payments of $119,441.96 from a portion of the special sales and use tax proceeds during the fiscal year. This represents 1.07% of revenues received.

On December 23, 2019, the Board entered into School Tax Warrants, Series 2019 in the amount of $56,915,000 for the refunding of Series 2016 Warrants, Series 2018 Warrants, and Series 2019 Warrants and also for various capital improvement projects. The warrant was secured with interest rates of 3.00 to 5.00%. Principal and interest is to be repaid on the 15th day of each calendar month beginning January 15, 2020. The Board has pledged to repay the warrants from the sales and use tax proceeds. Future revenues in the amount of $90,277,150.00 are pledged to repay the debt at September 30, 2020. The Board paid interest payments in the amount of $1,265,974.44 from a portion of the special sales and use tax proceeds during the fiscal year. This represents 11.30% of revenues received. The School Tax Warrants, Series 2019 will mature in fiscal year 2044.

Note 10 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to $3.5 million per occurrence and purchases commercial insurance for claims in excess of $3.5 million. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Automobile insurance is purchased from a local insurance firm. Employee health insurance is provided through the Public Education Employees’ Health Insurance Fund (PEEHIF), administered by the Public Education Employees’ Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan’s actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions.

The Board’s contribution is applied against the employees’ premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board’s coverage in any of the past three fiscal years.

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

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The amount of interfund receivables and payables at September 30, 2020, were as follows:

	Interfund Receivables	
	Special Revenue Fund	Totals
Interfund Payables:		
General Fund	$10,286.18	$10,286.18
Totals	$10,286.18	$10,286.18

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out			
	General Fund	Special Revenue Fund	Other Governmental Fund	Totals
Transfers In:				
General Fund	$	$190,738.23	$	$ 190,738.23
Special Revenue Fund	1,080,851.20			1,080,851.20
Debt Service Fund	2,973,425.23			2,973,425.23
Other Governmental Fund			50,000,000.00	50,000,000.00
Totals	$4,054,276.43	$190,738.23	$50,000,000.00	$54,245,014.66

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

Note 12 – Subsequent Event

The Board entered into various construction contracts for renovations and a new Redland Middle School.

Project	Amount
Redland Middle School	$20,786,600.00
Maintenance Facility and Records Room	1,193,000.00
SEHS Dining Renovations	3,207,353.00
Total	$25,186,953.00

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Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.780186%	0.790876%	0.779436%	0.774826%	0.773767%	0.778478%
Employer's proportionate share of the collective net pension liability	$ 86,264	$ 78,633	$ 76,607	$ 83,883	$ 80,980	$ 70,721
Employer's covered payroll during the measurement period (*)	$ 55,737	$ 52,824	$ 51,464	$ 49,243	$ 48,965	$ 44,385
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	154.77%	148.86%	148.86%	170.35%	165.38%	159.34%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)
For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.

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

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 7,142	$ 6,783	$ 6,348	$ 6,101	$ 5,821	$ 5,709
Contributions in relation to the contractually required contribution	$ 7,142	$ 6,783	$ 6,348	$ 6,101	$ 5,821	$ 5,709
Contribution deficiency (excess)	$	$	$	$	$	$
Employer's covered payroll	$ 58,225	$ 55,737	$ 52,824	$ 51,464	$ 49,243	$ 48,965
Contributions as a percentage of covered payroll	12.27%	12.17%	12.02%	11.85%	11.82%	11.66%

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

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2020 (Dollar amounts in thousands)

	2020	2019	2018
Employer's proportion of the collective net OPEB liability	1.093511%	1.038114%	1.003325%
Employer's proportionate share of the collective net OPEB liability (asset)	$ 41,256	$ 85,320	$ 74,521
Employer's covered-employee payroll during the measurement period (*)	$ 55,737	$ 52,824	$ 51,464
Employer's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	74.02%	161.52%	144.80%
Plan fiduciary net position as a percentage of the total OPEB liability	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.

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

Schedule of the Employer's Contributions - Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018
Contractually required contribution	$ 1,934	$ 3,116	$ 2,577
Contributions in relation to the contractually required contribution	$ 1,934	$ 3,116	$ 2,577
Contribution deficiency (excess)	$	$	$
Employer's covered-employee payroll	$ 58,225	$ 55,737	$ 52,824
Contributions as a percentage of covered-employee payroll	3.32%	5.59%	4.88%

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

Changes in Actuarial Assumptions

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions – Other Postemployment Benefits (OPEB) are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019, is determined based on the actuarial valuation as of September 30, 2016. 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	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
State	$ 67,779,510.00	$ 70,981,962.00	$ 71,424,800.38		$	$ 71,424,800.38
Federal	115,000.00	115,000.00	484,784.30			484,784.30
Local	20,340,837.00	20,606,008.08	23,068,764.58	(1)	(49,397.53)	23,019,367.05
Other	129,000.73	129,000.73	116,815.85			116,815.85
Total Revenues	88,364,347.73	91,831,970.81	95,095,165.11		(49,397.53)	95,045,767.58
Expenditures						
Current:						
Instruction	54,280,802.15	54,833,628.23	54,151,963.56	(2)	336,576.70	54,488,540.26
Instructional Support	12,360,386.05	12,498,023.05	12,050,035.61	(2)	58,333.30	12,108,368.91
Operation and Maintenance	6,906,716.00	6,912,216.00	6,381,193.97	(2)	(2,261.33)	6,378,932.64
Auxiliary Services:						
Student Transportation	6,226,988.00	6,231,488.00	6,019,108.21	(2)	5,218.96	6,024,327.17
General Administrative and Central Support	3,893,140.80	4,005,140.80	4,524,056.06	(2)	(6,648.50)	4,517,407.56
Other	1,357,613.00	1,357,613.00	2,951,758.02	(2)	(10,650.72)	2,941,107.30
Capital Outlay	50,000.00	55,000.00	1,092,226.15			1,092,226.15
Total Expenditures	85,075,646.00	85,893,109.08	87,170,341.58		380,568.41	87,550,909.99
Excess (Deficiency) of Revenues Over Expenditures	3,288,701.73	5,938,861.73	7,924,823.53		(429,965.94)	7,494,857.59
Other Financing Sources (Uses)						
Indirect Cost	119,927.01	121,927.01	94,149.34			94,149.34
Transfers In	130,000.00	130,000.00	190,738.23			190,738.23
Transfers Out	(3,111,248.34)	(3,487,822.77)	(4,054,276.43)			(4,054,276.43)
Total Other Financing Sources (Uses)	(2,861,321.33)	(3,235,895.76)	(3,769,388.86)			(3,769,388.86)
Net Change in Fund Balances	427,380.40	2,702,965.97	4,155,434.67	(3)	(429,965.94)	3,725,468.73
Fund Balances - Beginning of Year	12,560,000.00	12,623,096.65	13,162,970.45		(7,515,282.90)	5,647,687.55
Fund Balances - End of Year	$ 12,987,380.40	$ 15,326,062.62	$ 17,318,405.12		$ (7,945,248.84)	$ 9,373,156.28

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

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

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

(1) The Board recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned (GAAP).	$	(49,397.53)
(2) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).		(380,568.41)
Net Change in Fund Balance - Budget to GAAP	$	(429,965.94)

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
Federal	$ 10,565,828.32	$ 18,574,006.90	$ 20,299,228.99		$	$ 20,299,228.99
Local	6,325,260.01	5,890,845.66	4,837,326.94			4,837,326.94
Other	157,861.52	187,861.52	230,090.32			230,090.32
Total Revenues	17,048,949.85	24,652,714.08	25,366,646.25			25,366,646.25
Expenditures						
Current:						
Instruction	6,850,466.99	7,650,747.95	6,655,644.34			6,655,644.34
Instructional Support	1,219,712.68	1,541,736.90	1,702,448.53			1,702,448.53
Operation and Maintenance	636,214.11	766,169.11	730,130.89			730,130.89
Auxiliary Services:						
Student Transportation	117,300.73	117,300.73	88,553.28			88,553.28
Food Service	6,953,045.00	5,408,162.00	3,980,307.93	(1)	(231,856.08)	3,748,451.85
General Administrative and Central Support	451,361.84	1,612,913.04	1,865,025.50			1,865,025.50
Other	1,905,640.07	5,836,882.39	7,181,359.06	(1)	284,454.41	7,465,813.47
Capital Outlay		10,000.00	10,109.00			10,109.00
Total Expenditures	18,133,741.42	22,943,912.12	22,213,578.53		52,598.33	22,266,176.86
Excess (Deficiency) of Revenues Over Expenditures	(1,084,791.57)	1,708,801.96	3,153,067.72		(52,598.33)	3,100,469.39
Other Financing Sources (Uses)						
Transfers In	2,272,717.72	1,522,817.71	1,080,851.20			1,080,851.20
Sale of Capital Assets	7,404.00	7,404.00				
Transfers Out	(851,299.38)	(990,799.38)	(190,738.23)			(190,738.23)
Total Other Financing Sources (Uses)	1,428,822.34	539,422.33	890,112.97			890,112.97
Net Change in Fund Balances	344,030.77	2,248,224.29	4,043,180.69	(2)	(52,598.33)	3,990,582.36
Fund Balances - Beginning of Year	3,321,909.00	3,981,898.65	4,191,599.37		(235,182.57)	3,956,416.80
Fund Balances - End of Year	$ 3,665,939.77	$ 6,230,122.94	$ 8,234,780.06		$ (287,780.90)	$ 7,946,999.16

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2020

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

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

(1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).	$ (52,598.33)
Net Change in Fund Balance - Budget to GAAP	$ (52,598.33)

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

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U. S. Department of Agriculture			
Passed Through Alabama Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N.A.	$ 928,946.06
National School Lunch Program:			
Cash Assistance	10.555	N.A.	1,564,350.70
Non-Cash Assistance (Commodities)	10.555	N.A.	405,384.83
Sub-Total National School Lunch Program			1,969,735.53
Summer Food Service Program	10.559	N.A.	9,041,487.11
Total Child Nutrition Cluster			11,940,168.70
Child and Adult Care Food Program	10.558	N.A.	615,744.34
State Administrative Expenses for Child Nutrition	10.560	N.A.	15,373.29
Total of U. S. Department of Agriculture			12,571,286.33
U. S. Department of Treasury			
Passed Through Alabama Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	N.A	2,104,715.67
Total of U. S. Department of Treasury			2,104,715.67
General Services Administration			
Passed Through Alabama Department of Economic and Community Development			
Donation of Federal Surplus Personal Property (N)	39.003	N.A.	1,532.89
Total General Services Administration			1,532.89
Sub-Total Forward			$ 14,677,534.89

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			$ 14,677,534.89
U. S. Department of Education			
Passed Through Alabama Department of Education			
Title I Grants to Local Educational Agencies	84.010	N.A.	2,153,079.88
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	2,256,743.17
Special Education - Preschool Grants	84.173	N.A.	45,752.98
Sub-Total Special Education Cluster			2,302,496.15
Career and Technical Education - Basic Grants to States	84.048	N.A.	164,483.84
Twenty-First Century Community Learning Centers	84.287	N.A.	154,408.32
Special Education - State Personnel Development	84.323	N.A.	1,810.86
English Language Acquisition State Grants	84.365	N.A.	31,263.28
Supporting Effective Instruction State Grants	84.367	N.A.	350,083.71
Student Support and Academic Enrichment Program	84.424	N.A.	169,821.90
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C	N.A.	289,515.06
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	N.A.	286,780.71
Total COVID-19 Education Stabilization Fund			576,295.77
Passed Through The Curators of the University of Missouri			
Education Innovation and Research	84.411B	U411B150005	75,222.34
Total U. S. Department of Education			5,978,966.05
Social Security Administration			
Passed Through Alabama Department of Education			
Social Security - Disability Insurance	96.001	N.A.	2,740.00
Total Social Security Administration			2,740.00
Other Federal Assistance			
U. S. Department of Defense			
Direct Program			
Army Junior R.O.T.C.	N.A.	N.A.	126,305.24
Total U. S. Department of Defense			126,305.24
Total Expenditures of Federal Awards			$ 20,785,546.18

N.A. = Not Available/Not Applicable
(N) = Non-Cash Assistance

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

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Elmore County Board of Education under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Elmore County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Elmore County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Elmore County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Board Members		**Term Expires**
Hon. Michael Morgan	Chairman	2022
Hon. Dale Bain	Vice-Chairman	2020
Hon. David Jones	Member	2024
Hon. Wendell Saxon	Member	2024
Hon. Leisa Finley	Member	2022
Hon. Kitty Graham	Member	2020
Hon. Joey Holley	Member	2024
Administrative Personnel		
Hon. Richard Dennis	Superintendent	2024
Jason Mann	Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

Members of the Elmore County Board of Education,
Superintendent and Chief School Financial Officer
Wetumpka, 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 aggregate remaining fund information of the Elmore County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Elmore County Board of Education's basic financial statements, and have issued our report thereon dated August 19, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board'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 may exist that have not been identified.

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

Compliance and Other Matters

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 19, 2021

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

Independent Auditor's Report

Members of the Elmore County Board of Education,
Superintendent and Chief School Financial Officer
Wetumpka, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Elmore County Board of Education's (the "Board") compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Elmore County Board of Education's major federal programs for the year ended September 30, 2020. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management of the Board is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. 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)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Board's compliance.

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

Opinion on Each Major Federal Program

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 major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 19, 2021

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Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 and 10.559	Child Nutrition Cluster
21.019	COVID-19 Coronavirus Relief Fund
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings

ELMORE COUNTY BOARD OF EDUCATION

100 H.H. Robison
P.O. Box 817
Wetumpka, AL 36092

Phone: 334-567-1200
Fax: 334-567-1405

Richard E. Dennis, Superintendent
Jason M. Mann, CSFO

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

As required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200.511, the Elmore County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	Status of Prior Audit Finding
2019-002	Generally Accepted Accounting Principles require financial statements be presented free of material misstatements and contain amounts supported by the accounting records. The Board failed to accurately record debt transactions of $1,659,123 during the prior fiscal year. The Board also failed to record the related long-term debt in the government-wide financial statements in the prior year. These issues carried forward to cause the beginning fund balance and net position to be materially misstated for the current fiscal year. The Board did not have internal controls in place to ensure all material financial transactions were accurately recorded in the accounting records. As a result, fund balance in the Governmental Funds and net position in the Governmental Activities had to be restated in the amount of $1,659,123. The management of the Board was notified of these errors and made adjustments to the financial statements.

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Jason M. Mann, CSFO

Corrective Action Taken for Finding #2019-002:

The entries needed for this were made as part of the FY19 audit. Any future projects will be added in the year contracts are entered.

2019-003 An adequate system of internal controls requires the Board to design and implement adequate controls and procedures to ensure all capital assets are properly recorded. The Board failed to record the energy savings upgrades for lighting projects at the local schools in the amount of $1,659,123.00; construction in progress in the amount of $24,050.42 for a donation/grant received for the Redland Elementary School's track project and for land improvements in the amount of $40,000.00 for the donation of the Wetumpka Elementary School's playground equipment. This resulted in capital assets totaling $1,723,173.42 not being properly recorded on the financial statements. The Board did not have internal controls in place to ensure all capital assets were recorded. As a result, capital assets were understated on the financial statements of the Board. The management of the Board was notified of these errors and made adjustments to the financial statements to properly record all capital asset transactions for the audit period.

Corrective Action Taken for Finding #2019-003:

Procedures have been added to ensure that all projects are recorded properly in the year in which the project contract was started. Also all project costs will be reviewed for proper coding at year end close to ensure the correct coding is used and that all capitalized assets are booked as such.

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Jason M. Mann, CSFO

2019-004 The Alabama Supreme Court ruled those certain incremental increases in health insurance premiums and spousal charges, paid by Public Education Employees' Health Insurance Plan (PEEHIP) members from October 1, 2016 until April 30, 2018, be refunded to members. On June 24, 2019, the Circuit Court of Montgomery County, Alabama, granted PEEHIP permission to refund health insurance premiums to individuals who had active PEEHIP contracts and paid premiums. To help compensate each public employer for the time and additional work caused by these refunds, PEEHIP paid each public employer an administrative fee of $5 per person for which the refund was applicable. The Board had 1,242 employees affected by this PEEHIP refund. The Chief School Financial Officer (CSFO) and Payroll Coordinator prepared the refunds for each employee. The Board received $6,210 in administrative fees to process the PEEHIP refunds. After the matching withholding taxes and postage were paid, the CSFO and Payroll Coordinator were paid $800 and $4,000, respectively, instead of being paid overtime. No documentation was provided that either employee worked any additional time on the project outside of their normal working hours. Furthermore, there was no documentation to demonstrate supervisory or Board approval of the extra payments to the CSFO and Payroll Coordinator. The Board did not have adequate internal controls in place to ensure (a) additional pay was adequately supported by time sheets or other documentation of extra hours worked and (b) that additional pay was properly authorized and approved by the Board at a public meeting. As a result, the CSFO and Payroll Coordinator received additional pay without documentation of extra hours worked and without Board or supervisory approval.

Corrective Action Taken for Finding #2019-004:

We still side with that we acted in accordance with the information we had at the time of pay out of these funds. This being an irregular event, we will learn from it and adjust procedures to be in accordance with documentation and approval requirements.