Report on the

Washington County
Board of Education

Washington County, Alabama

October 1, 2020 through September 30, 2021

Filed: June 17, 2022

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

22-293

State of Alabama
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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Washington County Board of Education, Washington County, Alabama, for the period October 1, 2020 through September 30, 2021. 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,

John Geary

John Geary
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

Washington County Board of Education
October 1, 2020, through September 30, 2021

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

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, 2021.

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

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Superintendent Lisa Connell; Chief School Financial Officer Crissy Hayes; Former Chief School Financial Officer Larry Moss; and Board Member Lonnie Guy. Also in attendance were representatives from the Department of Examiners of Public Accounts: Ashli Page, Assistant Director; and John Geary, Examiner.

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Independent Auditor’s Report

Independent Auditor's Report

Members of the Washington County Board of Education,
Superintendent and Chief School Financial Officer
Chatom, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Washington County Board of Education, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Washington County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States of America. 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 and each major fund of the Washington County Board of Education, as of September 30, 2021, 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 Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

The 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 1, 2022, on our consideration of the Washington 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 Washington 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 Washington County Board of Education's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2022

Basic Financial Statements

Statement of Net Position
September 30, 2021

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	6,915,937.84
Cash with Fiscal Agent		2,499,434.33
Investments		36,449.48
Ad Valorem Property Taxes Receivable		4,615,059.60
Receivables (Note 4)		1,706,134.03
Inventories		47,943.79
Capital Assets (Note 5):		
Nondepreciable		1,693,180.15
Depreciable, Net		15,541,394.18
Total Assets		33,055,533.40
Deferred Outflows of Resources		
Employer Pension Contribution		1,770,793.13
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability		4,294,000.00
Employer Other Postemployment Benefits (OPEB) Contribution		414,558.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability		5,737,435.00
Total Deferred Outflows of Resources		12,216,786.13
Liabilities		
Accounts Payable		707,483.50
Unearned Revenue		225,467.02
Salaries and Benefits Payable		1,932,844.15
Long-Term Liabilities:		
Portion Due or Payable Within One Year		180,591.74
Portion Due or Payable After One Year		45,150,910.73
Total Liabilities		48,197,297.14
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes		4,615,059.60
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability		1,947,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability		11,225,400.00
Total Deferred Inflows of Resources	$	17,787,459.60

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

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 12,057,373.86
Restricted for:	
Debt Service	2,499,434.33
Capital Projects	1,873,420.17
Fleet Renewal	351,115.58
Other Purposes	630,138.32
Unrestricted	(38,123,919.47)
Total Net Position	$ (20,712,437.21)

Statement of Activities
For the Year Ended September 30, 2021

			Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental Activities					
Instruction	$ 16,025,539.44	$ 470,562.22	$ 12,273,635.23	$ 284,776.17	$ (2,996,565.82)
Instructional Support	3,469,314.40	70,171.38	2,846,846.48		(552,296.54)
Operation and Maintenance	2,260,842.40	66,180.68	1,913,321.97	285,781.83	4,442.08
Auxiliary Services:					
Student Transportation	2,262,970.35	55,738.44	2,182,886.45	247,645.00	223,299.54
Food Service	450,310.53	397,024.11	136,400.91		83,114.49
General Administrative and Central Support	1,107,424.28	772.56	706,647.44		(400,004.28)
Interest and Fiscal Charges	98,805.36				(98,805.36)
Other Expenses	2,463,612.46	1,971,244.47	675,865.48		183,497.49
Total Governmental Activities	$ 28,138,819.22	$ 3,031,693.86	$ 20,735,603.96	$ 818,203.00	(3,553,318.40)
General Revenues					
Taxes:					
Property Taxes for General Purposes					4,406,749.57
Property Taxes for Specific Purposes					193,411.00
Other Taxes					342,617.22
Investment Earnings					119,961.19
Miscellaneous					768,448.64
Total General Revenues					5,831,187.62
Changes in Net Position					2,277,869.22
Net Position - Beginning of Year					(22,990,306.43)
Net Position - End of Year					$ (20,712,437.21)

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

Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 3,361,787.88	$ 1,329,614.21	$	$ 2,224,535.75	$ 6,915,937.84
Cash with Fiscal Agent			2,499,434.33		2,499,434.33
Investments		36,449.48			36,449.48
Ad Valorem Property Taxes Receivable	4,268,930.13			346,129.47	4,615,059.60
Receivables (Note 4)	214,298.78	1,491,835.25			1,706,134.03
Interfund Receivables	946,274.08				946,274.08
Inventories		47,943.79			47,943.79
Total Assets	8,791,290.87	2,905,842.73	2,499,434.33	2,570,665.22	16,767,233.15
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	252,277.80	455,205.70			707,483.50
Interfund Payables		946,274.08			946,274.08
Unearned Revenues	205,687.28	19,779.74			225,467.02
Salaries and Benefits Payable	1,841,709.83	91,134.32			1,932,844.15
Total Liabilities	2,299,674.91	1,512,393.84			3,812,068.75
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	4,268,930.13			346,129.47	4,615,059.60
Total Deferred Inflows of Resources	4,268,930.13			346,129.47	4,615,059.60
Fund Balances					
Nonspendable:					
Inventories		47,943.79			47,943.79
Restricted for:					
Debt Service			2,499,434.33		2,499,434.33
Capital Projects				1,873,420.17	1,873,420.17
Fleet Renewal				351,115.58	351,115.58
Child Nutrition Program		582,194.53			582,194.53
Assigned to:					
Local Schools		763,310.57			763,310.57
Unassigned	2,222,685.83				2,222,685.83
Total Fund Balances	2,222,685.83	1,393,448.89	2,499,434.33	2,224,535.75	8,340,104.80
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,791,290.87	$ 2,905,842.73	$ 2,499,434.33	$ 2,570,665.22	$ 16,767,233.15

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, 2021

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 8,340,104.80
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.		
To Cost of Capital Assets is	$ 39,745,952.41	
Accumulated Depreciation is	(22,511,378.08)	
		17,234,574.33
Deferred Outflows and Inflows of Resources related to pensions and Other Postemployment Benefits (OPEB) are applicable to future periods and, therefore, are not reported in the the governmental funds.		
Deferred Outflows Related to Defined Benefit Pension Plan	$ 6,064,793.13	
Deferred Outflows Related to OPEB	6,151,993.00	
Deferred Inflows Related to Defined Benefit Pension Plan	(1,947,000.00)	
Deferred Inflows Related to OPEB	(11,225,400.00)	
		(955,613.87)
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 governmental funds.		
Current Portion of Long-Term Debt	$ 180,591.74	
Noncurrent Portion of Long-Term Debt	45,150,910.73	
		(45,331,502.47)
Total Net Position - Governmental Activities (Exhibit 1)		$ (20,712,437.21)

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, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
State	$ 17,033,015.57	$	$ 208,268.85	$ 608,064.15	$ 17,849,348.57
Federal	113,532.03	5,715,831.80			5,829,363.83
Local	4,874,506.25	1,404,803.59	81,430.47	193,411.00	6,554,151.31
Other	175,058.12	8,766.61			183,824.73
Total Revenues	22,196,111.97	7,129,402.00	289,699.32	801,475.15	30,416,688.44
Expenditures					
Current:					
Instruction	12,667,726.52	3,387,950.61			16,055,677.13
Instructional Support	2,987,847.67	605,225.72			3,593,073.39
Operation and Maintenance	2,139,920.42	109,354.42			2,249,274.84
Auxiliary Services:					
Student Transportation	2,121,738.29	74,937.75			2,196,676.04
Food Service	994.28	440,924.64			441,918.92
General Administrative and Central Support	1,045,593.38	110,633.76			1,156,227.14
Other	544,024.65	2,214,061.29			2,758,085.94
Capital Outlay	95,049.00			753,606.22	848,655.22
Debt Service:					
Principal Retirement	26,560.87			119,982.57	146,543.44
Interest and Fiscal Charges				98,805.36	98,805.36
Total Expenditures	21,629,455.08	6,943,088.19		972,394.15	29,544,937.42
Excess (Deficiency) of Revenues Over Expenditures	566,656.89	186,313.81	289,699.32	(170,919.00)	871,751.02
Other Financing Sources (Uses)					
Indirect Cost	204,370.12				204,370.12
Long-Term Debt Issued				305,190.00	305,190.00
Transfers In	166,155.27	369,525.00			535,680.27
Transfers Out	(369,525.00)	(166,155.27)			(535,680.27)
Total Other Financing Sources (Uses)	1,000.39	203,369.73		305,190.00	509,560.12
Net Changes in Fund Balances	567,657.28	389,683.54	289,699.32	134,271.00	1,381,311.14
Fund Balances - Beginning of Year	1,655,028.55	1,003,765.35	2,209,735.01	2,090,264.75	6,958,793.66
Fund Balances - End of Year	$ 2,222,685.83	$ 1,393,448.89	$ 2,499,434.33	$ 2,224,535.75	$ 8,340,104.80

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, 2021

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 1,381,311.14
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	$ 848,655.22	
Depreciation Expense	(895,926.59)	
		(47,271.37)
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.		(305,190.00)
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.		146,543.44
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension Expense, Current Year Increase/(Decrease)	$ 285,111.99	
Other Postemployment Benefits (OPEB) Expense, Current Year (Increase)/Decrease	(1,387,588.00)	
		1,102,476.01
Change in Net Position of Governmental Activities (Exhibit 2)		$ 2,277,869.22

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Washington 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 five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental funds:

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

- ***Special Revenue Fund*** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, COVID-19 Education Stabilization Fund, COVID-19 Coronavirus Relief Fund and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

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

- ***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.

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.

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 pledge of the three-mill school tax and certificates of deposit.

2. Receivables

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

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

3. Inventories

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

8. Deferred Inflows of Resources

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

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

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

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

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

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

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

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

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

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

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

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

B. Deficit Net Position

As of September 30, 2021, the government-wide financial statements reported a deficit net position of $20,712,437.21. The deficit in net position is due to the implementation of GASB Statement Number 68, relating to Pensions, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

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.

The Board has cash with fiscal agent totaling $2,499,434.33 in the Debt Service Fund related to QSCB, Series 2009-D Warrants. This money is held by the State of Alabama for future debt payments.

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-funded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unity of any such state that the Board invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investor Services, Inc. The Board does not have a formal investment policy requiring investments to be rated in the highest rating category.

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

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

Note 4 – Receivables

On September 30, 2021, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts Receivable	$214,298.78	$ 8,034.58	$ 222,333.36
Intergovernmental		1,483,800.67	1,483,800.67
Total Receivables	$214,298.78	$1,491,835.25	$1,706,134.03

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 10/01/2020	Additions	Retirements	Balance 09/30/2021
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 692,595.00	$	$	$ 692,595.00
Land Improvements – Inexhaustible	552,168.93			552,168.93
Construction in Progress		448,416.22		448,416.22
Total Capital Assets, Not Being Depreciated	1,244,763.93	448,416.22		1,693,180.15
Capital Assets, Being Depreciated:				
Land Improvements – Exhaustible	1,061,916.86			1,061,916.86
Buildings	25,369,304.69			25,369,304.69
Buildings Improvements	5,205,848.16	80,688.00		5,286,536.16
Equipment and Furniture	4,492,403.55	14,361.00		4,506,764.55
Equipment Under Capital Leases	1,523,060.00	305,190.00		1,828,250.00
Total Capital Assets, Being Depreciated	37,652,533.26	400,239.00		38,052,772.26
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(546,414.88)	(37,095.52)		(583,510.40)
Buildings	(13,423,863.95)	(373,186.23)		(13,797,050.18)
Buildings Improvements	(3,233,033.60)	(196,986.27)		(3,430,019.87)
Equipment and Furniture	(3,884,398.46)	(122,768.65)		(4,007,167.11)
Equipment Under Capital Lease	(527,740.60)	(165,889.92)		(693,630.52)
Total Accumulated Depreciation	(21,615,451.49)	(895,926.59)		(22,511,378.08)
Total Capital Assets, Being Depreciated, Net	16,037,081.77	(495,687.59)		15,541,394.18
Total Governmental Activities Capital Assets, Net	$ 17,281,845.70	$ (47,271.37)	$	$ 17,234,574.33

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$478,055.49
Instructional Support	2,950.06
Operation and Maintenance	76,895.53
Auxiliary Services:	
Food Service	30,189.32
Student Transportation	250,668.98
General Administrative and Central Support	
Other	57,167.21
Total Depreciation Expense – Governmental Activities	$895,926.59

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 which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

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

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $1,770,793.13 for the year ended September 30, 2021.

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

At September 30, 2021, the Board reported a liability of $24,925,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the Board's proportion was 0.201498%, which was an increase of 0.011279% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized pension expense of $2,056,000.00. At September 30, 2021, 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	$1,234,000.00	$ 432,000.00
Changes of Assumptions	259,000.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,851,000.00	
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	950,000.00	1,515,000.00
Employer Contributions Subsequent to the Measurement Date	1,770,793.13	
Total	$6,064,793.13	$1,947,000.00

The $1,770,793.13 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. 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, 2022	$181,000.00
2023	$603,000.00
2024	$880,000.00
2025	$683,000.00
2026	$ 0.00
Thereafter	$ 0.00

E. Actuarial Assumptions

The total pension liability as of September 30, 2020, was determined by an actuarial valuation as of September 30, 2019, 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 for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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

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

(*) Includes assumed rate of inflation of 2.50%

F. Discount Rate

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

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	$33,255	$24,925	$17,876
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68 as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

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

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

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

C. Contributions

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

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

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

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

At September 30, 2021, the Board reported a liability of $15,229,302.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2020, the Board's proportion was 0.234663%, which was a decrease of 0.032189% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Board recognized OPEB income of $974,344.00, with no special funding situations. At September 30, 2021, 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	$ 386,204.00	$ 5,475,299.00
Changes of assumptions	5,319,476.00	2,827,942.00
Net difference between projected and actual earnings on OPEB plan investments		642.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions	31,755.00	2,921,517.00
Employer contributions subsequent to the measurement date	414,557.65	
Total	$6,151,992.65	$11,225,400.00

The $414,557.65 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

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, 2022	$(1,760,028)
2023	$(1,736,829)
2024	$(1,277,702)
2025	$(1,245,899)
2026	$ 235,058
Thereafter	$ 297,435

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, 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	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate the Measurement Date	3.05%
Single Equivalent Interest Rate the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
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.

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, 2019.

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

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

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

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

(*) Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. 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, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. 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 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

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

	1% Decrease (5.75% 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	$12,038,813	$15,229,302	$19,382,235

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Board's proportionate share of the collective net OPEB liability	$18,679,529	$15,229,302	$12,489,074

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Construction and Other Significant Commitments

As of September 30, 2021, the Board was obligated under the following significant construction contracts:

	Contract Amount	Remaining Balance
Emergency Re-Roofing	$667,400.00	$256,435.00

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $1,828,250.00 at September 30, 2021. 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, 2021.

Fiscal Year Ending	Governmental Activities
September 30, 2022	$ 204,368.78
2023	204,368.78
2024	204,368.78
2025	204,368.77
2026	204,368.78
2027-2031	254,082.76
Total Minimum Lease Payments	1,275,926.65
Less: Amount Representing Interest	(100,726.18)
Present Value of Net Minimum Lease Payments	$1,175,200.47

Note 10 – Long-Term Debt

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 2.74% participation in the bonds resulting in the Board's share of principal, issuance costs, and net proceeds of $4,002,000.00, $35,228.00, and $3,966,772.00, respectively. The Board is required to make sinking fund deposits of $208,268.85 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

Capital leases payable are for the purchase of buses. Payments on capital leases are made from fleet renewal funds.

The following is a summary of long-term obligations for the Board for the year ended September 30, 2021:

	Debt Outstanding 10/01/2020	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2021	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Qualified School Construction Bonds, Series 2009-D	$ 4,002,000.00	$	$	$ 4,002,000.00	$
Other Liabilities:					
Capital Lease Contracts Payable	1,016,553.91	305,190.00	(146,543.44)	1,175,200.47	180,591.74
Net Pension Liability	21,032,000.00	3,893,000.00		24,925,000.00	
OPEB Liability	10,067,706.00	5,161,596.00		15,229,302.00	
Total Governmental Activities Long-Term Liabilities	$36,118,259.91	$9,359,786.00	$(146,543.44)	$45,331,502.47	$180,591.74

The Board's outstanding capital leases from direct borrowing, originally issued in the amounts of $761,530 and $761,530, are each secured by ten Thomas school buses. The outstanding capital leases contain a provision that in the event of default, the lender may (1) declare all installment payments immediately due and payable, (2) retake possession of equipment, (3) terminate any escrow agreement relating to the contract, (4) take any necessary action under law or in equity.

The Board's outstanding capital lease, originally issued at $305,190, is secured by three International school buses. The outstanding capital lease contains a provision that in the event of default, the lender may (1) declare all rental payments immediately due, (2) may 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.

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

	Qualified Schools Construction Bonds, Series 2009-D		Capital Lease Contracts Payable		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	to Maturity
September 30, 2022	$	$ 74,637.32	$ 180,591.74	$ 23,777.04	$ 279,006.10
2023		74,637.32	181,695.74	22,673.04	279,006.10
2024		74,637.32	185,889.88	18,478.90	279,006.10
2025		74,637.32	190,169.60	14,199.17	279,006.09
2026	4,002,000.00	18,659.33	194,572.83	9,795.95	4,225,028.11
2027-2031			242,280.68	11,802.08	254,082.76
Total	$4,002,000.00	$317,208.61	$1,175,200.47	$100,726.18	$5,595,135.26

Pledged Revenues

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Qualified School Construction Bonds, Series 2009-D. The Board had a 2.74% participation in the bonds in order to finance construction of a new high school building at Leroy High School. The Board pledged to repay the principal, sinking funds deposits, and interest payable on the Board Pool Loan from the proceeds of the capital outlay funds allocated to the Board from the Public School Fund. Future revenues of $4,319,208.61 are pledged to repay the sinking fund deposits and interest payable through December 2026. For the current year, interest paid from Public School Fund revenues was $74,637.32.

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. 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.

Note 12 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2021, were as follows:

	Interfund Receivables General Fund
Interfund Payables:	
Special Revenue Fund	$946,274.08
Totals	$946,274.08

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2021, were as follows:

	Transfers In		
	General Fund	Special Revenue Fund	Total
Transfers Out:			
General Fund	$	$369,525.00	$369,525.00
Special Revenue Fund	166,155.27		166,155.27
Totals	$166,155.27	$369,525.00	$535,680.27

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools.

Note 13 – Subsequent Events

On December 14, 2021, the Board approved a bid from Ward International Trucks, Inc. in the amount of $250,520.00 to retro-fit air conditioners on twenty Thomas school buses. The Board also approved a bid from Bond Construction, LLC, in the amount of $404,000.00 to repair and renovate roofs to various facilities within the school district.

The Board was a defendant in a discrimination lawsuit. A settlement agreement was executed on December 18, 2021, resulting in the Board paying a settlement in the amount of $92,500.00.

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Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.201498%	0.190219%	0.203410%	0.217702%	0.219747%	0.224433%	0.233012%
Employer's proportionate share of the collective net pension liability	$ 24,925	$ 21,032	$ 20,224	$ 21,397	$ 23,790	$ 23,488	$ 21,168
Employer's covered payroll during the measurement period (*)	$ 14,275	$ 13,546	$ 13,558	$ 14,393	$ 13,977	$ 14,182	$ 14,774
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	174.61%	155.26%	149.17%	148.66%	170.21%	165.79%	142.28%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll (See GASB Statement Number 82).
For fiscal year 2021, the measurement period is October 1, 2019 through September 30, 2020

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 - Pensions
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,771	$ 1,738	$ 1,654	$ 1,633	$ 1,704	$ 1,652	$ 1,656
Contributions in relation to the contractually required contribution	$ 1,771	$ 1,738	$ 1,654	$ 1,633	$ 1,704	$ 1,652	$ 1,656
Contribution deficiency (excess)	$	$	$	$	$	$	$
Board's covered payroll	$ 14,695	$ 14,275	$ 13,546	$ 13,558	$ 14,393	$ 13,977	$ 14,182
Contributions as a percentage of covered payroll	12.05%	12.18%	12.21%	12.04%	11.84%	11.82%	11.68%

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

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.234663%	0.266852%	0.266300%	0.271703%
Employer's proportionate share of the collective net OPEB liability	$ 15,229	$ 10,068	$ 21,886	$ 20,180
Employer's covered-employee payroll during the measurement period (*)	$ 14,275	$ 13,546	$ 13,558	$ 14,393
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	106.68%	74.32%	161.42%	140.21%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll.
For fiscal year 2021, the measurement period is October 1, 2019 through September 30, 2020.

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, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	$ 415	$ 466	$ 762	$ 654
Contributions in relation to the contractually required contribution	$ 415	$ 466	$ 762	$ 654
Contribution deficiency (excess)	$	$	$	$
Employer's covered-employee payroll	$ 14,695	$ 14,275	$ 13,546	$ 13,558
Contributions as a percentage of covered-employee payroll	2.82%	3.26%	5.63%	4.82%

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

Changes in Actuarial Assumptions

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

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

Recent Plan Changes

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer's 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 ended September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. 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	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00% (beginning in 2019)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
State	$ 16,255,041.00	$ 17,053,410.00	$ 17,033,015.57		$	$ 17,033,015.57
Federal	900.00	900.00	113,532.03			113,532.03
Local	4,719,190.00	4,766,390.00	4,874,506.25			4,874,506.25
Other	61,850.00	174,481.00	175,058.12			175,058.12
Total Revenues	21,036,981.00	21,995,181.00	22,196,111.97			22,196,111.97
Expenditures						
Current:						
Instruction	12,223,360.00	12,570,414.94	12,475,786.81		(191,939.71)	12,667,726.52
Instructional Support	2,987,815.00	3,017,742.00	2,930,045.27		(57,802.40)	2,987,847.67
Operation and Maintenance	1,960,820.00	2,564,124.00	2,134,076.40		(5,844.02)	2,139,920.42
Auxiliary Services:						
Student Transportation	2,276,394.00	2,434,916.00	2,107,042.51		(14,695.78)	2,121,738.29
Food Service	19,150.00	18,145.00	994.28			994.28
General Administrative and Central Support	986,126.00	1,115,277.00	1,041,495.54		(4,097.84)	1,045,593.38
Other	580,968.00	584,408.00	542,946.53		(1,078.12)	544,024.65
Capital Outlay		574,871.00	95,049.00			95,049.00
Principal Retirement			26,560.87			26,560.87
Total Expenditures	21,034,633.00	22,879,897.94	21,353,997.21	(1)	(275,457.87)	21,629,455.08
Excess (Deficiency) of Revenues Over Expenditures	2,348.00	(884,716.94)	842,114.76		(275,457.87)	566,656.89
Other Financing Sources (Uses)						
Indirect Cost	156,589.00	246,011.00	204,370.12			204,370.12
Transfers In	177,390.00	226,717.00	166,155.27			166,155.27
Transfers Out	(742,792.00)	(476,175.00)	(369,525.00)			(369,525.00)
Total Other Financing Sources (Uses)	(408,813.00)	(3,447.00)	1,000.39			1,000.39
Net Change in Fund Balances	(406,465.00)	(888,163.94)	843,115.15	(2)	(275,457.87)	567,657.28
Fund Balances - Beginning of Year	2,654,678.00	3,221,280.51	3,221,280.51		(1,566,251.96)	1,655,028.55
Fund Balances - End of Year	$ 2,248,213.00	$ 2,333,116.57	$ 4,064,395.66		$ (1,841,709.83)	$ 2,222,685.83

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

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

(1) The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.	$	(275,457.87)
Net Change in Fund Balance - Budget to GAAP	$	(275,457.87)

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
Federal	$ 3,164,055.00	$ 8,702,284.45	$ 5,715,831.80		$	$ 5,715,831.80
Local	1,948,406.00	1,776,966.00	1,404,803.59			1,404,803.59
Other	320,520.00	319,320.00	8,766.61			8,766.61
Total Revenues	5,432,981.00	10,798,570.45	7,129,402.00			7,129,402.00
Expenditures						
Current:						
Instruction	2,944,645.00	5,319,850.41	3,387,950.61			3,387,950.61
Instructional Support	354,960.00	1,644,561.04	605,225.72			605,225.72
Operation and Maintenance	103,388.00	507,783.00	109,354.42			109,354.42
Auxiliary Services:						
Student Transportation	70,642.00	146,669.00	74,937.75			74,937.75
Food Service	1,892,330.00	87,965.00	423,226.14		(17,698.50)	440,924.64
General Administrative and Central Support	109,029.00	238,072.00	110,633.76			110,633.76
Other	454,165.00	2,944,701.00	2,214,061.29			2,214,061.29
Total Expenditures	5,929,159.00	10,889,601.45	6,925,389.69	(1)	(17,698.50)	6,943,088.19
Excess (Deficiency) of Revenues Over Expenditures	(496,178.00)	(91,031.00)	204,012.31		(17,698.50)	186,313.81
Other Financing Sources (Uses)						
Transfers In	890,792.00	624,175.00	369,525.00			369,525.00
Transfers Out	(325,390.00)	(374,717.00)	(166,155.27)			(166,155.27)
Total Other Financing Sources (Uses)	565,402.00	249,458.00	203,369.73			203,369.73
Net Change in Fund Balances	69,224.00	158,427.00	407,382.04	(2)	(17,698.50)	389,683.54
Fund Balances - Beginning of Year	986,620.00	1,069,578.45	1,077,201.17		(73,435.82)	1,003,765.35
Fund Balances - End of Year	$ 1,055,844.00	$ 1,228,005.45	$ 1,484,583.21		$ (91,134.32)	$ 1,393,448.89

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2021

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

(1) The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.	$	(17,698.50)
Net Change in Fund Balance - Budget to GAAP	$	(17,698.50)

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

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number		Total Federal Expenditures
U. S. Department of Education				
Direct Program				
Indian Education - Grants to Local Educational Agencies	84.060	N.A.	$	127,728.10
U. S. Department of Education				
Passed Through Alabama Department of Education				
Title I Grants to Local Educational Agencies	84.010	N.A.		892,173.00
Migrant Education - State Grant Program	84.011	N.A.		79,562.00
Career and Technical Education - Basic Grants to States	84.048	N.A.		43,246.00
Special Education Cluster:				
Special Education - Grants to States	84.027	N.A.		590,434.00
Special Education - Preschool Grants	84.173	N.A.		29,260.00
Sub-Total Special Education Cluster				619,694.00
Twenty-First Century Community Learning Centers	84.287	N.A.		2,642.00
Rural Education	84.358	N.A.		48,701.00
Supporting Effective Instruction State Grants	84.367	N.A.		113,231.00
Student Support and Academic Enrichment Program	84.424	N.A.		59,075.00
COVID-19 Education Stabilization Fund:				
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	N.A.		174,969.00
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N.A.		804,959.00
Sub-Total COVID-19 Education Stabilization Fund				979,928.00
Total U. S. Department of Education				2,965,980.10
U. S. Department of the Treasury				
Passed Through Alabama Department of Education				
COVID-19 Coronavirus Relief Fund	21.019	N.A.		569,194.45
Total U. S. Department of the Treasury				569,194.45
Sub-Total Forward			$	3,535,174.55

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number		Total Federal Expenditures
Sub-Total Brought Forward			$	3,535,174.55
U. S. Department of Agriculture				
Passed Through Alabama Department of Education				
Child Nutrition Cluster:				
School Breakfast Program - Cash Assistance	10.553	N.A.		87,751.05
National School Lunch Program:				
Cash Assistance	10.555	N.A.		377,566.69
Non-Cash Assistance (Commodities)	10.555	N.A.		61,210.11
Sub-Total National School Lunch Program				438,776.80
Summer Food Service	10.559	N.A.		1,743,406.93
Sub-Total Child Nutrition Cluster				2,269,934.78
Fresh Fruit and Vegetable Program	10.582	N.A.		18,215.29
State Administrative Expenses for Child Nutrition	10.560	N.A.		5,719.21
Total U. S. Department of Agriculture				2,293,869.28
Social Security Administration				
Passed Through Alabama Department of Education				
Social Security - Disability Insurance	96.001	N.A.		320.00
Total Expenditures of Federal Awards			$	5,829,363.83

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.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Washington County Board of Education under programs of the federal government for the year ended September 30, 2021. 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 Washington County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Washington 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.

Note 3 – Indirect Cost Rate

The Washington County Board of Education has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel

October 1, 2020 through September 30, 2021

Board Members		**Term Expires**
Hon. Lonnie Guy	Member	November 2024
Hon. DeWayne Byrd	Member	November 2022
Hon. Nolan Keith Beech	Member	November 2024
Hon. Horace Thomas, Jr.	Member	November 2024
Hon. David Dees	Member	November 2022
Administrative Personnel		
John Dickey	Superintendent	December 2020
Lisa Connell	Superintendent	December 2024
Larry Moss	Chief School Financial Officer	December 2020
Michelle Rhynes	Chief School Financial Officer	February 10, 2021
Crystal (Crissy) Hayes	Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

Members of the Washington County Board of Education,
Superintendent and Chief School Financial Officer
Chatom, 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 and each major fund of the Washington County Board of Education (the "Board") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 1, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2022

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

Independent Auditor's Report

Members of the Washington County Board of Education,
Superintendent and Chief School Financial Officer
Chatom, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Washington 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 the Washington County Board of Education's major federal programs for the year ended September 30, 2021. The Washington 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 the Washington 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 Washington 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 Washington County Board of Education's compliance.

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

Opinion on the Major Federal Programs

In our opinion, the Washington County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Washington 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 Washington County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Washington 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2022

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ 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:

Assistance Listing Numbers	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
84.425	Education Stabilization Fund

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

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.