

Report on the

# Limestone County Board of Education

Limestone County, Alabama

October 1, 2019 through September 30, 2020

Filed: November 19, 2021



## Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280  
Montgomery, Alabama 36104-4338  
P.O. Box 302251  
Montgomery, Alabama 36130-2251  
Website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov)

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

State of Alabama  
Department of  
**Examiners of Public Accounts**

P.O. Box 302251, Montgomery, AL 36130-2251  
401 Adams Avenue, Suite 280  
Montgomery, Alabama 36104-4338  
Telephone (334) 242-9200  
FAX (334) 242-1775

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

Dear Madam:

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

Respectfully submitted,

A handwritten signature in blue ink that reads 'Isabelle Lisenby'. The signature is written in a cursive style.

Isabelle Lisenby  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Limestone County Board of Education (the “Board”) is governed by a seven-member body elected by the citizens of Limestone County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 15. The Board is the governmental agency that provides general administration and supervision for Limestone County public schools, preschool through high school, with the exception of schools administered by the Athens City Board of Education.

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

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

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

A federal investigation involving the Board’s former Superintendent and virtual school program is ongoing as of the date of this report.

**EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 15, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Superintendent: Randall Shearouse; Chief School Financial Officer: Kimberly Hubbard; and Board Members: Bradley Young, Earl Glaze, and Anthony Hilliard. Also in attendance were representatives from the Department of Examiners of Public Accounts: April S. Purser, Audit Manager, and Isabelle Lisenby and Cyndie Cookston, Examiners of Public Accounts.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Limestone County Board of Education,  
Superintendent and Chief School Financial Officer  
Athens, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Limestone County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Limestone County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 7.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 8 through 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

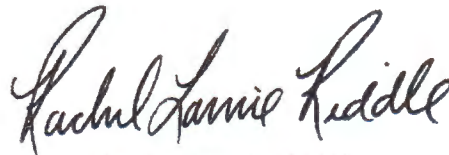
*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Limestone County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 14), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The 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 September 29, 2021, on our consideration of the Limestone County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Limestone County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Limestone County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 29, 2021



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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2020**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 35,221,761.79
Investments	17,387.24
Ad Valorem Property Taxes Receivable	5,588,726.46
Receivables (Note 4)	4,766,037.42
Inventories	286,756.13
Other Assets	2,130.67
Capital Assets (Note 5):	
Nondepreciable	3,286,514.17
Depreciable, Net	106,772,901.85
Total Assets	<u>155,942,215.73</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	5,893,891.21
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	7,987,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	1,510,814.00
Proportionate Share of Collective Deferred Outflows Related to Net Other	
Postemployment Benefits (OPEB) Liability	4,770,202.00
Total Deferred Outflows of Resources	<u>20,161,907.21</u>
<b><u>Liabilities</u></b>	
Payables (Note 8)	4,106,289.85
Unearned Revenue	68,586.61
Salaries and Benefits Payable	6,061,903.98
Accrued Interest Payable	838,822.43
Long-Term Liabilities:	
Portion Payable Within One Year	4,762,865.12
Portion Payable After One Year	180,505,320.25
Total Liabilities	<u>196,343,788.24</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	5,588,726.46
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	3,292,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other	
Postemployment Benefits (OPEB) Liability	41,264,658.00
Total Deferred Inflows of Resources	<u>\$ 50,145,384.46</u>

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

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	<b>Governmental Activities</b>
<hr/>	
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 36,359,655.65
Restricted for:	
Debt Service	4,906,336.35
Capital Projects	2,771,866.84
Other Purposes	5,077,269.96
Unrestricted	<u>(119,500,178.56)</u>
Total Net Position	<u><u>\$ (70,385,049.76)</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 63,315,754.29	\$ 1,236,212.11	\$ 55,544,278.11	\$ 3,010,897.00	\$ (3,524,367.07)
Instructional Support	13,031,704.25	281,567.52	11,829,996.63		(920,140.10)
Operation and Maintenance	7,056,247.38	549,814.91	3,550,069.90	19,667.00	(2,936,695.57)
Auxiliary Services:					
Student Transportation	6,052,374.59	81,437.86	5,905,798.43	391,322.00	326,183.70
Food Service	2,418,620.26	2,656,860.34	72,640.45		310,880.53
General Administrative and Central Support	2,864,858.73	275,930.89	1,524,505.82		(1,064,422.02)
Interest and Fiscal Charges	2,382,575.16				(2,382,575.16)
Other Expenses	4,733,440.32	1,173,699.74	1,548,878.59		(2,010,861.99)
Total Governmental Activities	<u>\$ 101,855,574.98</u>	<u>\$ 6,255,523.37</u>	<u>\$ 79,976,167.93</u>	<u>\$ 3,421,886.00</u>	<u>(12,201,997.68)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					5,893,625.12
Local Sales Tax					18,885,675.05
Other Taxes					52,540.41
Investment Earnings					125,790.75
TVA in Lieu of Taxes					2,117,392.67
Gain on Disposition of Capital Assets					5,522.35
Miscellaneous					2,090,890.44
Total General Revenues					<u>29,171,436.79</u>
Changes in Net Position					16,969,439.11
Net Position - Beginning of Year					<u>(87,354,488.87)</u>
Net Position - End of Year					<u>\$ (70,385,049.76)</u>

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2020**

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 23,341,057.37	\$ 3,363,572.76	\$ 5,745,158.78	\$ 2,771,972.88	\$ 35,221,761.79
Investments		17,387.24			17,387.24
Ad Valorem Property Taxes Receivable	5,588,726.46				5,588,726.46
Receivables (Note 4)	1,363,520.60	3,402,516.82			4,766,037.42
Due from Other Funds	2,375,238.79	10,693.28			2,385,932.07
Inventories		286,756.13			286,756.13
Other Assets	2,130.67				2,130.67
Total Assets	<u>32,670,673.89</u>	<u>7,080,926.23</u>	<u>5,745,158.78</u>	<u>2,771,972.88</u>	<u>48,268,731.78</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Payables (Note 8)	3,648,900.31	457,283.50		106.04	4,106,289.85
Due to Other Funds	10,693.28	2,375,238.79			2,385,932.07
Unearned Revenue		68,586.61			68,586.61
Salaries and Benefits Payable	5,842,666.76	219,237.22			6,061,903.98
Total Liabilities	<u>9,502,260.35</u>	<u>3,120,346.12</u>		<u>106.04</u>	<u>12,622,712.51</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	5,588,726.46				5,588,726.46
Total Deferred Inflows of Resources	<u>5,588,726.46</u>				<u>5,588,726.46</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories		286,756.13			286,756.13
Restricted for:					
Debt Service			5,745,158.78		5,745,158.78
Capital Projects				2,771,866.84	2,771,866.84
Other Purposes	3,537,949.82	1,252,564.01			4,790,513.83
Assigned to:					
Local Schools		2,421,259.97			2,421,259.97
Unassigned	14,041,737.26				14,041,737.26
Total Fund Balances	<u>17,579,687.08</u>	<u>3,960,580.11</u>	<u>5,745,158.78</u>	<u>2,771,866.84</u>	<u>30,057,292.81</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,670,673.89</u>	<u>\$ 7,080,926.23</u>	<u>\$ 5,745,158.78</u>	<u>\$ 2,771,972.88</u>	<u>\$ 48,268,731.78</u>

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

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

Total Fund Balances - Governmental Funds (Exhibit 3)	\$ 30,057,292.81
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	\$ 178,834,076.69
Less: Accumulated Depreciation	<u>(68,774,660.67)</u>
	110,059,416.02
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	10,588,891.21
Deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.	(34,983,642.00)
Long-term liabilities, including net pension and OPEB obligations and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Current Portion of Long-Term Debt	\$ 4,762,865.12
Noncurrent Portion of Long-Term Debt	<u>180,505,320.25</u>
	(185,268,185.37)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	
Accrued Interest Payable	<u>(838,822.43)</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u><u>\$ (70,385,049.76)</u></u>

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

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

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
State	\$ 72,829,747.08	\$	\$ 614,331.59	\$ 2,799,740.41	\$ 76,243,819.08
Federal	290,773.89	8,985,625.72			9,276,399.61
Local	27,923,844.00	4,621,385.08	123,898.10		32,669,127.18
Other	46,600.76	209,733.32		91,917.30	348,251.38
Total Revenues	101,090,965.73	13,816,744.12	738,229.69	2,891,657.71	118,537,597.25
<b>Expenditures</b>					
Current:					
Instruction	54,635,923.84	5,989,912.42			60,625,836.26
Instructional Support	11,357,282.12	1,684,357.31			13,041,639.43
Operation and Maintenance	6,146,213.02	892,443.83		56,601.25	7,095,258.10
Auxiliary Services:					
Student Transportation Services	5,677,863.71	180,754.79			5,858,618.50
Food Services	849.73	2,309,682.57			2,310,532.30
General Administrative and Central Support	2,122,299.77	713,137.09			2,835,436.86
Other	1,323,173.38	3,624,240.62			4,947,414.00
Capital Outlay	98,627.85	240,743.45		2,775,175.00	3,114,546.30
Debt Service:					
Principal Retirement			3,493,290.57	780,335.24	4,273,625.81
Interest and Fiscal Charges			2,300,331.90	200,208.74	2,500,540.64
Total Expenditures	81,362,233.42	15,635,272.08	5,793,622.47	3,812,320.23	106,603,448.20
Excess (Deficiency) of Revenues Over Expenditures	19,728,732.31	(1,818,527.96)	(5,055,392.78)	(920,662.52)	11,934,149.05
<b>Other Financing Sources (Uses)</b>					
Long-Term Debt Issued				2,775,175.00	2,775,175.00
Transfers In	242,737.30	2,574,450.23	5,495,463.03		8,312,650.56
Other Financing Sources	281,894.49				281,894.49
Sale of Capital Assets	78,373.24				78,373.24
Transfers Out	(8,069,913.26)	(242,737.30)			(8,312,650.56)
Total Other Financing Sources (Uses)	(7,466,908.23)	2,331,712.93	5,495,463.03	2,775,175.00	3,135,442.73
Net Changes in Fund Balances	12,261,824.08	513,184.97	440,070.25	1,854,512.48	15,069,591.78
Fund Balances - Beginning of Year	5,317,863.00	3,447,395.14	5,305,088.53	917,354.36	14,987,701.03
Fund Balances - End of Year	\$ 17,579,687.08	\$ 3,960,580.11	\$ 5,745,158.78	\$ 2,771,866.84	\$ 30,057,292.81

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

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

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 15,069,591.78

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

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

Capital Outlays	\$ 3,114,546.30	
Depreciation Expense	<u>(3,992,797.75)</u>	(878,251.45)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (2,775,175.00)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 4,273,625.81

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

Proceeds from Sale of Capital Assets	\$ (78,373.24)	
Gain on Disposition of Capital Assets	<u>5,522.35</u>	(72,850.89)

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

Accrued Interest Payable, Current Year (Increase)/Decrease	\$ (17,198.92)	
Amortization of Bond Discounts/Premiums	135,164.40	
Net Increase in Pension Expense	(3,135,816.62)	
Net Decrease in Other Postemployment Benefits Expense	<u>4,370,350.00</u>	
		<u>1,352,498.86</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 16,969,439.11

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



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***Statement of Fiduciary Net Position***  
***September 30, 2020***

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	<b>Agency Funds</b>
<b><u>Assets</u></b>	
Receivables	\$ 302.00
Total Assets	<u>302.00</u>
<b><u>Liabilities</u></b>	
Salaries and Benefits Payable	302.00
Total Liabilities	<u>\$ 302.00</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

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

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

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. 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 nonmajor funds in the Other Governmental Fund column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
  
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal, state and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed. The proceeds from the county sales tax that are to be used exclusively for capital improvement, capital construction and maintenance purposes are also accounted for and reported in this fund.
  
- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

#### **Governmental Fund Type**

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

The Board reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

- ◆ **Agency Fund** – This fund is used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other government.

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

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

***1. Deposits and Investments***

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

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

Investments are reported at fair value, based on quoted market prices, except for certificates of deposit, which are reported at amortized cost.

***2. Receivables***

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

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

### **3. Inventories**

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

### **4. Restricted Assets**

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

### **5. Capital Assets**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years
Equipment Under Capital Lease	\$ 5,000	15 – 20 years

#### **6. Deferred Outflows of Resources**

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

#### **7. Long-Term Obligations**

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

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

#### **8. Deferred Inflows of Resources**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **9. Net Position/Fund Balances**

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

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

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

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



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

**10. Minimum Fund Balance Policy**

The Board has an established minimum fund balance policy. The Board recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the proposed budget or budget amendment shall be used.

**E. Pensions**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**F. Postemployment Benefits Other Than Pensions (OPEB)**

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

**Note 2 – Stewardship, Compliance, and Accountability**

**Budgets**

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 3 – Deposits and Investments**

**A. Deposits**

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

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

**B. Cash with Fiscal Agent**

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

As of September 30, 2020, the Board had the following amounts in cash with fiscal agent accounts, included as cash and cash equivalents on the financial statements.

Cash with Fiscal Agent	Amount
Investments held by the State of Alabama	\$4,220,176.15
Fidelity Institutional Treasury Only Class III Money Market Fund	\$2,369,972.34

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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**Interest Rate Risk** – The risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. Due to the short-term nature of the fund, it is generally less sensitive to interest rate changes than longer-term securities are.

**Credit Risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Board investments in Fidelity Institutional Treasury Only Class III Money Market funds is rated AAAMf by Moody’s Investor Services, Inc. and AAAM by Standard and Poor’s Investor’s Service. The Board has no policy on credit risk.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have a formal investment policy which limits the amount of securities that can be held by counterparties. The funds transferred to meet the Board’s annual debt service are invested until payments are made.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have a formal investment policy that requires diversity of investments with respect to maturity, security types, and/or financial institutions to avoid incurring unreasonable or unavoidable risk to principal or liquidity of the investments.

#### **Note 4 – Receivables**

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

	General Fund	Special Revenue Fund	Total
<b><u>Receivables:</u></b>			
Due From Other Governments	\$ 408,229.22	\$3,402,516.82	\$3,810,746.04
Sales Tax Receivable	824,193.80		824,193.80
TVA in Lieu of Taxes	131,097.58		131,097.58
Total Receivables	<u>\$1,363,520.60</u>	<u>\$3,402,516.82</u>	<u>\$4,766,037.42</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

**Note 5 – Capital Assets**

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

	Balance 10/01/2019	Additions	Retirements	Balance 09/30/2020
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land and Land Improvements	\$ 3,286,514.17	\$	\$	\$ 3,286,514.17
Total Capital Assets, Not Being Depreciated	3,286,514.17			3,286,514.17
<b>Capital Assets Being Depreciated:</b>				
Land Improvements – Exhaustible	2,838,911.00			2,838,911.00
Buildings	117,620,580.67			117,620,580.67
Building Improvements	38,464,943.43			38,464,943.43
Equipment and Furniture	4,347,035.77	240,743.45	(604,312.56)	3,983,466.66
Vehicles	9,944,478.55	98,627.85	(895,915.85)	9,147,190.55
Assets Under Capital Lease	836,343.00	2,775,175.00	(836,343.00)	2,775,175.00
Other Assets	717,295.21			717,295.21
Total Capital Assets Being Depreciated	174,769,587.63	3,114,546.30	(2,336,571.41)	175,547,562.52
<b>Less Accumulated Depreciation for:</b>				
Land Improvements – Exhaustible	(1,188,756.81)	(141,945.54)		(1,330,702.35)
Buildings	(46,484,727.91)	(1,530,359.46)		(48,015,087.37)
Building Improvements	(7,333,507.62)	(1,578,533.96)		(8,912,041.58)
Equipment and Furniture	(2,812,409.69)	(177,881.60)	531,461.67	(2,458,829.62)
Vehicles	(7,951,304.34)	(396,626.64)	895,915.85	(7,452,015.13)
Assets Under Capital Lease	(794,525.93)	(138,758.75)	836,343.00	(96,941.68)
Other Assets	(480,351.14)	(28,691.80)		(509,042.94)
Total Accumulated Depreciation	(67,045,583.44)	(3,992,797.75)	2,263,720.52	(68,774,660.67)
Total Capital Assets Being Depreciated, Net	107,724,004.19	(878,251.45)	(72,850.89)	106,772,901.85
Total Governmental Activities Capital Assets, Net	\$111,010,518.36	\$ (878,251.45)	\$ (72,850.89)	\$110,059,416.02

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$3,122,768.18
Instructional Support	110,039.60
Operation and Maintenance	74,380.53
<b>Auxiliary Services:</b>	
Student Transportation	561,622.78
Food Service	123,376.66
Other	610.00
Total Depreciation Expense – Governmental Activities	<u>\$3,992,797.75</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

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

##### **B. Benefits Provided**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **C. Contributions**

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$5,893,891.21 for the year ended September 30, 2020.

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

At September 30, 2020, the Board reported a liability of \$78,595,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2019, the Board's proportion was .710820%, which was an increase of .017992% from its proportion measured as of September 30, 2018.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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For the year ended September 30, 2020, the Board recognized pension expense of \$9,241,000. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,162,000.00	\$2,607,000.00
Changes of assumptions	2,421,000.00	
Net difference between projected and actual earnings on pension plan investments	2,737,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,667,000.00	685,000.00
Employer contributions subsequent to the measurement date	5,893,891.21	
Total	\$13,880,891.21	\$3,292,000.00

The \$5,893,891.21 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2021	\$ 456,000
2022	\$ 414,000
2023	\$1,772,000
2024	\$2,049,000
2025	\$ 4,000
Thereafter	\$



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### E. Actuarial Assumptions

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

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

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

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board’s Proportionate Share of Collective Net Pension Liability	\$106,697,000	\$78,595,000	\$54,814,000

**H. Pension Plan Fiduciary Net Position**

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

**Note 7 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

#### **B. Benefits Provided**

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

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

#### C. Contributions

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

At September 30, 2020, the Board reported a liability of \$32,973,425.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the Board's proportion was 0.873985%, which was an increase of .019332% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized OPEB income of \$2,994,903, with no special funding situations. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,091,779	\$25,282,597
Changes of assumptions	1,576,327	13,657,786
Net difference between projected and actual earnings on OPEB plan investments	68,020	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,034,076	2,324,275
Employer contributions subsequent to the measurement date	1,510,814	
Total	\$6,281,016	\$41,264,658

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

The \$1,510,814.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021.

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

Year Ending:	
September 30, 2021	\$(7,709,334)
2022	\$(7,709,334)
2023	\$(7,622,932)
2024	\$(6,045,103)
2025	\$(6,309,519)
Thereafter	\$(1,098,234)

**E. Actuarial Assumptions**

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

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate the Measurement Date	5.50%
Single Equivalent Interest Rate the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

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

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

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

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



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

(\*) Geometric mean, includes 2.5% inflation

**F. Discount Rate**

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

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

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Board's Proportionate Share of the Collective Net OPEB Liability	\$26,438,756	\$32,973,425	\$41,203,545

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

	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Board's Proportionate Share of the Collective Net OPEB Liability	\$39,856,027	\$32,973,425	\$27,352,610

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

**Note 8 – Payables**

On September 30, 2020, payables for the Board’s individual major funds and nonmajor funds are as follows:

	Accounts Payable	Due to Other Governments	Total Payables
<b><u>Governmental Activities:</u></b>			
General Fund	\$ 82,638.85	\$3,566,261.46	\$3,648,900.31
Special Revenue Fund	457,283.50		457,283.50
Other Governmental Funds	106.04		106.04
Total Government Activities	<u>\$540,028.39</u>	<u>\$3,566,261.46</u>	<u>\$4,106,289.85</u>

**Note 9 – Lease Obligations**

**Capital Leases**

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,775,175.00 at September 30, 2020. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2020.

Fiscal Year Ending	Governmental Activities
September 30, 2021	\$ 313,064.63
2022	313,064.63
2023	313,064.63
2024	313,064.63
2025	313,064.63
2026-2030	1,565,323.15
Total Minimum Lease Payments	3,130,646.30
Less: Amount Representing Interest	(355,471.30)
Present Value of Net Minimum Lease Payments	<u>\$2,775,175.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### *Note 10 – Long-Term Debt*

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bond, Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 4.22% participation in the bonds resulting in the Board's share of principal, issuance costs, and net proceeds of \$6,163,000.00, \$54,250.00 and \$6,108,750.00, respectively. The Board is required to make sinking fund deposits of \$320,729.86 on December 15<sup>th</sup> each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

On October 11, 2012, the Limestone County Board of Education issued Refunding Tax Anticipation Warrants, Series 2012 for \$6,320,000.00 in order to refund its 1997 Tax Anticipation Warrants and its 2002 Tax Anticipation Warrants.

On June 24, 2013, the Alabama Public School and College Authority issued a Capital Improvement Bond, Series 2013 with an interest rate of 4% on behalf of the Base Realignment and Closure (BRAC). The Limestone County Board of Education's portion of this was \$3,908,388.18.

On May 21, 2014, the Limestone County Board of Education issued Capital Outlay Tax Anticipation Warrants, Series 2014, totaling \$23,695,000.00 for the purpose of constructing, expanding, renovating, and equipping facilities to be part of the Board's system.

On November 14, 2014, the Limestone County Board of Education issued a Note Payable to First National Bank in the amount of \$928,302.40 for the purchase of school buses.

On January 28, 2015, the Limestone County Board of Education issued Capital Outlay Tax Anticipation Warrants, Series 2015, totaling \$10,930,000.00 for the purpose of acquiring, constructing and installing certain energy conservation improvements to be a part of the Board's system.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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On December 17, 2015, the Limestone County Board of Education issued a Note Payable to First National Bank in the amount of \$928,302.40 for the purchase of school buses.

On April 5, 2016, the Limestone County Board of Education issued Refunding Tax Anticipation Warrants, Series 2016 (1) for \$11,914,000.00 in order to refund its 2006 Tax Anticipation Warrants.

On July 18, 2016, the Limestone County Board of Education issued Refunding Tax Anticipation Warrants, Series 2016 (2) for \$5,486,000.00 in order to refund its 2014 Note Payable for energy conservation improvements and its 2007 Note Payable related to the sewer treatment responsibilities of the Board.

The Board is obligated for the Series 2016-A Pool Bonds issued for the purpose of funding capital improvements. The Board's obligation is paid solely from the Board's portion of the Public School Funds received from the State of Alabama. The Board's net proceeds were \$7,081,113.78 from this issuance.

On January 11, 2017, the Limestone County Board of Education issued a Note Payable to First National Bank in the amount of \$947,126.20 for the purchase of school buses.

On June 29, 2017, the Limestone County Board of Education issued a Note Payable to First National Bank in the amount of \$2,235,000 for the purchase of technology.

On December 11, 2017, the Limestone County Board of Education issued Refunding Tax Anticipation Warrants, Series 2017, for \$5,290,000 in order to refund its Tax Anticipation Warrants, Series 2008-A.

On November 15, 2019, the Limestone County Board of Education issued a Capital Lease in the amount of \$2,775,175.00 for the purchase of school buses.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

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

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds/Warrants Payable:</b>					
<b>Capital Outlay Warrants:</b>					
Series 2014	\$ 23,285,000.00	\$	\$	\$ 23,285,000.00	\$
Series 2015	10,930,000.00			10,930,000.00	
Pool Bonds, Series 2016-A	6,351,089.57		(260,290.57)	6,090,799.00	273,607.75
<b>Refunding Warrants:</b>					
Series 2012	\$ 2,355,000.00		(560,000.00)	1,795,000.00	585,000.00
Series 2016 (1)	8,129,000.00		(1,583,000.00)	6,546,000.00	1,617,000.00
Series 2016 (2)	4,407,000.00		(380,000.00)	4,027,000.00	392,000.00
Series 2017	4,980,000.00		(710,000.00)	4,270,000.00	720,000.00
2009 Qualified School Construction Bonds	6,163,000.00			6,163,000.00	
2013 BRAC	3,046,366.80		(166,890.49)	2,879,476.31	175,095.53
Sub-Total Bonds/ Warrants Payable	69,646,456.37		(3,660,181.06)	65,986,275.31	3,762,703.28
Unamortized Premium	2,188,958.60		(135,164.40)	2,053,794.20	135,164.40
Total Bonds/ Warrants Payable	71,835,414.97		(3,795,345.46)	68,040,069.51	3,897,867.68
<b>Capital Leases Payable from</b>					
Direct Borrowings	26,466.07	2,775,175.00	(26,466.07)	2,775,175.00	263,216.32
Note Payable from Direct Borrowings	3,471,494.54		(586,978.68)	2,884,515.86	601,781.12
Net Pension Liability	68,885,000.00	9,710,000.00		78,595,000.00	
Net OPEB Liability	70,241,592.00		(37,268,167.00)	32,973,425.00	
Total	\$214,459,967.58	\$12,485,175.00	\$(41,676,957.21)	\$185,268,185.37	\$4,762,865.12

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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Payments on the Tax Anticipation Warrants and BRAC are made by the Debt Service Fund with sales taxes. The annual sinking fund payments on the 2009 Qualified School Construction Bonds and the PSCA Capital Outlay Warrants are made by the Capital Projects Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on capital lease obligations are made from "fleet renewal" funds set aside by the State of Alabama in the foundation program appropriations and by ad valorem tax revenues. Payments on the notes payable are made out of the debt service funds. In the event of default, whether due to failure to comply with terms and conditions of warrant or in failure to pay amount due on the warrant, the Alabama Public School and College Authority (the "Authority") may (1) withhold all leveraged funds to which the Board may be entitled until the Board is in full compliance with the terms of the agreement and the warrant (2) intercept State allocated funds (3) file suit to compel performance of the obligations of the Board under the bond agreement.

The Board's outstanding notes from direct borrowings, originally issued at \$928,302.40, is secured by ten 2015 school buses. The outstanding notes contain a provision that in the event of default, the interest rate will increase to 18%, however, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

The Board's outstanding notes from direct borrowings, originally issued at \$928,302.40, is secured by ten 2016 school buses. The outstanding notes contain a provision that in the event of default, the interest rate will increase to 18%, however, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

The Board's outstanding notes from direct borrowings, originally issued at \$947,126.20, is secured by ten 2017 school buses. The outstanding notes contain a provision that in the event of default, the bank may declare unpaid principal immediately due and payable plus any accrued interest.

The Board's outstanding capital lease from direct borrowings, originally issued at \$2,775,175.00 is secured by thirty 2020 school buses. The outstanding capital lease contains a provision that in the event of default, the lender may (1) declare all payments due immediately, (2) repossess security equipment while the Board is still responsible for payments, (3) take possession of security equipment to sell for repayment of the lease and (4) require payment by the Board for all legal fees and costs related to the default.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

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

Fiscal Year Ending	2014 Capital Outlay Warrants Payable		2015 Capital Outlay Warrants Payable		Pool Bonds Series 2016-A	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2021	\$	\$ 1,033,412.50	\$	\$ 476,000.00	\$ 273,607.75	\$ 226,086.56
2022		1,033,412.50		476,000.00	286,924.94	212,406.18
2023		1,033,412.50		476,000.00	301,452.78	198,059.92
2024	750,000.00	1,022,162.50		476,000.00	315,980.62	182,987.26
2025	1,115,000.00	988,612.50	910,000.00	476,000.00	331,719.13	167,188.26
2026-2030	6,965,000.00	4,171,143.75	5,105,000.00	1,825,300.00	1,878,934.62	619,319.04
2031-2035	11,765,000.00	1,956,000.00	4,915,000.00	596,248.00	2,217,917.66	278,020.58
2036	2,690,000.00	53,800.00			484,261.50	14,527.86
Totals	\$23,285,000.00	\$11,291,956.25	\$10,930,000.00	\$4,801,548.00	\$6,090,799.00	\$1,898,595.66

Fiscal Year Ending	2017 Refunding Warrants Payable		2009-QSCB Bonds Payable		BRAC Warrants Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2021	\$ 720,000.00	\$ 95,404.00	\$	\$114,939.96	\$ 175,095.53	\$112,716.92
2022	740,000.00	77,592.00		114,939.96	183,956.97	103,962.14
2023	755,000.00	59,353.00		114,939.96	193,146.61	94,764.30
2024	655,000.00	42,151.00		114,939.96	198,890.14	88,969.90
2025	335,000.00	30,073.00		114,939.96	205,290.07	82,505.98
2026-2030	1,065,000.00	39,467.00	6,163,000.00	28,734.99	1,138,695.28	294,587.58
2031-2035					784,401.71	63,408.52
2036						
Totals	\$4,270,000.00	\$344,040.00	\$6,163,000.00	\$603,434.79	\$2,879,476.31	\$840,915.34

**Premium**

The Board has a premium in the amount of \$1,604,245.45 in connection with the issuance of its Capital Outlay Tax Anticipation Warrants, Series 2014, which is being amortized using the straight-line method over a period of 21 years. They also have a premium in the amount of \$1,265,418.00 in connection with the issuance of its Capital Outlay Tax Anticipation Warrants, Series 2015, which is being amortized using the straight-line method over a period of 22 years.

Premium	
Total Premium	\$2,869,663.45
Amount Amortized Prior Years	680,704.85
Balance Premium	2,188,958.60
Current Amount Amortized	135,164.40
Balance Premium	<u>\$2,053,794.20</u>



***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

2012 Refunding Warrants Payable		2016 (1) Refunding Warrants Payable		2016 (2) Refunding Warrants Payable	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 585,000.00	\$33,743.76	\$1,617,000.00	\$104,081.40	\$ 392,000.00	\$130,877.50
595,000.00	19,018.76	1,654,000.00	78,371.10	405,000.00	118,137.50
615,000.00	6,534.38	1,683,000.00	52,072.50	418,000.00	104,975.00
		1,592,000.00	25,312.80	432,000.00	91,390.00
				446,000.00	77,350.00
				1,934,000.00	159,640.00
<b>\$1,795,000.00</b>	<b>\$59,296.90</b>	<b>\$6,546,000.00</b>	<b>\$259,837.80</b>	<b>\$4,027,000.00</b>	<b>\$682,370.00</b>

Capital Leases from Direct Borrowing		Notes Payable from Direct Borrowing		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$ 263,216.32	\$ 49,848.31	\$601,781.12	\$ 64,116.88	\$ 7,068,928.51
253,782.41	59,282.22	616,747.31	49,150.69	7,077,684.68
259,771.67	53,292.96	632,097.99	33,800.07	7,084,673.64
265,902.28	47,162.35	647,786.77	18,102.97	6,966,738.55
272,177.58	40,887.05	223,176.66	5,960.14	5,821,880.33
1,460,324.74	104,998.41	162,926.01	1,831.17	33,117,902.59
				22,575,996.47
				3,242,589.36
<b>\$2,775,175.00</b>	<b>\$355,471.30</b>	<b>\$2,884,515.86</b>	<b>\$172,961.92</b>	<b>\$92,956,394.13</b>

**Pledged Revenues**

The Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds) in anticipation of their Public School Funds allocations, which are received from the Alabama Department of Education. The proceeds were used for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$6,766,434.79 are pledged to repay the principal and interest on the bonds at September 30, 2020. Proceeds of the Public School Fund allocations in the amount of \$3,003,083.00 were received by the Board during the fiscal year ended September 30, 2020, of which \$114,939.96 was used to pay interest on the bonds. The Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D will mature in fiscal year 2026.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The Board issued Series 2012 Tax Anticipation Warrants for the purpose of refunding the Series 1997 Tax Anticipation Warrants and the Series 2002 Tax Anticipation Warrants. The Board pledged to repay the tax anticipation warrants from the proceeds of a special privilege or license and excise tax levied by the Limestone County Commission pursuant to the provisions of Act Number 68, Acts of Alabama 1957. Future revenues in the amount of \$1,854,296.90 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special tax in the amount of \$8,511,290.81 were received by the Board during the fiscal year ended September 30, 2020, of which \$610,918.76 was used to pay principal and interest on the warrants. The Series 2012 Tax Anticipation Warrants will mature in fiscal year 2023.

The Board issued Series 2014 Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a special privilege or license and excise tax levied by the Limestone County Commission pursuant to the provisions of Act Number 68, Acts of Alabama 1957. The warrant proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$34,576,956.25 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special tax in the amount of \$8,511,290.81 were received by the Board during the fiscal year ended September 30, 2020, of which \$1,033,412.50 was used to pay interest on the warrants. The Series 2014 Tax Anticipation Warrants will mature in fiscal year 2036.

The Board issued Series 2015 Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a special sales tax levied by the Limestone County Commission pursuant to the provisions of Act Number 92-276, Acts of Alabama. The warrant proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$15,731,548.00 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special sales tax in the amount of \$9,826,434.57 were received by the Board during the fiscal year ended September 30, 2020, of which \$476,000.00 was used to pay interest on the warrants. The Series 2015 Tax Anticipation Warrants will mature in fiscal year 2034.

The Board issued Series 2016 (1) Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a special sales tax levied by the Limestone County Commission pursuant to the provisions of Act Number 92-276, Acts of Alabama. The warrant proceeds are to be used to refund the 2006 Tax Anticipation Warrants. Future revenues in the amount of \$6,805,837.80 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special sales tax in the amount of \$9,826,434.57 were received by the Board during the fiscal year ended September 30, 2020, of which \$1,712,251.10 was used to pay principal and interest on the warrants. The Series 2016 (1) Tax Anticipation Warrants will mature in fiscal year 2024.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The Board issued Series 2016 (2) Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a special sales tax levied by the Limestone County Commission pursuant to the provisions of Act Number 92-276, Acts of Alabama. The warrant proceeds are to be used to refund the Water and Sewer Loan and the Energy Loan. Future revenues in the amount of \$4,709,370.00 are pledged to repay the principal and interest on the warrants at September 30, 2019. Proceeds of the special sales tax in the amount of \$9,826,434.57 were received by the Board during the fiscal year ended September 30, 2020, of which \$523,227.50 was used to pay principal and interest on the warrant. The Series 2016 (2) Tax Anticipation Warrants will mature in fiscal year 2029.

The Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Outlay Pool Warrant, Series 2016-A in anticipation of their Public School Funds allocations, which are received from the Alabama Department of Education. The proceeds were used for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$7,989,394.66 are pledged to repay the principal and interest on the bonds at September 30, 2020. Proceeds of the Public School Fund allocations in the amount of \$3,003,083.00 were received by the Board during the fiscal year ended September 30, 2020, of which \$499,391.63 was used to pay interest and principal on the warrants. The Capital Outlay Pool Warrant, Series 2016-A will mature in fiscal year 2036.

The Board issued Series 2017 Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a special sales tax levied by the Limestone County Commission pursuant to the provisions of Act Number 92-276, Acts of Alabama. The warrant proceeds are to be used to refund the 2008 Tax Anticipation Warrants. Future revenues in the amount of \$4,614,040.00 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special sales tax in the amount of \$9,826,434.57 were received by the Board during the fiscal year ended September 30, 2020, of which \$822,850.00 was used to pay principal and interest on the warrants. The Series 2017 Tax Anticipation Warrants will mature in fiscal year 2027.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### *Note 11 – Risk Management*

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

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

Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 12– Interfund Transactions**

**Interfund Receivables and Payables**

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

	Interfund Receivables		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$10,693.28	\$ 10,693.28
Special Revenue Fund	2,375,238.79		2,375,238.79
Totals	<u>\$2,375,238.79</u>	<u>\$10,693.28</u>	<u>\$2,385,932.07</u>

**Interfund Transfers**

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

	Transfers Out		Total
	General Fund	Special Revenue Fund	
<u>Transfers In:</u>			
General Fund	\$	\$242,737.30	\$ 242,737.30
Special Revenue Fund	2,574,450.23		2,574,450.23
Capital Projects Fund	5,495,463.03		5,495,463.03
Totals	<u>\$8,069,913.26</u>	<u>\$242,737.30</u>	<u>\$8,312,650.56</u>

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 13 – Subsequent Event**

On September 16, 2021, the Limestone County Board of Education authorized the issuance of warrants designated as the Special School Tax Warrants, Series 2021-A, aggregating \$3,135,000 in principal amount, Series 2021-B, aggregating \$3,135,000 in principal amount, and Series 2021-C, aggregating \$42,905,000 in principal amount. The Series 2021-A Warrants shall be issued to provide funds to retire various lease and lease-purchase agreements related to school buses and provide funds for various capital school improvements, with interest rates ranging from 3.00% to 4.00%. The Series 2021-B Warrants shall be issued to provide funds to retire certain indebtedness related to public school capital improvements and to provide funds for various school improvements, with interest rates ranging from 3.00% to 4.00%. The Series 2021-C Warrants shall be issued to provide a portion of the funds needed to refund, on a taxable basis, the Board's Capital Outlay Warrants, Series 2014 and 2015, with interest rates ranging from 0.32% to 2.47%; and the Warrants of all three series are being issued to provide funds with which to pay the expenses related to the issuance of the Warrants.

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*Required Supplementary Information*

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the collective net pension liability	0.710820%	0.692828%	0.700508%	0.705176%	0.702758%	0.668453%
Employer's proportionate share of the collective net pension liability	\$ 78,595	\$ 68,885	\$ 68,849	\$ 76,342	\$ 73,548	\$ 60,726
Employer's covered payroll during the measurement period (*)	\$ 46,722	\$ 46,288	\$ 46,295	\$ 44,891	\$ 44,489	\$ 42,420
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	168.22%	148.82%	148.72%	170.06%	165.32%	143.15%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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

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



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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 5,893	\$ 5,968	\$ 5,563	\$ 5,482	\$ 5,301	\$ 5,186
Contributions in relation to the contractually required contribution	\$ 5,893	\$ 5,968	\$ 5,563	\$ 5,482	\$ 5,301	\$ 5,186
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 48,481	\$ 46,722	\$ 46,288	\$ 46,295	\$ 44,891	\$ 44,489
Contributions as a percentage of covered payroll	12.16%	12.77%	12.02%	11.84%	11.81%	11.66%

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

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the collective net OPEB liability	0.873985%	0.854653%	0.842919%
Employer's proportionate share of the collective net OPEB liability	\$ 32,973	\$ 70,242	\$ 62,607
Employer's covered-employee payroll during the measurement period (*)	\$ 46,722	\$ 46,288	\$ 46,295
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	70.57%	151.75%	135.23%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

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

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

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 1,511	\$ 2,621	\$ 2,106
Contributions in relation to the contractually required contribution	<u>\$ 1,511</u>	<u>\$ 2,621</u>	<u>\$ 2,106</u>
Contribution deficiency (excess)	\$	\$	\$
Employer's covered-employee payroll	\$ 48,481	\$ 46,722	\$ 46,288
Contributions as a percentage of covered-employee payroll	3.12%	5.61%	4.55%

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2020***

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**Changes in Actuarial Assumptions**

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

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

**Recent Plan Changes**

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

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

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2020***

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***Method and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the Schedule of Employer Contributions – Other Postemployment Benefits (OPEB) are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019, is determined based on the actuarial valuation as of September 30, 2016. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
State	\$ 69,094,988.97	\$ 72,195,318.07	\$ 72,829,747.08	\$	\$ 72,829,747.08
Federal			290,773.89		290,773.89
Local	21,522,368.00	23,622,368.00	27,923,844.00		27,923,844.00
Other	95,080.00	95,080.00	46,600.76		46,600.76
Total Revenues	90,712,436.97	95,912,766.07	101,090,965.73		101,090,965.73
<b>Expenditures</b>					
Current:					
Instruction	55,908,013.98	56,704,554.15	55,049,975.12	(1) (414,051.28)	54,635,923.84
Instructional Support	10,654,674.00	10,711,337.10	11,361,751.66	(1) (4,469.54)	11,357,282.12
Operation and Maintenance	6,320,227.76	6,491,166.76	6,152,783.43	(1) (6,570.41)	6,146,213.02
Auxiliary Services:					
Student Transportation Services	6,053,501.83	5,858,251.83	5,733,887.87	(1) (56,024.16)	5,677,863.71
Food Services			849.73		849.73
General Administrative and Central Support	2,654,465.51	2,154,465.51	2,131,899.41	(1) (9,599.64)	2,122,299.77
Other	1,200,522.72	1,172,120.55	1,318,653.88	(1) 4,519.50	1,323,173.38
Capital Outlay	240,758.00	240,758.00	98,627.85		98,627.85
Total Expenditures	83,032,163.80	83,332,653.90	81,848,428.95	(486,195.53)	81,362,233.42
Excess (Deficiency) of Revenues Over Expenditures	7,680,273.17	12,580,112.17	19,242,536.78	486,195.53	19,728,732.31
<b>Other Financing Sources (Uses)</b>					
Indirect Cost	318,043.31	900.04			
Long-Term Debt Issued		1,236.04			
Transfers In	262,588.38	262,588.38	242,737.30		242,737.30
Other Financing Sources			281,894.49		281,894.49
Sale of Capital Assets			78,373.24		78,373.24
Transfers Out	(5,129,683.79)	(5,129,683.79)	(8,069,913.26)		(8,069,913.26)
Total Other Financing Sources (Uses)	(4,549,052.10)	(4,864,959.33)	(7,466,908.23)		(7,466,908.23)
Net Changes in Fund Balances	3,131,221.07	7,715,152.84	11,775,628.55	486,195.53	12,261,824.08
Fund Balances - Beginning of Year	4,810,925.57	11,644,362.46	11,646,725.29	(2) (6,328,862.29)	5,317,863.00
Fund Balances - End of Year	\$ 7,942,146.64	\$ 19,359,515.30	\$ 23,422,353.84	\$ (5,842,666.76)	\$ 17,579,687.08

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

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

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

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

\$ 486,195.53

Net Increase in Fund Balance - Budget to GAAP

\$ 486,195.53

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
State	\$ 85,591.00	\$ 85,591.00	\$	\$	
Federal	9,435,125.39	9,698,814.90	8,985,625.72		8,985,625.72
Local	5,719,603.00	5,719,603.00	4,621,385.08		4,621,385.08
Other	111,720.00	111,720.00	209,733.32		209,733.32
Total Revenues	15,352,039.39	15,615,728.90	13,816,744.12		13,816,744.12
<b>Expenditures</b>					
Current:					
Instruction	6,136,190.35	6,167,013.38	5,989,912.42		5,989,912.42
Instructional Support	1,946,667.27	1,964,858.36	1,684,357.31		1,684,357.31
Operation and Maintenance	907,718.00	906,968.00	892,443.83		892,443.83
Auxiliary Services:					
Student Transportation Services	279,491.02	292,739.02	180,754.79		180,754.79
Food Services	5,226,190.34	4,960,220.34	2,356,855.90	(1)	(47,173.33)
General Administrative and Central Support	748,307.69	731,480.42	713,137.09		713,137.09
Other	1,204,281.45	1,212,028.90	3,624,240.62		3,624,240.62
Capital Outlay	20,500.00	80,825.00	240,743.45		240,743.45
Total Expenditures	16,469,346.12	16,316,133.42	15,682,445.41		(47,173.33)
Excess (Deficiency) of Revenues Over Expenditures	(1,117,306.73)	(700,404.52)	(1,865,701.29)		47,173.33
<b>Other Financing Sources (Uses)</b>					
Transfers In	2,728,604.39	2,728,604.39	2,574,450.23		2,574,450.23
Transfers Out	(463,451.38)	(463,451.38)	(242,737.30)		(242,737.30)
Total Other Financing Sources (Uses)	2,265,153.01	2,265,153.01	2,331,712.93		2,331,712.93
Net Changes in Fund Balances	1,147,846.28	1,564,748.49	466,011.64		47,173.33
Fund Balances - Beginning of Year	4,741,492.17	3,725,454.55	3,713,805.69	(2)	(266,410.55)
Fund Balances - End of Year	\$ 5,889,338.45	\$ 5,290,203.04	\$ 4,179,817.33		\$ (219,237.22)
					\$ 3,960,580.11



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

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

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

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

\$ 47,173.33

Net Increase in Fund Balance - Budget to GAAP

\$ 47,173.33

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

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*Supplementary Information*

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 517,450.80
National School Lunch Program:			
Cash Assistance	10.555	N/A	1,118,698.03
Non-Cash Assistance (Commodities)	10.555	N/A	283,408.72
Sub-Total National School Lunch Program			<u>1,402,106.75</u>
Summer Food Service Program for Children	10.559	N/A	790,322.88
Sub-Total Child Nutrition Cluster			<u>2,709,880.43</u>
Child and Adult Care Food Program	10.558	N/A	82,487.03
State Administrative Expenses for Child Nutrition	10.560	N/A	17,983.92
Total U. S. Department of Agriculture			<u>2,810,351.38</u>
<b><u>U. S. Department of Treasury</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
COVID 19 - Coronavirus Relief Fund	21.019	N/A	897,862.51
<b><u>U. S. Department of Education</u></b>			
<b><u>Passed Through Alabama Department of Rehabilitation Services</u></b>			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	AE7087JC01	25,381.51
<b><u>Passed Through Alabama Department of Education</u></b>			
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	2,356,218.80
Special Education - Preschool Grants	84.173	N/A	33,679.00
Sub-Total Special Education Cluster			<u>2,389,897.80</u>
Title I Grants to Local Educational Agencies	84.010	N/A	1,937,483.70
Career and Technical Education - Basic Grants to States	84.048	N/A	127,301.00
Education for Homeless Children and Youth	84.196	N/A	20,529.00
Twenty-First Century Community Learning Centers	84.287	N/A	259,041.98
English Language Acquisition State Grants	84.365	N/A	56,708.94
Supporting Effective Instruction State Grants	84.367	N/A	258,451.21
Student Support and Academic Enrichment Program	84.424	N/A	115,431.66
COVID 19 - Education Stabilization Fund:			
COVID 19 - Elementary and Secondary School Emergency Relief Fund	84.425D	N/A	314,269.53
Sub-Total Passed Through Alabama Department of Education			<u>5,479,114.82</u>
<b><u>Passed Through Alabama Department of Early Childhood Education</u></b>			
Preschool Development Grants	84.419	N/A	5,417.02
Total U. S. Department of Education			<u>5,509,913.35</u>
Sub-Total Forward			\$ 9,218,127.24

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 9,218,127.24
<b><u>Social Security Administration</u></b> <b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N/A	1,140.00
<b><u>Other Federal Assistance</u></b> <b><u>U. S. Department of Defense</u></b> <b><u>Direct Program</u></b>			
Army ROTC	N/A	N/A	<u>62,549.39</u>
Total Expenditures of Federal Awards			<u>\$ 9,281,816.63</u>

N/A = Not Available or Not Applicable

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

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

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**Note 1 – Basis of Presentation**

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

**Note 2 – Summary of Significant Accounting Policies**

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

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## *Additional Information*

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

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Bret McGill	Chairman	2022
Hon. Anthony Hilliard	Vice-Chairman	2024
Hon. Edward Winter	Member	2020
Hon. Charles Shoulders	Member	2022
Hon. Ronald Christ	Member	2022
Hon. Bradley Young	Member	2020
Hon. Earl Glaze	Member	2024
 <b><u>Administrative Personnel</u></b>		
Randall Shearouse	Superintendent	May 31, 2022
Mike Owens	Interim Superintendent	May 30, 2020
Thomas M. Sisk	Former Superintendent	October 31, 2019
Kimberly Hubbard	Chief School Financial Officer	Indefinite



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***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***

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**Independent Auditor's Report**

Members of the Limestone County Board of Education,  
Superintendent and Chief School Financial Officer  
Athens, 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 Limestone County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Limestone County Board of Education's basic financial statements, and have issued our report thereon dated September 29, 2021.

**Internal Control Over Financial Reporting**

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

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

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***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***

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Limestone County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 29, 2021

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

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***Independent Auditor's Report***

Members of the Limestone County Board of Education,  
Superintendent and Chief School Financial Officer  
Athens, Alabama

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with each of the Limestone County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the ***Uniform Guidance*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Limestone County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

In our opinion, the Limestone County Board of Education has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

## ***Report on Internal Control Over Compliance***

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

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

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

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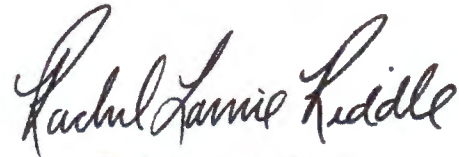
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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance***

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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.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 29, 2021

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

**Section I – Summary of Examiner's Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster

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

\$750,000.00

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

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**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.



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*Summary Schedule of Prior Audit Findings*



# LIMESTONE COUNTY SCHOOLS

300 South Jefferson Street, Athens, AL 35611  
Phone 256-232-5353 Fax 256-233-6461  
www.lcsk12.org

## BOARD MEMBERS

Ronald R. Christ, Jr.  
Earl Glaze  
Anthony Hilliard  
Dr. Belinda Maples  
Bret McGill  
Charles Shoulders, Jr.  
Bradley Young

## SUPERINTENDENT

Dr. Randy Shearouse

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## Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

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As required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200.511, the Limestone County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2020.

Finding  
Ref.  
No.

Status of Prior Audit Finding

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2019-001

Finding: The Limestone Board of Education's policy manual requires effective procedures be performed to account for all Board property, to include an annual inventory and evaluation of tangible Board property, including capital assets, be completed no later than the end of each fiscal year. Records should include items on hand at the beginning of the fiscal year, items lost, disposed of, purchased or otherwise added during the year and on hand at the end of the fiscal year. The asset listing at fiscal year-end included erroneous records that should have been deleted, and an asset purchased in a prior year was never added. Entries to properly record transactions affecting capital assets did not always occur. The Board did not ensure that capital asset listings are properly maintained and accurate. Corrective action was taken.