# Troy City Board of Education

## FINANCIAL STATEMENTS

**September 30, 2023**

# Table of Contents

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board
Troy City Board of Education
Troy, Alabama

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

***Opinions***

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

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

***Basis for Opinions***

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

***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Board has elected to change its method of accounting for ad valorem property tax receivables. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 10, and pension and OPEB schedules on pages 50 - 53, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 June 30, 2024, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
June 30, 2024

***Introduction***

The Management's Discussion and Analysis ("MD&A") of Troy City Board of Education's ("Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2023. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Board's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

***Overview of the Financial Statements***

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements — the *Statement of Net Position* (page 11) and the *Statement of Activities* (page 12). These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

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

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

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

Governmental funds

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

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

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* ("RSI") other than the MD&A consisting of information on the Net Pension and OPEB liabilities.

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

As noted earlier, the Board has no business-type activities. Consequently, the Board's net position is reported as governmental activities. Program revenues, specifically operating grants and contributions, are the largest component of total revenues.

Following is a condensed financial analysis, presented in comparative format, of the government-wide net position of the Board:

**Net Position - Governmental Activities**

| *September 30,* | **2023** | 2022 |
|---|---|---|
| **Assets** | | |
| Current and other assets | **$ 15,024,405** | $ 9,584,226 |
| Capital assets, net of depreciation | **24,199,669** | 22,488,282 |
| Total assets | **39,224,074** | 32,072,508 |
| Deferred outflows of resources | | |
| Deferred loss on refunding of debt | **1,956,361** | 2,077,613 |
| Deferred outflows related to pension | **7,856,370** | 3,412,957 |
| Deferred outflows related to OPEB | **4,183,595** | 3,388,626 |
| Total deferred outflows of resources | **13,996,326** | 8,879,196 |
| **Liabilities** | | |
| Current liabilities | **1,733,705** | 1,646,045 |
| Noncurrent liabilities | **46,951,555** | 43,362,272 |
| Total liabilities | **48,685,260** | 45,008,317 |
| Deferred inflows of resources | | |
| Unearned property taxes | **2,519,861** | - |
| Deferred inflows related to pension | **1,246,000** | 5,002,000 |
| Deferred inflows related to OPEB | **11,619,210** | 8,019,027 |
| Total deferred inflows of resources | **15,385,071** | 13,021,027 |
| Net position | | |
| Net investment in capital assets | **4,776,521** | 2,429,609 |
| Restricted | **1,221,712** | 1,192,664 |
| Unrestricted (deficit) | **(16,848,164)** | (20,699,913) |
| Total net position (deficit) | **$ (10,849,931)** | $ (17,077,640) |

The Board's liabilities and deferred inflows exceeded its assets and deferred outflows by $10,849,931 at September 30, 2023 resulting in a deficit in net position due largely to pension and OPEB obligations.

Readers of the financial statements must understand that these reporting requirements do not change the Board's cash position, credit worthiness, or overall financial health. The Board's financial ability to fund daily operations, meet debt obligations and allocate resources to achieve goals and objectives is unchanged. More detailed information regarding the calculations and reporting requirements of GASB 68 and GASB 75 can be found in the Notes to the Financial Statements.

Restricted net position, consisting of those net assets restricted by debt covenants, federal program compliance, and future capital projects, is $1,221,712 at September 30, 2023.

Following is a condensed schedule of revenues and expenses from the governmental activities for the year ended September 30, 2023, presented with comparative data for the previous year:

**Summary of Changes in Net Position From Operating Results**

| *Years ended September 30,* | **2023** | 2022 |
|---|---|---|
| **Program Revenues** | | |
| Charges for services | **$ 2,047,448** | $ 2,021,738 |
| Operating grants and contributions | **19,142,146** | 16,938,215 |
| Capital grants | **731,937** | 2,530,022 |
| **General Revenues** | | |
| Local property taxes | **2,247,129** | 2,076,490 |
| Sales and use taxes | **4,496,893** | 4,446,588 |
| Grants and contributions not restricted for specific programs | **110,000** | 105,000 |
| Other taxes | **63,060** | 63,818 |
| Other | **574,141** | 415,483 |
| Total revenues | **29,412,754** | 28,597,354 |
| **Expenses** | | |
| Instructional services | **13,764,491** | 12,313,742 |
| Instructional support services | **3,544,646** | 3,202,821 |
| Operation and maintenance services | **1,565,917** | 1,394,703 |
| Student transportation services | **278,950** | 213,106 |
| Food services | **1,246,103** | 1,173,095 |
| General administrative services | **1,214,690** | 1,155,799 |
| Interest and fiscal charges | **918,402** | 947,146 |
| Other expenses | **651,846** | 486,196 |
| Total expenses | **23,185,045** | 20,886,608 |
| Change in net position | **6,227,709** | 7,710,746 |
| Net position (deficit) beginning of year | **(17,077,640)** | (24,788,386) |
| Net position (deficit) end of year | **$ (10,849,931)** | $ (17,077,640) |

Program revenues, specifically operating grants and contributions, are the largest component of the total revenues.

- Operating grants and contributions contribute 87% of program revenues and 65% of total revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state fleet renewal funds to replace bus fleet.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

- General revenues primarily property taxes, sales taxes, and impact aid funds, are used to provide for expenses not covered by program revenues.

Instructional services and instructional support expenses are the largest expense function of the Board (75%).

- In addition to teacher salaries and benefits, instructional services include: teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Student transportation services include salaries and benefits for the transportation director and bus drivers. These funds also include depreciation of buses, bus maintenance supplies, fuel, bus cell phones, and fleet insurance.
- Food services include salaries and benefits for cooks, servers, cashiers, lunchroom managers, the program director and secretary, as well as professional development for the program staff, donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, lunchroom vehicle and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, office supplies, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges includes interest and principal on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for preschool teachers and aides and extended day personnel.

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

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the FY 2023, the Board's combined governmental funds reported ending fund balances of $10,847,274, which is an increase of $2,836,117 over the FY 2022 ending fund balances.

***General Fund*** – The General Fund is the primary operating fund of the Board. The General Fund's fund balance increased by $2,413,983. Each school system is required to have a one-month general fund operating balance. Troy City Schools met this requirement for FY 2023.

General Fund Budgetary Highlights

The original 2023 fiscal year budget, adopted on September 15, 2022, was based on guaranteed revenues, estimates of local tax/fee revenues and necessary expenditures. Amendment #1 includes incorporating the actual beginning balances, carry-over funds for federal programs and budgeting some state and federal programs that had not been authorized at the time the original budget was due. There were also some changes in various funds to bring the budget more in line with actual expenditures. The Troy City Board of Education approved amendment #1 on April 17, 2023. The comparison of General Fund original budget to the final amended budget is on page 17.

Capital Assets and Debt Administration

***Capital Assets*** – At September 30, 2023, the Board had $24,199,699 invested in capital assets including land, buildings, and equipment costing $5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year. Note 2 to the financial statements provides information on these assets.

***Capital Projects*** – The Board invested $2,497,417 in capital expense during fiscal year 2023. This was predominately used to complete the improvements on the Troy Elementary Cafeteria Project, HVAC Improvements at CHHS, flooring upgrades to Troy Elementary School, and district-wide infrastructure updates.

***Long-Term Debt*** – At year-end, the Board owed $21,550,963 in outstanding bonds, net of unamortized bond discounts/premiums.

***Estimated Capital Needs*** – As of September 30, 2023 the Board's Five Year Capital Plan, based upon critical needs, totaled approximately $25 million throughout the system. These estimated capital needs include handicap access to Charles Henderson Middle School athletic field, renovations at Charles Henderson High School to include ROTC, Culinary Arts and Ag. Buildings, and Troy Elementary School including replacing the fence around PE areas, HVAC updates to the Early Childhood Center, sound system upgrades at all schools, and replacement of bleachers at Charles Henderson High School and Charles Henderson Middle School.

**Economic Factors Affecting Next Fiscal Year**

**Student Enrollment**

The student enrollment figure as of the twenty days after Labor Day Report for the 2022-2023 school year was 1,693, which indicates a decline in enrollment of approximately 55 students for the 2023 fiscal year.

| Fiscal Year | Enrollment |
|---|---|
| 2023 | 1,693 |
| 2022 | 1,638 |
| 2021 | 1,645 |
| 2020 | 1,742 |

| | |
|---|---|
| 2019 | 1,815 |
| 2018 | 1,893 |
| 2017 | 1,899 |
| 2016 | 2,018 |
| 2015 | 2,040 |
| 2014 | 2,100 |
| 2013 | 2,076 |
| 2012 | 2,116 |
| 2011 | 2,161 |

**Contacting the School Board's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Patricia Norman, Chief Financial Officer, Troy City Board of Education, 358 Elba Highway, Troy, AL 36079 or by calling (334) 566-3741.

## Troy City Board of Education
## Statement of Net Position

| *September 30, 2023* | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 8,809,396 |
| Investments | 18,000 |
| Receivables | 4,378,458 |
| Inventories | 50,776 |
| Restricted assets | |
| Cash and cash equivalents | 1,469,601 |
| Prepaid expenses | 126,720 |
| Unamortized bond insurance | 171,454 |
| Capital assets, not being depreciated | 3,334,981 |
| Capital assets, net of depreciation | 20,864,688 |
| Total assets | 39,224,074 |
| **Deferred Outflows of Resources** | |
| Deferred loss on refunding of debt | 1,956,361 |
| Deferred outflows related to pension | 7,856,370 |
| Deferred outflows related to OPEB | 4,183,595 |
| Total deferred outflows of resources | 13,996,326 |
| **Liabilities** | |
| Accounts payable | 7,472 |
| Salaries and benefits payable | 1,472,502 |
| Accrued interest payable | 247,889 |
| Unearned revenue | 5,842 |
| Long-term liabilities | |
| Net pension liability | 22,480,000 |
| Net OPEB liability | 2,920,592 |
| Due and payable within one year | 796,621 |
| Due and payable after one year | 20,754,342 |
| Total liabilities | 48,685,260 |
| **Deferred Inflows of Resources** | |
| Unavailable revenue - property taxes | 2,519,861 |
| Deferred inflows related to pension | 1,246,000 |
| Deferred inflows related to OPEB | 11,619,210 |
| Total deferred inflows of resources | 15,385,071 |
| **Net Position** | |
| Net investment in capital assets | 4,776,521 |
| Restricted for debt service | 1,221,712 |
| Unrestricted (deficit) | (16,848,164) |
| Total net position (deficit) | $ (10,849,931) |

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

*For the year ended September 30, 2023*

| Functions / Programs | | Expenses |
|---|---|---|
| Governmental Activities | | |
| Instructional services | $ | 13,764,491 |
| Instructional support services | | 3,544,646 |
| Operation and maintenance services | | 1,565,917 |
| Student transportation services | | 278,950 |
| Food services | | 1,246,103 |
| General administrative services | | 1,214,690 |
| Interest and fiscal charges | | 918,402 |
| Other expenses | | 651,846 |
| Total governmental activities | $ | 23,185,045 |

| | | Program Revenues | | | | | Net (Expenses) Revenues and Changes In Net Position |
|---|---|---|---|---|---|---|---|
| | Charges For Services | | Operating Grants and Contributions | | Capital Grants and Contributions | | Governmental Activities |
| $ | 483,122 | $ | 13,932,374 | $ | 716,775 | $ | 1,367,780 |
| | 153,375 | | 3,082,142 | | - | | (309,129) |
| | 17,889 | | 806,366 | | - | | (741,662) |
| | 32,504 | | 90,930 | | 15,162 | | (140,354) |
| | 1,179,232 | | 134,420 | | - | | 67,549 |
| | 22,254 | | 721,567 | | - | | (470,869) |
| | - | | - | | - | | (918,402) |
| | 159,072 | | 374,347 | | - | | (118,427) |
| $ | 2,047,448 | $ | 19,142,146 | $ | 731,937 | | (1,263,514) |

| | | |
|---|---|---|
| General Revenues | | |
| Taxes | | |
| Property taxes levied for general purposes | | 2,247,129 |
| Local sales tax | | 4,496,893 |
| Other taxes | | 63,060 |
| Grants and contributions not restricted for specific programs | | 110,000 |
| Investment earnings | | 50,439 |
| Gain on disposition of capital assets | | 23,165 |
| Miscellaneous | | 500,537 |
| Total general revenues | | 7,491,223 |
| Change in net position | | 6,227,709 |
| Net position (deficit), beginning of year | | (17,077,640) |
| Net position (deficit), end of year | $ | (10,849,931) |

## Troy City Board of Education
## Balance Sheet – Governmental Funds

| *September 30, 2023* | General Fund | Debt Service Fund |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 8,886,836 | $ - |
| Investments | - | - |
| Receivables | 2,883,956 | 400,846 |
| Due from other funds | 31,049 | - |
| Inventories | - | - |
| Prepaid expenses | 126,720 | - |
| Restricted assets: | | |
| Cash and cash equivalents | - | 1,469,601 |
| Total assets | $ 11,928,561 | $ 1,870,447 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | |
| Liabilities | | |
| Accounts payable | $ 4,668 | $ - |
| Due to other funds | - | - |
| Ledger overdraft | - | - |
| Salaries and benefits payable | 1,135,265 | - |
| Unearned revenue | 2,801 | - |
| Total liabilities | 1,142,734 | - |
| Deferred inflows of resources | | |
| Unavailable revenue - property taxes | 2,519,861 | - |
| Fund balances | | |
| Nonspendable | 126,720 | - |
| Restricted | - | 1,469,601 |
| Assigned | - | 400,846 |
| Unassigned | 8,139,246 | - |
| Total fund balances | 8,265,966 | 1,870,447 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 11,928,561 | $ 1,870,447 |

| | Other Governmental Funds | | Total Governmental Funds |
|---|---|---|---|
| $ | 347,351 | $ | 9,234,187 |
| | 18,000 | | 18,000 |
| | 1,093,656 | | 4,378,458 |
| | - | | 31,049 |
| | 50,776 | | 50,776 |
| | - | | 126,720 |
| | - | | 1,469,601 |
| $ | 1,509,783 | $ | 15,308,791 |
| | | | |
| $ | 2,804 | $ | 7,472 |
| | 31,049 | | 31,049 |
| | 424,791 | | 424,791 |
| | 337,237 | | 1,472,502 |
| | 3,041 | | 5,842 |
| | 798,922 | | 1,941,656 |
| | - | | 2,519,861 |
| | 50,776 | | 177,496 |
| | - | | 1,469,601 |
| | 660,085 | | 1,060,931 |
| | - | | 8,139,246 |
| | 710,861 | | 10,847,274 |
| $ | 1,509,783 | $ | 15,308,791 |

# Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position

*September 30, 2023*

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 10,847,274 |
| 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 in the funds. | | |
| Governmental capital assets | $ 38,411,127 | |
| Less accumulated depreciation | (14,211,458) | 24,199,669 |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred on the statement of net position. | | 171,454 |
| Deferred inflows and outflows represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds. | | |
| Deferred loss on refunding debt | 1,956,361 | |
| Deferred outflows related to pension | 7,856,370 | |
| Deferred outflows related to OPEB | 4,183,595 | |
| Deferred inflows related to pension | (1,246,000) | |
| Deferred inflows related to OPEB | (11,619,210) | 1,131,116 |
| Long-term liabilities, including bonds payable, bond discounts, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Accrued interest payable | (247,889) | |
| Net pension liabilitiy | (22,480,000) | |
| Net OPEB liabilitiy | (2,920,592) | |
| Current portion of long-term debt | (796,621) | |
| Non-current portion of long-term debt | (20,754,342) | (47,199,444) |
| Net position of governmental activities | | $ (10,849,931) |

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

# Troy City Board of Education
## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

| *For the year ended September 30, 2023* | General Fund | Debt Service Fund |
|---|---|---|
| **Revenues** | | |
| State revenues | $ 12,079,137 | $ - |
| Federal revenues | 23,468 | - |
| Local revenues | 5,750,321 | 1,422,260 |
| Other revenues | 65,600 | - |
| Total revenues | 17,918,526 | 1,422,260 |
| **Expenditures** | | |
| Instructional services | 9,785,332 | - |
| Instructional support services | 2,612,331 | - |
| Operation and maintenance services | 1,601,873 | - |
| Student transportation services | 201,376 | - |
| Food services | - | - |
| General administrative services | 1,001,977 | - |
| Capital outlay | 291,714 | - |
| Debt service: | | |
| Principal | - | 188,595 |
| Interest | - | 810,156 |
| Other expenses | 448,419 | - |
| Total expenditures | 15,943,022 | 998,751 |
| Excess (deficiency) of revenues over (under) expenditures | 1,975,504 | 423,509 |
| **Other Financing Sources (Uses)** | | |
| Indirect cost | 596,355 | - |
| Transfers in | 113,830 | - |
| Transfers out | (271,706) | - |
| Net other financing sources (uses) | 438,479 | - |
| Net change in fund balances | 2,413,983 | 423,509 |
| Fund balances, beginning of year | 5,851,983 | 1,446,938 |
| Fund balances, end of year | $ 8,265,966 | $ 1,870,447 |

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

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| $ 730,684 | $ 12,809,821 |
| 8,093,710 | 8,117,178 |
| 1,242,592 | 8,415,173 |
| 11,655 | 77,255 |
| 10,078,641 | 29,419,427 |
| | |
| 3,967,518 | 13,752,850 |
| 1,042,633 | 3,654,964 |
| 36,223 | 1,638,096 |
| 27,547 | 228,923 |
| 1,453,929 | 1,453,929 |
| 701,946 | 1,703,923 |
| 2,187,166 | 2,478,880 |
| | |
| 571,405 | 760,000 |
| - | 810,156 |
| 249,525 | 697,944 |
| 10,237,892 | 27,179,665 |
| | |
| (159,251) | 2,239,762 |
| | |
| - | 596,355 |
| 273,846 | 387,676 |
| (115,970) | (387,676) |
| 157,876 | 596,355 |
| (1,375) | 2,836,117 |
| 712,236 | 8,011,157 |
| $ 710,861 | $ 10,847,274 |

# Troy City Board of Education
## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities

| *For the year ended September 30,* | | 2023 |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 2,836,117 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays 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 exceed depreciation in the current period. | | |
| Capital outlays | $ 2,497,417 | |
| Depreciation expense | (773,426) | |
| | | 1,723,991 |
| Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | 760,000 |
| Accrued interest expense decreased in the current year, which increases net position. | | 6,462 |
| Discounts, premiums, and deferred losses on refundings do not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. | | (124,475) |
| Changes to the pension liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. | | (1,031,587) |
| Changes to the OPEB liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities, but does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. | | 2,069,882 |
| In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets. | | (12,681) |
| Change in net position of governmental activities | | $ 6,227,709 |

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

## Troy City Board of Education
## Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

| *For the year ended September 30, 2023* | Budgeted Amounts Original | Budgeted Amounts Final | Budgetary Basis Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| State revenues | $ 10,224,946 | $ 10,964,324 | $ 12,079,137 | $ 1,114,813 |
| Federal revenues | 47,336 | 47,336 | 23,468 | (23,868) |
| Local revenues | 4,869,431 | 5,071,243 | 5,750,321 | 679,078 |
| Other revenues | 34,300 | 51,300 | 65,600 | 14,300 |
| Total revenues | 15,176,013 | 16,134,203 | 17,918,526 | 1,784,323 |
| **Expenditures** | | | | |
| Instructional services | 9,521,415 | 10,072,646 | 9,725,985 | 346,661 |
| Instructional support services | 2,511,459 | 2,574,874 | 2,601,421 | (26,547) |
| Operation and maintenance services | 1,513,928 | 1,665,003 | 1,683,109 | (18,106) |
| Student transportation services | 146,010 | 219,887 | 201,286 | 18,601 |
| General administrative services | 1,040,631 | 1,075,864 | 1,003,071 | 72,793 |
| Capital outlay | 254,862 | 256,162 | 202,333 | 53,829 |
| Other expenses | 479,324 | 479,324 | 456,794 | 22,530 |
| Total expenditures | 15,467,629 | 16,343,760 | 15,873,999 | 469,761 |
| Excess (deficiency) of revenues over (under) expenditures | (291,616) | (209,557) | 2,044,527 | 2,254,084 |
| **Other Financing Sources (Uses)** | | | | |
| Indirect cost | 1,105,664 | 1,225,668 | 596,355 | (629,313) |
| Transfers in | 119,761 | 119,761 | 113,830 | (5,931) |
| Transfers out | (280,918) | (280,918) | (271,706) | 9,212 |
| Net other financing sources (uses) | 944,507 | 1,064,511 | 438,479 | (626,032) |
| Net change in fund balance | 652,891 | 854,954 | 2,483,006 | 1,628,052 |
| Fund balance, beginning of year | 5,851,983 | 5,851,983 | 5,851,983 | - |
| Fund balance, end of year | $ 6,504,874 | $ 6,706,937 | $ 8,334,989 | $ 1,628,052 |
| **Reconciliation of Budgetary Basis to GAAP** | | | | |
| Budgetary basis expenditures | 15,467,629 | 16,343,760 | 15,873,999 | 469,761 |
| Non-budgeted accrued salaries | | | | |
| Instructional services | - | - | 43,880 | (43,880) |
| Instructional support services | - | - | 33,212 | (33,212) |
| Operation and maintenance services | - | - | 4,848 | (4,848) |
| Student transportation services | - | - | 104 | (104) |
| Other expenses | - | - | (13,021) | 13,021 |
| GAAP basis expenditures | $ 15,467,629 | $ 16,343,760 | $ 15,943,022 | $ 400,738 |

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Reporting Entity***

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

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

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when they are due in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Board.

***Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

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

***Fund Financial Statements***

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

The Board reports the following major governmental funds:

**General Fund** is the Board's primary operating fund accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily receives revenues from the Education Trust Fund ("ETF"), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the Board on a formula basis.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (continued)***

**Debt Service** fund accounts for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

The Board reports the following governmental fund types in the "Other Governmental Funds'' column:

**Special Revenue Funds** account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following:

1. IDEA – Part B
2. IDEA – High Cost Fund
3. Preschool Ages 3 – 5 Part B
4. Vocational Education – Basic Grant
5. Vocational Education – Program Improvement
6. Vocational Rehab - Other
7. Title I Part A
8. Title I Part D
9. Title II Part A Teacher and Principal Training
10. Title IV Part A – Safe & Drug Free
11. Title VI Part B – Low Income Program
12. CRRSA Act - ESSER
13. CRRSA Act – ESSER II
14. CRRSA Act – ESSER II ALSDE Reserve
15. ARPA Act – ESSER III
16. Food and Nutrition Fund
17. Local school activity funds
18. ARPA – IDEA Part B

**Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.

**Other Debt Service Funds** account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

***Budgetary Information***

*Budgetary Basis of Accounting*

The annual budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve-month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted expenditures on the financial statements. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2023 fiscal year was September 15, 2022. The Board approved and submitted its original 2023 annual budget on September 15, 2022.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgetary Information (continued)***

*Budgetary Basis of Accounting (continued)*

The appropriated budget is prepared by fund and function. The Superintendent or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

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

*Cash and Cash Equivalents*

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

*Investments*

Investments are stated at amortized cost. The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

*Receivables and Allowance for Doubtful Accounts*

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

*Property Tax Calendar*

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

*Inventories*

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Prepaid Items*

Prepaid items, such as insurance premiums, are accounted for using the interperiod allocation method for both the government-wide financial statements and the governmental funds financial statements. Under this method, the cash outlay is reported as an asset in the governmental funds balance sheet and amortized ratably over the number of months the payment benefits.

*Interfund Loans and Transfers*

Activities between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”

*Restricted Assets*

Restricted assets at September 30, 2023 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled $1,469,601.

*Capital Assets*

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

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

| Capital Asset Classes | | Capitalization Threshold | Estimated Useful Life |
|---|---|---|---|
| Land improvements – exhaustible | $ | 50,000 | 20 years |
| Buildings | | 50,000 | 50 years |
| Building improvements | | 50,000 | 7 - 30 years |
| Equipment | | 5,000 | 5 - 20 years |
| Equipment under lease | | 5,000 | 5 - 20 years |
| Vehicles | | 5,000 | 8 - 10 years |

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has three items reported in this category, deferred loss on refunding of debt, deferred outflows related to pension and deferred outflows related to OPEB. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, unavailable property taxes, deferred inflows related to pension, and deferred inflows related to OPEB. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

*Compensated Absences*

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Compensated Absences (continued)*

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System of Alabama, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

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

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

*Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASBC Section I30*: Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

*Pensions*

The Teachers' Retirement System of Alabama (the "Plan" or "TRS") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Other Post-Employment Benefits (OPEB) Liability*

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

*Categories and Classification of Net Position and Fund Balance*

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

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

*Net Position and 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, net of accumulated depreciation and outstanding principal balances of debt and deferred inflows or outflows of resources attributable to the acquisition, construction, or improvement of those assets.

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Net Position and Fund Balances (continued)*

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

*Nonspendable* - Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* - Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

*Assigned* - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used or specific purposes. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

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

Fund balances at September 30, 2023 are as follows:

| | General Fund | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Nonspendable: | | | | |
| Inventories | $ - | $ - | $ 50,776 | $ 50,776 |
| Prepaid expenses | 126,720 | - | - | 126,720 |
| Restricted: | | | - | - |
| Debt service | - | 1,469,601 | - | 1,469,601 |
| Assigned: | | | - | - |
| Subsequent years' budget | - | 400,846 | 660,085 | 1,060,931 |
| Unassigned | 8,139,246 | - | - | 8,139,246 |
| | $ 8,265,966 | $ 1,870,447 | $ 710,861 | $ 10,847,274 |

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position - governmental activities* as reported in the government-wide statement of net position. The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *Total net change in fund balances - governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenues and Expenditures/Expenses***

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

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

***Use of Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recently Issued and Implemented Accounting Pronouncements***

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

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which GASB 96 is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of GASB 96 did not result in any significant change in the Board's financial statements.

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in GASB 96, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of GASB 99 are effective as follows:

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

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore,

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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

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

**Note 2: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments***

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal deposit insurance or by the Security for Alabama Funds Enhancement Program ("SAFE Program"). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14.

**Note 2: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments (continued)***

Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Board's sole investment is in a certificate of deposit with a maturity of March 31, 2024. This certificate of deposit is classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

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

*Interest Rate Risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Board has limited its interest rate risk by investing in money market funds which are required to maintain an average dollar-weighted portfolio maturity of 90 days or less and certificates of deposits held at local banks with an original maturity of one year or less.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Accounts Receivable***

Receivables at September 30, 2023 consist of the following:

| | General | Debt Service Fund | Other Non-major | Total |
|---|---|---|---|---|
| State Department of Education | | | | |
| IDEA-Part B | $ - | $ - | $ 37,115 | $ 37,115 |
| Pre-school Ages 3-5 Part B | - | - | 2,196 | 2,196 |
| Vocational Rehab | - | - | 3,238 | 3,238 |
| Title I, Part A | - | - | 75,363 | 75,363 |
| Title II, Part A | - | - | 6,316 | 6,316 |
| Title III, Part A | - | - | 1,099 | 1,099 |
| Title IV, Part A | - | - | 24,252 | 24,252 |
| CRSSA ESSER II | - | - | 20,484 | 20,484 |
| ESSER II | - | - | 228,996 | 228,996 |
| ARP ESSER | - | - | 557,046 | 557,046 |
| ESSER II LETRS | - | - | 137,551 | 137,551 |
| First Class Pre-K | 3,739 | - | - | 3,739 |
| BCBA | 37,130 | - | - | 37,130 |
| Catastrophic Support | 30,856 | - | - | 30,856 |
| TEAMS | 18,997 | - | - | 18,997 |
| Career Coach | 7,903 | - | - | 7,903 |
| CALT | 7,007 | - | - | 7,007 |
| Pike County Rev Commissioner | 2,519,861 | 400,846 | - | 2,920,707 |
| Pike County Board of Education | 52,734 | - | - | 52,734 |
| Community Service Grant | 35,000 | - | - | 35,000 |
| CTE Equipment | 50,000 | - | - | 50,000 |
| Pike County Probate Judge | 67,230 | - | - | 67,230 |
| Construction Grant | 2,711 | - | - | 2,711 |
| Medicaid Outreach | 38,047 | - | - | 38,047 |
| Drivers Education and Training | 1,004 | - | - | 1,004 |
| Other | 11,737 | - | - | 11,737 |
| Total receivables | $ 2,883,956 | $ 400,846 | $ 1,093,656 | $ 4,378,458 |

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

***Change in Accounting Principle***

During the year ended September 30, 2023, the Board elected to change its accounting for property taxes receivable from the Pike County Revenue Commissioner. In previous years, management elected to cease recording these estimated amounts until such balances are due from the taxpayers, which is an acceptable practice. In the current year, management elected to record estimated taxes as a receivable and unearned revenue on the accompanying balance sheet and statement of net position at time of assessment, which is also an acceptable method of accounting that better aligns with similar governmental entities in the State of Alabama. This change in accounting principle had no effect on income or net position.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Capital Assets***

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 892,701 | $ - | $ - | $ 892,701 |
| Construction in progress | 2,643,583 | 256,347 | 442,113 | 2,457,817 |
| Total capital assets, not being depreciated | 3,536,284 | 256,347 | 442,113 | 3,350,518 |
| Capital assets, being depreciated | | | | |
| Buildings | 24,334,772 | - | - | 24,334,772 |
| Building improvements | 4,694,499 | 2,306,392 | 18,839 | 6,982,052 |
| Land improvements | 954,564 | - | - | 954,564 |
| Equipment | 1,452,761 | 376,791 | 153,139 | 1,676,413 |
| Vehicles | 1,453,825 | - | 341,017 | 1,112,808 |
| Capital assets, being depreciated | 32,890,421 | 2,683,183 | 512,995 | 35,060,609 |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,930,519 | 418,009 | - | 10,348,528 |
| Building improvements | 1,464,992 | 191,900 | - | 1,656,892 |
| Land improvements | 630,023 | 20,475 | - | 650,498 |
| Equipment | 1,035,042 | 69,454 | 153,137 | 951,359 |
| Vehicles | 877,770 | 73,588 | 347,177 | 604,181 |
| Total accumulated depreciation | 13,938,346 | 773,426 | 500,314 | 14,211,458 |
| Total capital assets being depreciated, net | 18,952,075 | 1,909,757 | 12,681 | 20,849,151 |
| Total governmental activities capital assets, net | $ 22,488,359 | $ 2,166,104 | $ 454,794 | $ 24,199,669 |

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

| | |
|---|---|
| Instructional services | $ 617,988 |
| Instructional support services | 58,611 |
| Operation and maintenance services | 17,080 |
| Student transportation services | 59,117 |
| Food services | 18,014 |
| Other expenses | 2,616 |
| Total depreciation expense - governmental activities | $ 773,426 |

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities***

*Educational Facilities Revenue Bonds Series 2011*

On March 1, 2011, The Public Building Authority of the City of Troy, Alabama (the "Authority"), in its role as conduit debt issuer for the Board, issued $22,125,000 of Educational Facilities Revenue Bonds Series 2011. The Series 2011 bonds are payable in annual installments of principal and bi-annual interest payments, ranging from 3% to 5.25%, beginning June 1, 2011, with maturity of December 1, 2040. The Authority was formed to act as a vehicle to issue and collectively guarantee payment of the Series 2011 bonds. The mechanism for payment of the bonds by the Board is a long-term lease agreement dated March 1, 2011, between the Board and the Authority, whereby the Board agreed to pay all bond payments of principal and interest to the Authority as they become due to the trust agent, and the Authority assigned their rights to receive such payments under the lease directly to Regions Trust Department. Proceeds of the bonds were used to refund the Board's Series 2001, 2002, and 2004 bonds; pay issuance costs; and make available $15,000,000 for capital improvements of the Board, which has been exhausted to date. In conjunction with the Series 2011 bonds, the Board pledged certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as a deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of $175,774 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2023 was $3,963. The total amount amortized for the year ended September 30, 2023 was $5,231 and was reported as part of interest expense.

Annual debt service requirements to maturity for the Educational Facilities Revenue Bonds Series 2011 are payable as follows:

| *Year Ending September 30,* | Principal | Interest |
|---|---|---|
| 2024 | $ 625,000 | $ 137,100 |
| 2025 | 95,000 | 122,269 |
| 2026 | 100,000 | 118,000 |
| 2027 | 105,000 | 113,388 |
| 2028 | 110,000 | 108,412 |
| 2029-2033 | 635,000 | 455,044 |
| 2034-2038 | 815,000 | 268,931 |
| 2039-2041 | 600,000 | 48,301 |
| | $ 3,085,000 | $ 1,371,445 |

Bond discount expense on the Series 2011 bonds for the year ended September 30, 2023 was $7,623.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*School Tax Warrants Series 2013*

On December 1, 2013, the Board issued $2,400,000 of School Tax Warrants Series 2013 to refund $2,095,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs and discounts incurred. The Series 2013 warrants are payable in bi-annual interest payments at 4.75% beginning June 1, 2014 with principal due beginning December 1, 2041. The warrants series matures December 1, 2042. In conjunction with the Series 2013 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as a deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of $186,224 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2023 was $118,403. The total amount amortized for the year ended September 30, 2023 was $6,897 and was reported as part of interest expense.

Annual debt service requirements to maturity for the School Tax Warrants Series 2013 are payable as follows:

| *Year Ending September 30,* | Principal | Interest |
|---|---|---|
| 2024 | $ - | $ 114,000 |
| 2025 | - | 114,000 |
| 2026 | - | 114,000 |
| 2027 | - | 114,000 |
| 2028 | - | 114,000 |
| 2029-2033 | - | 570,000 |
| 2034-2038 | - | 570,000 |
| 2039-2043 | 2,400,000 | 440,800 |
| | $ 2,400,000 | $ 2,150,800 |

Bond discount expense on the Series 2013 bonds for the year ended September 30, 2023 was $2,905.

*School Tax Refunding Warrants Series 2016*

On March 1, 2016, the Board issued $9,330,000 of School Tax Refunding Warrants Series 2016 to refund $8,210,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs, net of original issue premium of the new issue. The Series 2016 warrants are payable in annual installments of principal and bi-annual interest payments, ranging from 1.25% to 4%, beginning December 1, 2016 with maturity of December 1, 2040. The Board In conjunction with the Series 2016 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond issue on

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*School Tax Refunding Warrants Series 2016 (continued)*

the straight line basis. The Board has recorded a deferred outflow of resources of $1,728,192 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2023 was $1,198,678. The total amount amortized for the year ended September 30, 2023 was $69,826 and was reported as part of interest expense.

Annual debt service requirements to maturity for the School Tax Refunding Warrants Series 2016 are payable as follows:

| *Year Ending September 30,* | Principal | Interest |
|---|---|---|
| 2024 | $ 70,000 | $ 327,136 |
| 2025 | 70,000 | 325,649 |
| 2026 | 70,000 | 324,074 |
| 2027 | 75,000 | 322,368 |
| 2028 | 75,000 | 320,529 |
| 2029-2033 | 2,655,000 | 1,462,074 |
| 2034-2038 | 3,830,000 | 682,275 |
| 2039-2041 | 2,100,000 | 152,600 |
| | $ 8,945,000 | $ 3,916,705 |

Bond premium amortization on the Series 2016 bonds for the year ended September 30, 2023 was $21,618.

*School Tax Refunding Warrants Series 2017*

On March 1, 2017, the Board issued $8,055,000 of School Tax Refunding Warrants Series 2017 to refund $6,715,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs, net of original issue discount of the new issue. The Series 2017 warrants are payable in annual installments of principal and bi-annual interest payments, ranging from 1.9% to 3.5%, beginning December 1, 2017 with maturity of December 1, 2039. The Board In conjunction with the Series 2017 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board.

The refunded $6,715,000 of Series 2011 bonds were called on December 1, 2020.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of $894,029 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2023 was $635,317. The total amount amortized for the year ended September 30, 2023 was $39,298 and was reported as part of interest expense.

Annual debt service requirements to maturity for the School Tax Refunding Warrants Series 2017 are payable as follows:

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*School Tax Refunding Warrants Series 2017 (continued)*

| *Year Ending September 30,* | Principal | Interest |
|---|---|---|
| 2024 | $ 95,000 | $ 209,082 |
| 2025 | 645,000 | 200,294 |
| 2026 | 660,000 | 184,385 |
| 2027 | 680,000 | 167,295 |
| 2028 | 695,000 | 149,072 |
| 2029-2033 | 1,560,000 | 523,933 |
| 2034-2038 | 1,250,000 | 433,075 |
| 2039-2040 | 1,430,000 | 35,700 |
| | $ 7,015,000 | $ 1,902,836 |

Bond discount amortization on the Series 2017 bonds for the year ended September 30, 2023 was $4,469.

The warrant was dated November 20, 2018 and has an advance period through November 30, 2024. Annual principal payments shall be payable beginning December 1, 2023, annually, and any outstanding balance is payable at maturity on December 1, 2038. Interest, at a variable rate, is due semiannually on each June 1 and December 1 beginning on June 1, 2019. The warrant is secured by a pledge of the following taxes: privilege, license and excise taxes levied and collected by the governing body.

***Direct Borrowings - Line of Credit***

**Regions Bank –** The Board has a secured warrant with Regions Bank with a maximum amount available to advance of $2,000,000. $2,000,000 was available to advance as of September 30, 2023. The warrant was dated November 20, 2018 and has an advance period through November 30, 2024. Annual principal payments shall be payable beginning December 1, 2023, annually, and any outstanding balance is payable at maturity on December 1, 2038. Interest, at a variable rate, is due semiannually on each June 1 and December 1 beginning on June 1, 2019. The warrant is secured by a pledge of the following taxes: privilege, license and excise taxes levied and collected by the governing body.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in Long-Term Liabilities***

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Educational Facilities Revenue Bonds Series 2011 | $ 3,175,000 | $ - | $ (90,000) | $ 3,085,000 | $ 625,000 |
| School Tax Warrants Series 2013 | 2,400,000 | - | - | 2,400,000 | - |
| School Tax Refunding Warrants Series 2016 | 9,010,000 | - | (65,000) | 8,945,000 | 70,000 |
| School Tax Refunding Warrants Series 2017 | 7,620,000 | - | (605,000) | 7,015,000 | 95,000 |
| Unamortized bond discounts | (280,136) | - | 14,997 | (265,139) | (14,997) |
| Unamortized bond premiums | 392,720 | - | (21,618) | 371,102 | 21,618 |
| Total bonds payable | 22,317,584 | - | (766,621) | 21,550,963 | 796,621 |
| Total long-term liabilities | $ 22,317,584 | $ - | $ (766,621) | $ 21,550,963 | $ 796,621 |

***Net Investment in Capital Assets***

The elements of this calculation are as follows:

| | |
|---|---|
| Capital assets (net) | $ 24,371,123 |
| Outstanding debt related to capital assets | (21,550,963) |
| Deferred loss on refunding of debt | 1,956,361 |
| Net investment in capital assets | $ 4,776,521 |

***Pledged Revenues***

As discussed above, certain bonds payable of the Board are collateralized by certain sales and use tax revenues. Pledged revenues recognized for the year ended September 30, 2023 were $6,760,116 while total debt service collateralized was $1,570,156.

***Interfund Receivables, Payables and Transfers***

Due to/from other funds at September 30, 2023 consisted of the following amounts:

| | Due to | |
|---|---|---|
| Due from | Nonmajor governmental | Total |
| General fund | $ 31,049 | $ 31,049 |

Amounts due to the general fund are for reimbursement of expenses.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Interfund Receivables, Payables and Transfers (continued)***

Interfund transfers consisted of the following for the year ended September 30, 2023:

| | Transfers In | | |
|---|---|---|---|
| Transfers Out | General | Nonmajor Governmental | Total |
| General | $ - | $ 271,706 | $ 271,706 |
| Nonmajor governmental | 113,830 | 2,140 | 115,970 |
| | $ 113,830 | $ 273,846 | $ 387,676 |

**Note 3: RETIREMENT PLAN**

***Plan Description***

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

***Plan Membership and Benefits***

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

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

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then

**Note 3: RETIREMENT PLAN (Continued)**

***Plan Membership and Benefits (continued)***

actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

***Contributions***

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $1,450,370 for the year ended September 30, 2023.

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

At September 30, 2023, the Board reported a liability of $22,480,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the System's proportion was 0.144653%, which was an increase of 0.004006% from its proportion measured as of September 30, 2021.

**Note 3: RETIREMENT PLAN (Continued)**

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

For the year ended September 30, 2023, the Board recognized pension expense of $2,852,000. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 494,000 | $ 546,000 |
| Changes of assumptions | 1,020,000 | - |
| Net difference between projected and actual earnings on pension plan investments | 4,511,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 381,000 | 700,000 |
| Employer contributions subsequent to the measurement date | 1,450,370 | - |
| Total | $ 7,856,370 | $ 1,246,000 |

$1,450,370 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 ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| *Year ended September 30,* | |
|---|---|
| 2024 | $ 1,366,000 |
| 2025 | 991,000 |
| 2026 | 927,000 |
| 2027 | 1,876,000 |
| Total | $ 5,160,000 |

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

| | |
|---|---|
| Inflation | 2.50% |
| Projected salary increases | 3.25% - 5.00% |
| Investment rate of return* | 7.45% |

* Net of pension plan investment expense

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

**Note 3: RETIREMENT PLAN (Continued)**

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

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

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---|---|---|
| Fixed income | 15.00% | 2.80% |
| U.S. large stocks | 32.00% | 8.00% |
| U.S. mid stocks | 9.00% | 10.00% |
| U.S. small stocks | 4.00% | 11.00% |
| International developed market stocks | 12.00% | 9.50% |
| International emerging market stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 9.00% |
| Real estate | 10.00% | 6.50% |
| Cash | 5.00% | 2.50% |
| Total | 100.00% | |

* Includes assumed rate of inflation of 2.00%

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate***

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

**Note 3: RETIREMENT PLAN (Continued)**

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)***

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

| | 1% Decrease 6.45% | Current Discount Rate 7.45% | 1% Increase 8.45% |
|---|---|---|---|
| Board's net pension liability | $ 29,088,000 | $ 22,480,000 | $ 16,914,000 |

***Pension Plan Fiduciary Net Position***

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

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

***Plan Description***

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

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

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

***Plan Description (continued)***

The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

***Plan Membership and Benefits***

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, eye glasses, and contact lens prescriptions.

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

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part

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

***Plan Membership and Benefits (continued)***

B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

***Funding Requirements***

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively.

Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage. Total employer contributions to the OPEB plan from the Board were $232,397 for the year ended September 30, 2023.

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

At September 30, 2023, the Board reported a liability of $2,920,592 for its proportionate share of the net OPEB liability. The net OPEB liability measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the Board's proportion was 0.16761422%, which was an increase of 0.01673422% from its proportion measured as of September 30, 2021.

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

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

For the year ended September 30, 2023, the System recognized OPEB expense of ($1,837,485), with no special funding situations. At September 30, 2023, the System 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 | $ 133,950 | $ 5,905,197 |
| Changes of assumptions | 2,368,999 | 4,251,097 |
| Net difference between projected and actual earnings on OPEB plan investments | 367,292 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,080,957 | 1,462,916 |
| Employer contributions subsequent to the measurement date | 232,397 | - |
| Total | $ 4,183,595 | $ 11,619,210 |

$232,397 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

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

| *Year ended September 30,* | |
|---|---|
| 2024 | (2,010,955) |
| 2025 | (2,065,676) |
| 2026 | (1,015,834) |
| 2027 | (867,136) |
| 2028 | (1,081,415) |
| Thereafter | (626,996) |

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

***Actuarial Assumptions***

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

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

[1] Includes 2.75% wage inflation.
[2] Compounded annually, net of investment expense, and including inflation.
**Initial Medicare claims are set based on scheduled increases through plan year 2025

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

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

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

***Actuarial Assumptions (continued)***

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

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

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

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

*Geometric mean, includes 2.5% inflation

***Discount Rate***

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist

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

***Discount Rate (continued)***

in funding retiree benefit payments in 2022, and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefits for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027.

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

***Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates***

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

| | 1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible) | Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible) | 1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible) |
|---|---|---|---|
| Net OPEB liability | $ 2,214,691 | $ 2,920,592 | $ 3,786,313 |

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net OPEB liability | $ 3,610,880 | $ 2,920,592 | $ 2,341,115 |

***OPEB Plan Fiduciary Net Position***

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

**Note 5: RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases commercial property and liability insurance for its buildings and contents, fidelity bonds, and vehicles. Errors and omissions insurance is purchased from Alabama Trust for Boards of Education (ATBE), a public entity risk pool. ATBE collects the premiums and purchases commercial insurance for the

**Note 5: RISK MANAGEMENT (Continued)**

amount of coverage requested by pool participants. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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

**Note 6: COMMITMENTS AND CONTINGENCIES**

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

The Board had an open contract as of September 30, 2023, with Whaley Construction for renovations at Charles Henderson High School in the amount of $2,452,967. The costs incurred through September 30, 202 were $2,442,279, and the remaining contract is $10,688.

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# Troy City Board of Education
## Required Supplementary Information
## Schedule of the Employer's Proportionate Share of the Net Pension Liability
## Teachers' Retirement System of Alabama

| *As of September 30,* | **2023** | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the collective net pension liability | **0.144653%** | 0.140647% | 0.141843% | 0.156481% | 0.154827% | 0.157690% | 0.159713% | 0.160140% | 0.169204% |
| Employer's proportionate share of the collective net pension liability | **$ 22,480,000** | $ 13,249,000 | $ 17,545,000 | $ 17,302,000 | $ 15,394,000 | $ 15,499,000 | $ 17,291,000 | $ 16,760,000 | $ 15,371,000 |
| Employer's covered payroll* | **$ 11,108,131** | $ 10,317,707 | $ 10,404,677 | $ 10,579,086 | $ 10,364,906 | $ 10,774,800 | $ 10,135,066 | $ 10,143,132 | $ 10,738,350 |
| Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll | **202.37%** | 128.41% | 168.63% | 163.55% | 148.52% | 143.84% | 170.61% | 165.23% | 143.14% |
| Plan fiduciary net position as a percentage of the total pension liability | **62.21%** | 76.44% | 67.72% | 69.85% | 72.29% | 71.50% | 67.93% | 67.51% | 71.01% |

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

**Note**: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

## Schedule of Employer's Contributions
## Teachers' Retirement System of Alabama

| *For the years ended September 30,* | **2023** | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution** | **$ 1,450,370** | $ 1,339,957 | $ 1,223,874 | $ 1,245,078 | $ 1,255,292 | $ 1,242,460 | $ 1,234,363 | $ 1,199,428 | $ 1,181,735 |
| Contributions in relation to the actuarially determined contribution | **1,450,370** | 1,339,957 | 1,223,874 | 1,245,078 | 1,255,292 | 1,242,460 | 1,234,363 | 1,199,428 | 1,181,735 |
| Contribution deficiency (excess) | **$ -** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll* | **$ 11,914,579** | $ 11,108,131 | $ 10,317,707 | $ 10,404,677 | $ 10,579,086 | $ 10,364,906 | $ 10,774,800 | $ 10,135,066 | $ 10,143,132 |
| Contributions as a percentage of covered payroll | **12.17%** | 12.06% | 11.86% | 11.97% | 11.87% | 11.99% | 11.46% | 11.83% | 11.65% |

* Employer's covered payroll is the total payroll on which contributions to the pension plan are based for those employees who are participating in the pension plan.

**The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the TRS, this would not include amounts paid to TRS for the Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid to TRS for the Employer's portion of the Normal Cost and Accrued Liability.

**Note**: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

# Troy City Board of Education
## Required Supplementary Information
## Schedule of the Employer's Proportionate Share of the Net OPEB Liability
## Alabama Retired Education Employees' Health Care Trust

| *As of September 30,* | **2023** | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Employer's proportion of the collective net pension liability | **0.167614%** | 0.150880% | 0.154015% | 0.182807% | 0.183384% | 0.179698% |
| Employer's proportionate share of the collective net pension liability | **$ 2,920,592** | $ 7,795,688 | $ 9,995,359 | $ 6,896,884 | $ 15,071,829 | $ 13,346,941 |
| Employer's covered-employee payroll during the measurement period* | **$ 11,108,131** | $ 10,317,707 | $ 10,404,677 | $ 10,579,086 | $ 10,364,906 | $ 10,774,800 |
| Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | **26.29%** | 75.56% | 96.07% | 65.19% | 145.41% | 123.87% |
| Plan fiduciary net position as a percentage of the total collective OPEB liability | **48.39%** | 27.11% | 19.80% | 28.14% | 14.81% | 15.37% |

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

**Note**: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available. For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

# Troy City Board of Education
# Required Supplementary Information
# Schedule of Employer's Contributions
# Alabama Retired Education Employees' Health Care Trust

| *For the years ended September 30,* | **2023** | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Contractually required contribution | **$ 232,397** | $ 320,225 | $ 262,958 | $ 303,251 | $ 518,824 | $ 451,747 |
| Contributions in relation to the actuarially determined contribution | **232,397** | 320,225 | 262,958 | 303,251 | 518,824 | 451,747 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered-employee payroll | **$ 11,914,579** | $ 11,108,131 | $ 10,317,707 | $ 10,404,677 | $ 10,579,086 | $ 10,364,906 |
| Contributions as a percentage of covered-employee payroll | **1.95%** | 2.88% | 2.55% | 2.91% | 4.90% | 4.36% |

**Note**: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available. Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

**PENSION**

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

**Methods and Assumptions Used to Determine Contribution Rates**

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

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

*Net of pension plan investment expense

**OPEB**

**Changes in Actuarial Assumptions**

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

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

**Recent Plan Changes**

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

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

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

**Methods and Assumptions Used to Determine Contribution Rates**

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

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

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

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

Members of the Board
Troy City Board of Education
Troy, Alabama

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

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
June 30, 2024

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

Members of the Board
Troy City Board of Education
Troy, Alabama

**Report on Compliance for Each Major Federal Program**

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

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

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

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

**Report on Internal Control over Compliance**

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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

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

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

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
June 30, 2024

*For the year ended September 30, 2023*

| Federal Grantor/Pass-Through Grantor Program Title | Assistance Listing No. | Pass Through Grantor's Number | Passed Through to Subrecipients | Expenditures |
|---|---|---|---|---|
| **Social Security Administration** | | | | |
| Direct Program | | | | |
| Disability/SSI Cluster | | | | |
| Social Security Disability Insurance | 96.001 | N/A | $ - | $ 480 |
| **U.S. Department of Education** | | | | |
| Passed through State Department of Education | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 199 | - | 1,045,318 |
| Supporting Effective Instruction State Grant | 84.367 | 199 | - | 99,314 |
| Rural Education | 84.358 | 199 | - | 62,371 |
| Rehabiliation Services | | | | |
| Vocational Rehabilitation Grants to States | 84.126 | 199 | - | 38,443 |
| Student Support and Academic Enrichment Program | 84.424A | 199 | - | 87,200 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund | 84.425D | 199 | - | 2,697,801 |
| COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP Esser) | 84.425U | 199 | - | 2,343,294 |
| Subtotal for 84.425 | | | - | 5,041,095 |
| Career and Technical Education – Basic Grants to States | 84.048 | 199 | - | 49,592 |
| Subtotal | | | - | 6,423,333 |
| Special Education Cluster (IDEA) | | | | |
| Special Education Grants to States | 84.027 | 199 | - | 457,041 |
| COVID-19 - ARPA - Special Education - Grants to States | 84.027 | 199 | | 7,217 |
| Subtotal for 84.027 | | | - | 464,258 |
| Special Education Preschool Grants | 84.173 | 199 | - | 17,685 |
| Subtotal Special Education Cluster (IDEA) | | | - | 481,943 |
| English Language Acquisition State Grants | 84.365 | N/A | - | 1,099 |
| Total U.S. Department of Education | | | - | 6,906,375 |

(Continued)

# Troy City Board of Education
# Schedule of Expenditures of Federal Awards (Continued)
# For the Year Ended September 30, 2023

| Federal Grantor/Pass-Through Grantor Program Title | Assistance Listing No. | Pass Through Grantor's Number | Passed Through to Subrecipients | Expenditures |
|---|---|---|---|---|
| U.S. Department of Agriculture | | | | |
| Passed through State Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program (SBP) | 10.553 | 199 | - | 219,641 |
| National School Lunch Program* | 10.555 | 199 | - | 77,433 |
| National School Lunch Program | 10.555 | 199 | - | 833,274 |
| COVID-19 School Programs Emergency Operational Costs Reimbursement Program | 10.555 | 199 | - | 56,987 |
| Total Child Nutrition Cluster and U.S. Department of Agriculture | | | - | 1,187,335 |
| U.S. Department of Defense | | | | |
| Direct Programs | | | | |
| ROTC Language and Cultural Training Grants | 12.357 | N/A | - | 22,988 |
| Total Expenditures of Federal Awards | | | $ - | $ 8,117,178 |

*USDA Food Distribution Program and Fresh Fruit and Vegetable Program - No actual cash transactions.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

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

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

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

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

**Note 2: INDIRECT COSTS**

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

**Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

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

- The Board's fiscal year end may differ from the program's year-end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports.

**Note 4: FEDERAL PASS-THROUGH FUNDS**

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

**Note 5: SCHOOL-WIDE PROGRAM**

The Board utilizes its funding under Title I to operate a “school-wide program”. School-wide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to a targeted group of students.

**Note 6: CONTINGENCIES**

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of June 30, 2024, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 7: DONATED FOOD PROGRAM**

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was $77,433 for fiscal year 2023.

**Note 8: LOANS AND LOAN GUARANTEES**

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

**Note 9: SUBRECIPIENTS**

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

## Section I: Summary of Auditor's Results

### *Financial Statements*

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

### *Federal Awards*

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

| AL Number | Federal Program |
|---|---|
| 84.425D | COVID-19 - Education Stabilization Fund - CARES Act ESSER II |
| 84.425D | COVID-19 Education Stabilization Funds - ESSERF II - CRRSA |
| 84.425U | COVID-19 Education Stabilization Funds - ARPA ESSERF CO |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.555 | School Programs Emergency Operational Costs Reimbursement Program |
| 10.555 | National School Lunch Program (Non Cash Assistance) |

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

## Section II: Financial Statements Findings

No such findings in the current year.

**Section III: Federal Award Findings and Questioned Costs**

**Item 2023-001 Special Tests and Provisions – Wage Rate Requirements**
**Education Stabilization Fund (ESF) ALN# 84.425U**
**U.S. Department of Education**
**Passed through the State Department of Education, Pass Through Grantor Number 199**
**Grant period – Year ended September 30, 2022 (84.425U)**

**Criteria** – Grantees should have controls in place to ensure that contractors and subcontractors are notified of the requirement to pay prevailing wage rates to all laborers and mechanics employed on construction contracts in excess of $2,000 financed by federal assistance funds and to submit weekly certified payrolls for each week in which contract work is performed. 2 CFR 200.303 requires the non-Federal entity to "(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award." 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

**Condition** – Adequate controls were not in place to ensure that contractors and subcontractors were notified of the requirements to comply with the wage rate requirements and provided timely certified payrolls throughout the construction projects.

**Cause** – A clause describing the Wage Rate Requirements was not added to the construction contracts. There was a lack of sufficient controls over the communication of this requirement to ensure that accurate and complete certified payrolls were provided to the Board.

**Effect** – Lack of notification of the wage rate requirements to the contractors and subcontractors could lead to disallowed costs. We noted that payments to contractors did not have supporting documentation of certified payrolls. However, our audit disclosed no instances of unallowable costs.

**Questioned Costs** – $149,982

**Recommendation** – We recommend the strengthening of controls to ensure the prevailing wage rate clauses are included in the contracts and that certified payrolls are received for each week in which construction work is performed.

**Management's Response** – The Board will strengthen the controls in place to provide assurance that proper prevailing wage rate clauses are added to construction contracts and certified payrolls are received from each week in which construction work is performed.

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Troy City Board of Education

**Corrective Action Plan**

The Troy City Board of Education (the Board) respectfully submits the following corrective action plan for the year ended September 30, 2023.

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

The finding from the September 30, 2023 schedule of findings and questioned costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No such findings in the current year.

**FINDINGS – FEDERAL AWARDS PROGRAM AUDITS**

Item 2023-001 Special Tests and Provisions – Wage Rate Requirements

*Recommendation:* We recommend the strengthening of controls to ensure the prevailing wage rate clauses are included in the contracts and that certified payrolls are received for each week in which construction work is performed.

*Action Take*n: The Board will strengthen the controls in place to provide assurance that proper prevailing wage rate clauses are added to construction contracts and certified payrolls are received from each week in which construction work is performed. Tricia Norman, CSFO, will be responsible for the corrective action plan and anticipates completion of corrective action will be taken before September 30, 2024.

**Item 2022-001 – Activities Allowed/Allowable Costs & Costs Principles (Significant Deficiency - Payroll)**

Condition: There were three noted instances out of 120 tested, where an employee's time and effort certification was not prepared/approved for payroll charged to the program.

Recommendation: We recommend a more detailed and frequent review of the payroll register used to prepare the time and effort certifications should be performed and documented.

Current Status: Corrective action was taken.