

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
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INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Gulf Shores City Schools Board of Education
Gulf Shores, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gulf Shores City School Board of Education (Board), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 30-36, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements. The accompanying Schedule 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 to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Management has omitted management's discussion 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2025, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor", is written over the company name.

Grant, Sanders & Taylor, Inc.
Gulf Shores, Alabama
June 20, 2025

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,833,402
Accounts receivable - net	2,148,778
Inventories	58,816
Capital assets:	
Non-depreciable	6,005,474
Depreciable (net)	48,017,073
Total assets	<u><u>\$ 74,063,543</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	14,790,790
Deferred outflows related to OPEB	9,608,289
Total deferred outflows of resources	<u><u>\$ 24,399,079</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	830,847
Other payables	16,000
Unearned revenue	36,886
Salaries and benefits payable	2,342,033
Due in one year:	
Current portion of warrants, notes and capital lease payable	698,050
Current portion of compensated absences	47,804
Current portion of lease liability - right of use asset	288,885
Due in more than one year:	
Non-current portion of warrants, notes and capital lease payable	10,068,886
Non-current portion of compensated absences	430,506
Net OPEB liability	3,488,479
Net pension liability	33,685,000
Due to the City of Gulf Shores	12,728,056
Total liabilities	<u><u>\$ 64,661,432</u></u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflows related to pension	455,000
Deferred inflows related to OPEB	9,474,023
Total deferred inflows of resources	<u><u>\$ 9,929,023</u></u>
NET POSITION	
Net investment in capital assets	30,238,670
Restricted - Education	1,361,403
Unrestricted	(7,727,906)
Total net position	<u><u>\$ 23,872,167</u></u>

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 27,700,725	\$ 853,568	\$ 14,693,805	\$ -	\$ (12,153,352)
Instructional support services	7,791,638	318,485	2,442,564	-	(5,030,589)
Operation and maintenance services	3,752,322	162,770	45,027	232,058	(3,312,467)
Auxiliary services	3,291,789	1,028,541	954,938	303,870	(1,004,440)
General administrative	2,776,799	79,789	362,794	-	(2,334,216)
Other expenses	1,832,102	317,598	1,004,340	-	(510,164)
Interest and fiscal charges	702,858	-	-	18,992	(683,866)
Total governmental activities	<u>47,848,233</u>	<u>2,760,751</u>	<u>19,503,468</u>	<u>554,920</u>	<u>(25,029,094)</u>
General revenues:					
City of Gulf Shores appropriations					954,951
Contributions from Baldwin County Board of Education					569,329
Property taxes for general purposes					8,964,554
Sales tax					10,469,659
Other taxes					88,911
Miscellaneous					1,297,803
Investment earnings					342,615
Total general revenues, special items and transfers					<u>22,687,822</u>
Change in net position					(2,341,272)
Net position - beginning					<u>26,213,439</u>
Net position - ending					<u>\$ 23,872,167</u>

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

FUND FINANCIAL STATEMENTS

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General	Special Revenue	Capital Projects	Debt Service	Total
ASSETS					
Cash and cash equivalents	\$ 9,478,418	\$ 1,455,744	\$ 946,000	\$ 5,953,241	\$ 17,833,403
Accounts receivable - net	2,000,453	148,323	-	-	2,148,776
Due from other funds	146,592	108,259	-	-	254,851
Inventory	-	58,816	-	-	58,816
Total assets	<u>\$ 11,625,463</u>	<u>\$ 1,771,142</u>	<u>\$ 946,000</u>	<u>\$ 5,953,241</u>	<u>\$ 20,295,846</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 519,369	\$ 123,108	\$ 2,033	\$ -	\$ 644,510
Salaries and benefits payable	2,342,033	186,337	-	-	2,528,370
Other payables	16,000	-	-	-	16,000
Unearned revenue	-	36,885	-	-	36,885
Due to other funds	108,259	4,593	142,000	-	254,852
Total liabilities	<u>2,985,661</u>	<u>350,923</u>	<u>144,033</u>	<u>-</u>	<u>3,480,617</u>
Fund balances:					
Nonspendable					
Inventories	-	58,816	-	-	58,816
Restricted for:					
Education	-	1,361,403	-	-	1,361,403
Unassigned	8,639,802	-	801,967	5,953,241	15,395,010
Total fund balances	<u>8,639,802</u>	<u>1,420,219</u>	<u>801,967</u>	<u>5,953,241</u>	<u>16,815,229</u>
Total liabilities and fund balances	<u>\$ 11,625,463</u>	<u>\$ 1,771,142</u>	<u>\$ 946,000</u>	<u>\$ 5,953,241</u>	<u>\$ 20,295,846</u>

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Fund balances - total governmental funds	\$ 16,815,229
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	61,445,719	
Less accumulated depreciation/amortization	<u>(7,423,171)</u>	54,022,548

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	14,790,790
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Deferred outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	9,608,289
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Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	(455,000)
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Deferred inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	(9,474,023)
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Current portion of warrants, notes and capital lease payable	(698,050)	
Non-current portion of warrants, notes and capital lease payable	(10,068,886)	
Long term payable due to the City of Gulf Shores	(12,728,056)	
Lease right of use asset	(288,885)	
Compensated absences	(478,310)	
Proportionate share of collective net pension liability	(33,685,000)	
Proportionate share of collective OPEB liability	<u>(3,488,479)</u>	<u>(61,435,666)</u>

Net position of governmental activities	<u>\$ 23,872,167</u>
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The accompanying notes are an integral part of the financial statements.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Special Revenue	Capital Projects	Debt Service	Total
REVENUES					
State Sources	\$ 17,559,722	\$ -	\$ 554,920	\$ -	\$ 18,114,642
Federal Sources	-	2,772,823	-	-	2,772,823
Local Sources					
Other	19,103,118	2,416,282	383,371	898,493	22,801,264
City of Gulf Shores:					
Operations	954,951	-	-	-	954,951
Other Sources	269,693	24,263	-	-	293,956
Total revenues	<u>37,887,484</u>	<u>5,213,368</u>	<u>938,291</u>	<u>898,493</u>	<u>44,937,636</u>
EXPENDITURES					
Instructional services	17,327,093	2,976,679	-	-	20,303,772
Instructions support services	5,395,151	1,008,880	-	-	6,404,031
Operational and maintenance services	2,913,083	102,726	417,565	-	3,433,374
Auxiliary services	1,105,509	1,694,720	-	-	2,800,229
General administrative services	2,254,574	163,299	-	-	2,417,873
Capital outlay	581,867	90,402	490,593	-	1,162,862
Debt service					
Principal	2,170,736	-	15,590	948,912	3,135,238
Interest	329,264	-	3,402	370,192	702,858
Other expenditures	1,195,526	316,623	-	-	1,512,149
Total expenditures	<u>33,272,803</u>	<u>6,353,329</u>	<u>927,150</u>	<u>1,319,104</u>	<u>41,872,386</u>
Excess (deficiency) of revenues over expenditures	<u>4,614,681</u>	<u>(1,139,961)</u>	<u>11,141</u>	<u>(420,611)</u>	<u>3,065,250</u>
OTHER FINANCING SOURCES (USES)					
Contribution from BCBE	-	-	-	569,329	569,329
Indirect costs revenue	17,578	-	-	-	17,578
Transfers in	123,375	1,362,112	-	-	1,485,487
Transfers out	(1,082,305)	(403,182)	-	-	(1,485,487)
Total other financing sources (uses)	<u>(941,352)</u>	<u>958,930</u>	<u>-</u>	<u>569,329</u>	<u>586,907</u>
Net change in fund balances	3,673,329	(181,031)	11,141	148,718	3,652,157
Fund balances - beginning	<u>4,966,473</u>	<u>1,601,250</u>	<u>790,826</u>	<u>5,804,523</u>	<u>13,163,072</u>
Fund balances - ending	<u>\$ 8,639,802</u>	<u>\$ 1,420,219</u>	<u>\$ 801,967</u>	<u>\$ 5,953,241</u>	<u>\$ 16,815,229</u>

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances	\$ 3,652,157
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Governmental funds report capital improvements as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	1,162,862	
Less current year depreciation expense	(2,198,079)	
Less current year amortization expense	<u>(288,885)</u>	(1,324,102)

Repayment of debt principal and capital lease is expenditures in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities	3,135,238
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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:

Compensated absences, current year increase/(decrease)	39,671	
Pension expenses, current year increase/(decrease)	7,271,756	
OPEB expenses, current year increase/(decrease)	<u>493,138</u>	<u>(7,804,565)</u>

Change in net position of governmental activities	<u>\$ (2,341,272)</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL STATEMENT

The City of Gulf Shores, Alabama, created the Gulf Shores City School Board of Education (the Board) on October 9, 2017. On June 1, 2019 the Gulf Shores City School Board of Education officially split from the Baldwin County Board of Education. Upon separation, the Gulf Shores City Schools Board of Education assumed \$6,925,198 in debt from the Baldwin County Board of Education (BCBE). BCBE will continue to make debt service payments associated with this debt through June 1, 2024, in the amount of \$1,137,928.

The financial statements of the Board, a component unit of the City of Gulf Shores, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Amounts are reported as other financing sources and uses. The more significant of the Board's accounting policies are described below.

B. FINANCIAL REPORTING ENTITY

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

The Board is a legally separate agency of the State of Alabama (the State). However, for financial reporting, the Board is considered a component unit of the City of Gulf Shores, Alabama (the City) due to the following reasons:

- The City appoints a voting majority of the organization's board.
- The City appropriates funds to the Board on an annual basis. is able to impose its will on the organization
- The Board cannot levy taxes directly. The tax revenues must be levied by the City or another taxing authority on behalf of the Board.

C. BASIS OF PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Board. The statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business type activities.

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

Fund Financial Statements

The Board segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Board has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the Board. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. Various federal and local funding sources are included in this fund. Some of the significant federal fund sources included in the federal funds that are received for Special Education, Title I, and Child Nutrition Program in addition to various smaller grants, which are required to be spent for 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 considered restricted to use in local school activity.

Capital Projects Fund

Capital project funds account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund

The debt service funds are used to account for the payment of interest and principal on general long-term debt not accounted for in other funds. A portion of the funds are also reserved to fund any capital projects or revenue shortfalls in the General Fund. Debt service revenues are principally transfers from the General Fund.

Expendable Trust Fund

Expendable trust funds account for non-public funds. For financial statement purposes, the Expendable Trust Fund is reported with the Special Revenue Fund.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Board's programs. The Board does not have any agency funds.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-wide financial statements

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

Governmental fund financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty (60) days after year-end. Revenues from state and federal funds are considered available if transaction eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Debt service expenditures are recorded when due or when amounts have been accumulated in the debt service fund or other fund for payments to be made early in the following year.

Some activity, primarily payroll, is recorded using the cash basis of accounting during the year. However, these activities have been restated to the modified accrual basis of accounting in these financial statements.

E. CASH AND INVESTMENTS

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

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

F. BUDGETS

Budgets are adopted on a basis consistent with generally accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at first year-end. Project-length financial plans are adopted for all capital projects.

On or before September 15th of each year, the Board is required to prepare and submit to the State Superintendent of Education the annual budget to be adopted by the Board. The Board cannot approve a budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent with the approval of the Board has the authority to make changes with the approved budget provided that deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

G. RECEIVABLES

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

H. INVENTORY

Inventory is valued at cost, which approximates market, using first-in/first out (FIFO). Inventory consists of supplies and lunch room food. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government and purchased fund items, which are expensed when consumed.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	35-50 years
Building Improvements	20-30 years
Machinery and equipment	5-15 years
Furniture and fixtures	3-15 years

J. COMPENSATED ABSENCES

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

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

All personnel employed full-time on a 12-month basis are eligible for paid vacation. Twelve-month employees will be granted one day of vacation per month (12 days per year). After ten (10) consecutive years of service as a twelve-month employee, said employees will earn 1.5 days per month (18 days per year). Prior service with the Baldwin County School System before the effective separation date will count toward consecutive service. Accrual and accumulation of vacation time is calculated from July 1 to June 30 each year. All twelve-month employees shall be permitted to accumulate vacation for a maximum of 30 days that can be carried over to the next year. Vacation days exceeding 30 must be used by December 31st of the following year or be forfeited. Twelve-month employees that transferred from the Baldwin County School System shall retain accrued annual leave benefits that allows for a maximum of 45 days.

Non-exempt employees who work more than forty (40) hours in a workweek will be paid overtime in the form of compensatory time (Comp time). Compensatory time will be based on time worked beyond forty (40) hours in a workweek, and will be recorded in minimum time units of one-quarter hour rounded to the nearest quarter of an hour. No more than two hundred forty (240) hours of compensatory time may be accumulated. The Board reserves the right to require an employee to use compensatory time as it needs require and may "pay down" any compensatory time balance in its discretion.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements. In addition, the State provides funding for up to 2 days of personal leave per employee per year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

K. ESTIMATES

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. NET POSITION/FUND EQUITY

Government Wide Level Financial Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. This classification also includes deferred outflows of resources and deferred inflows of resources that are attributable to acquisition, construction, or improvement of those assets or related debt. Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount is included in the same net position component as the unspent amount.
- b) 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.
- c) Unrestricted – Net position that is not subject to externally imposed stipulations and not reflected as net investment in capital assets.

Fund Level Financial Statements

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

- Non-spendable – consists of amounts that are not in spendable form or are required to be maintained intact.
- Restricted – consists of fund balances with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) the Board's own laws through its enabling legislation and other provisions of its law and regulations.
- Committed – consists of fund balance 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 and that require the same level of formal action to remove or modify the constraint.
- Assigned – consists of fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The policy established by the Board pursuant to which the authorization to assign fund balance to a specific purpose is given for the Board of Education to approve, followed by the Superintendents action to accept and signature to authorize. Assignments cannot exceed the available fund balance in any particular fund.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed. The Board's policy is to maintain a minimum reserve fund equal to one month's operating expenses as set by Code of Alabama 1975, Sections 16-13A-9.

M. PROPERTY TAX CALENDAR

Baldwin County levies all property taxes for all jurisdictions, including municipalities and any school boards within the county. Property taxes are assessed for property 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.

N. PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments are furnished by the State government, the Baldwin County Board of Education (BCBE), and the City of Gulf Shores Alabama, on behalf of the Board. Included in these items are debt service payments by BCBE as described in Note 5 as well capital and operating funding from the City of Gulf Shores as the Board is a component unit of the City of Gulf Shores. These payments are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. PENSION

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

P. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

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

Q. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES-PENSION AND OPEB

Deferred inflows and outflows relating to pensions and other post-employment benefits (OPEB) are derived from differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on plan investments, and changes in proportion. These outflows or inflows are amortized to pension expense over a closed five-year period. Contributions to the pension and OPEB plans from the employer subsequent to the measurement date of net pension liability and net OPEB liability and before the end of the reporting period are reported as a deferred outflow of resources and is amortized over a twelve-month period. This contribution is included as an increase in the respective plan fiduciary net position in the subsequent fiscal year.

R. RECONCILIATION OF THE FINANCIAL STATEMENTS

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item.

Balance Sheet and the Statement of Net Position – The governmental fund balance sheet is followed by a reconciliation between total fund balance – governmental funds and total net position – governmental activities as reported in the government-wide statement of net position.

Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities – The governmental funds statement of revenues, expenditures, and changes in fund balances is followed by a reconciliation between net changes in fund balances-total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities.

S. LEASES

For the year-ended 2023, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Board's 2023 financial statements and had no effect on the beginning net position of the General Fund. See NOTE 11 for additional information on leases.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS

Interest Rate Risk- 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 increasing interest rates.

Credit Risk- State statutes authorize the Board’s investments. The Board is authorized to invest in U.S. Government obligations and its agencies or instrumentalities. The Board has no investment policy that further limits investment choices.

Custodial Credit Risk- The Board is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as “public funds” will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member institutions.

NOTE 3 – NON-CASH CONTRIBUTIONS

Commodities were received from the Federal government during the year. The total assigned value of commodities donated and consumed was \$65,852 for 2024.

The City of Gulf Shores has appropriated \$2,000,000 to be provided to the Board on an annual basis. This appropriation can be a combination of direct cash payments to the Board or payments/services provided on behalf of the Board. For the year ended September 30, 2024, the Board recognized non-cash contributions/expenditures of \$275,442.

NOTE 4 – INTERFUND TRANSACTIONS

During the course of normal operations, the Board has numerous transactions between funds. These transactions are generally reflected as operating transfers or receivables and liabilities. Transactions reimbursing a fund for expenditures are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. The Board typically uses transfers to fund ongoing operations, to fund debt service, and to accumulate funds for capital projects. Interfund transfers are eliminated on the government-wide financial statements. All interfund receivables and payables are limited to transactions between the general fund and special revenue fund.

Interfund transfers for the fiscal year ended September 30, 2024, consist of the following:

Transfers In				
Transfers Out	General Fund	Special Revenue Fund	Debt Service Fund	Totals
General Fund	\$ -	\$ 1,362,112	\$ -	\$ 1,362,112
Special Revenue Fund	123,375	-	-	123,375
	<u>\$ 123,375</u>	<u>\$ 1,362,112</u>	<u>\$ -</u>	<u>\$ 1,485,487</u>

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employee's Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Trust and additions to/deductions from the Trust's Fiduciary Net Position. Plan member contributions are recognized in this 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.

Plan description

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

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

Benefits provided

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

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

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.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The MAPDP plan is fully insured by UHC 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. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

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

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

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

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

At September 30, 2024, the School Board reported a liability of \$3,488,479 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The School Board's proportion of the Net OPEB liability was based on the School Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the School Board's proportion was .18148835% percent, which was a decrease of .01012682% from its proportion measured as of September 30, 2022.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (continued)

For the year ended September 30, 2024, the System recognized OPEB expense of \$493,137, with no special funding situations. At September 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,211	\$ 5,504,717
Changes of assumptions	2,938,923	3,451,048
Net difference between projected and actual earnings on OPEB plan investments	119,160	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,211,579	518,258
Employer contributions subsequent to the measurement date	270,416	-
Total	<u>\$ 9,608,289</u>	<u>\$ 9,474,023</u>

\$270,416 reported as deferred outflows of resources related to OPEB resulting from the School 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, 2025.

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

Year ended September 30:	
2025	182,499
2026	1,079,826
2027	312,445
2028	(1,042,708)
2029	(656,821)
Thereafter	(11,391)

Actuarial assumptions

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

Inflation	2.50%
Salary increases	5.00-3.25%, including 2.75% wage inflation
Long-Term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at Measurement Date	4.53%
Municipal Bond Index Rate at Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rate	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2022 valuation.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30%	4.40%
U.S. Large Stocks	38%	8%
U.S. Mid Stocks	8%	10%
U.S. Small Stocks	4%	11%
International Developed Market Stocks	15%	9.50%
Cash	5%	1.50%
Total	100%	

* Geometric mean, includes 2.50% inflation

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. 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 are projected through 2121.

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Employer's proportionate share of the collective net OPEB liability	\$ 2,644,230	\$ 3,488,479	\$ 4,513,568

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the collective net OPEB liability	\$ 4,306,520	\$ 3,488,479	\$ 2,792,219

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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Pensions

The Teacher's Retirement System of Alabama's (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the 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.

Plan Description

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

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS 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 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

Contributions

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,396,790 for the year ended September 30, 2024.

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

At September 30, 2024, the System reported a liability of \$33,685,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the System's proportion was 0.211089%, which was an increase of 0.017940% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the System recognized pension expense of \$7,271,756. At September 30, 2024, the System 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	\$ 3,012,000	\$ 455,000
Changes of assumptions	948,000	-
Net difference between projected and actual earnings on pension plan investments	2,310,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,124,000	-
Employer contributions subsequent to the measurement date	2,396,790	-
Total	<u>\$ 14,790,790</u>	<u>\$ 455,000</u>

\$2,396,790 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2025	\$5,922,000
2026	2,335,000
2027	3,399,000
2028	283,000
2029	-
Thereafter	-

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2023, was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25 - 5.00%
Investment Rate of Return*	7.45%

* Net of pension plan investment expense.

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-20210 Teacher table with the following adjustments, projected generally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15%	2.8%
U.S. Large Stocks	32%	8.0%
U.S. Mid Stocks	9%	10.0%
U.S. Small Stocks	4%	11.0%
International Developed Mkt Stocks	12%	9.5%
International Emerging Mkt Stocks	3%	11.0%
Alternatives	10%	9.0%
Real Estate	10%	6.5%
Cash Equivalents	5%	2.5%
Total	<u>100%</u>	

* Includes assumed rate of inflation of 2.00%

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

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

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Employer's proportionate share of the collective net pension liability	\$ 44,006,000	\$ 33,685,000	\$ 25,005,000

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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2024, was as follows:

Description	Beginning Balance	Additions	Retirements Reclassifications	Ending Balance
Capital Assets not being depreciated				
Land	\$ 5,685,474	\$ -	\$ -	\$ 5,685,474
Construction in progress	-	320,000	-	320,000
Total capital Assets not being depreciated	<u>5,685,474</u>	<u>320,000</u>	<u>-</u>	<u>6,005,474</u>
Other Capital Assets				
Land Improvements	1,068,922	-	-	1,068,922
Building	31,280,235	-	-	31,280,235
Building Improvement	19,041,098	-	-	19,041,098
Equipment	1,243,506	133,589	-	1,377,095
Vehicles	1,096,967	709,273	-	1,806,240
Leased Right-of-Use Asset - MacBook Air	866,655	-	-	866,655
Total other capital assets at historical cost	<u>54,597,383</u>	<u>842,862</u>	<u>-</u>	<u>55,440,245</u>
Less accumulated depreciation/amortization for:				
Land Improvements	88,984	21,379	-	110,363
Building	3,026,576	1,696,695	-	4,723,271
Building Improvement	844,656	176,205	-	1,020,861
Equipment	320,574	129,505	-	450,079
Vehicles	366,533	174,295	-	540,828
Leased Right-of-Use Asset - MacBook Air	288,885	288,885	-	577,770
Total accumulated depreciation/amortization	<u>4,936,208</u>	<u>2,486,964</u>	<u>-</u>	<u>7,423,172</u>
Other Capital Assets, net	<u>49,661,175</u>	<u>1,644,102</u>	<u>-</u>	<u>48,017,073</u>
Governmental activities capital assets, net	<u>\$ 55,346,649</u>	<u>\$ 1,964,102</u>	<u>\$ -</u>	<u>\$ 54,022,547</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,968,040
Instructional support	18,552
Operation and maintenance	12,482
Auxiliary	178,735
General administrative	1,400
Other expenditures	18,870
	<u>\$ 2,198,079</u>

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one Year
Warrants, Capital Lease and Note Payable:					
BCBE- PSCA Series 2009D	\$ 22,722	\$ -	\$ (7,574)	\$ 15,148	\$ 7,573
BCBE PSCA Series 2011A	60,497	-	(20,166)	40,331	20,166
BCBE- 2017 Warrant	5,716,726	-	(284,986)	5,431,740	299,858
Bus Loan	101,700	-	(15,592)	86,108	16,158
Energy Savings Project Loan	5,540,910	-	(347,301)	5,193,609	354,295
Total Warrants, Capital Lease and Note Payable	<u>11,442,555</u>	<u>-</u>	<u>(675,619)</u>	<u>10,766,936</u>	<u>698,050</u>
Other Liabilities:					
Long term line of credit - City of Gulf Shores	14,898,790	-	(2,170,734)	12,728,056	779,560
Capital Lease	577,770	-	(288,885)	288,885	288,885
Compensated absences	438,368	39,942	-	478,310	47,804
Net Pension Liability	30,017,000	3,668,000	-	33,685,000	-
Net OPEB Liability	3,338,796	149,683	-	3,488,479	-
Total Other Liabilities	<u>49,270,724</u>	<u>3,857,625</u>	<u>(2,459,619)</u>	<u>50,668,730</u>	<u>1,116,249</u>
Governmental activities long-term liabilities	<u>\$ 60,713,279</u>	<u>\$ 3,857,625</u>	<u>\$ (3,135,238)</u>	<u>\$ 61,435,666</u>	<u>\$ 1,814,299</u>

As part of the School Board's separation from the Baldwin County Board of Education (BCBE), the Gulf Shores City Schools assumed the outstanding balance for three warrants. In accordance with the separation agreement, the BCBE will continue to make debt service payments for all existing debt at the time of the separation agreement associated with Gulf Shores City Schools through June 1, 2024. The Board shall assume responsibility for the debt service payments after June 1, 2024.

As part of ongoing improvements to the Board's existing school facilities, the City of Gulf Shores issued General Obligation School Warrant Series 2020-B (refunded Series 2019-C) for \$17,000,000. At September 30, 2022, all debt proceeds were expended for the benefit of the Board. As of the date of these financial statements, no formal agreement between the City and the Board exists concerning the terms and conditions of repayment. However, it is the City's intent for the Board to repay these amounts at a future date and as such amounts are being presented as a long-term liability.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 - LONG-TERM DEBT (continued)

Bonds and warrants payable at September 30, 2024, were comprised of the following:

PSCA Series 2009D Qualified School Construction Bonds (QSCB) payable in annual installments of \$7,573 including interest at 1.865%, payable annually on December 15th. Assumed from Baldwin County Board of Education	\$ 15,148
PSCA Series 2011A Qualified Zone Academy Bonds (QZAB) payable in annual installments of \$20,166 maturing May 2026 with interest at 4.60%, payable annually. Assumed from Baldwin County Board of Education	40,331
Series 2007 Local Warrant (refunded in 2017) payable in annual installments of \$237,337 to \$559,654 maturity June 1, 2037, with interest at 3.67% payable on June 1 and December 1. Assumed from Baldwin County Board of Education	5,431,740
SouthState Bank \$160,050 loan issued October 2019, with monthly installments of \$1,583 including interest of 3.50%; loan matures October 2029. Secured by equipment	86,108
SouthState Bank \$5,900,000 loan issued January 2022, with annual installments of \$460,890 including interest of 2.05%; loan matures December 2026. Secured by equipment	5,193,609
Total Bonds and Note Payable	<u>\$ 10,766,936</u>

Annual debt service requirements to maturity for general obligation bonds and warrants are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 698,050	\$ 351,783	\$ 1,049,210
2026	721,670	326,916	1,049,833
2027	718,630	301,199	1,048,586
2028	743,199	276,402	1,019,829
2029	768,521	250,609	1,019,601
2030-2034	4,200,582	844,024	5,025,104
2035-2037	2,916,284	184,457	4,139,485
	<u>\$ 10,766,936</u>	<u>\$ 2,535,390</u>	<u>\$ 14,351,648</u>

NOTE 9 – COMMITMENTS

In May 2024, the Board awarded a bid to Del-Con, LLC for the construction of a new central office. The total bid amount was \$1,911,690. For the year ending September 30, 2024, the Board incurred costs in the amount of \$320,000. Of those total costs, \$304,000 and \$16,000 was recorded in accounts payable and retainage payable, respectively.

NOTE 10 – CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The School Board believes such disallowances, if any, would not be material.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 – RISK MANAGEMENT

The Board is exposed to various risks of losses 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, errors and omissions, fidelity bonds, and vehicle fleet. Settled claims in the past two years have not exceeded the amounts of commercial insurance coverage.

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

The State Board of Adjustments is a state agency with which people can file against the School Board to collect reimbursement for damages when all other means have been exhausted. The School Board does not have insurance coverage for job-related injuries. Employees may, however, file claims for job related injuries with the State Board of Adjustments. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the School Board.

The School Board is party to various legal proceedings, which normally occur in the course of governmental operations. Management does not anticipate these claims to have a significant adverse impact on the financial position of the School Board.

NOTE 12 – LEASE

The Board entered into a 3-year lease agreement, effective October 15, 2022, with Apple Inc. The Board, as lessee, agrees to certain conditions for the use of 900 laptops at a total cost of \$866,655. Per the agreement, the Board is to pay three annual installments of \$288,885 which includes interest. For the year ended September 30, 2024, the annual expense for this lease was \$288,885.

The Board used the Original Issue Discount for federal income tax purposes per the agreement to discount the annual lease payment to recognize a right of use asset and lease liability as of September 30, 2024. The discount rate is 4.83% per annum.

Annual requirements to amortize this lease liability and related interest are as follows:

For the year ending September 30,	Principal	Interest	Total
2025	<u>\$ 262,873</u>	<u>\$ 26,012</u>	<u>\$ 288,885</u>

NOTE 13 - SUBSEQUENT EVENTS

The Board has evaluated subsequent events through June 20, 2025, the date these financial statements were available to be issued.

In February 2025, the Board approved the purchase of audio and visual equipment from Howard Technology Solutions in the amount of \$173,217. The equipment will be used in the Board's new central office.

In February 2025, the Board approved a contract with McKee & Associates, Inc. to provide engineering services for a new baseball and softball fieldhouse and soccer dressing rooms. The contract amount is \$217,800.

In April 2025, the Board awarded a bid to Audio Enhancement for an integrated IP based classroom sound enhancement system. Costs are not to exceed the approved bid amount of \$629,920.

In April 2025, the Board approved the purchase of office furniture for the new central office for an amount not to exceed \$150,000. The furniture will be purchased from Turnerboone, LLC.

REQUIRED SUPPLEMENTARY INFORMATION

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance	Budget to GAAP	Actual
	Original	Final	Budgetary	to Budget	Differences	Amounts
			Basis		Over (Under)	GAAP Basis
REVENUES						
State Sources	\$ 12,089,858	\$ 17,323,193	\$ 17,559,722	\$ 236,529	\$ -	\$ 17,559,722
Local Sources						
Other	18,840,272	19,868,669	19,103,118	(765,551)	-	19,103,118
City of Gulf Shores	-	-	679,509	679,509	275,442	954,951
Other Sources	150,000	150,000	269,693	119,693	-	269,693
Total revenues	<u>31,080,130</u>	<u>37,341,861</u>	<u>37,612,042</u>	<u>270,181</u>	<u>275,442</u>	<u>37,887,484</u>
EXPENDITURES						
Instructional services	17,156,451	18,045,044	17,268,636	776,408	58,457	17,327,093
Instructions support services	4,524,334	4,933,800	5,383,273	(449,473)	11,878	5,395,151
Operational and maintenance services	2,224,631	2,253,644	2,634,110	(380,466)	278,972	2,913,083
Auxiliary services	1,182,070	1,276,827	1,107,721	169,106	(2,212)	1,105,509
General administrative services	2,326,205	2,271,082	2,261,646	9,436	(7,072)	2,254,574
Capital outlay	1,500,187	6,372,820	581,867	5,790,953	-	581,867
Debt service						
Principal	-	-	2,170,736	(2,170,736)	-	2,170,736
Interest	-	-	329,264	(329,264)	-	329,264
Other expenditures	771,831	1,007,939	1,185,700	(177,761)	9,826	1,195,526
Total expenditures	<u>29,685,709</u>	<u>36,161,156</u>	<u>32,922,953</u>	<u>3,238,203</u>	<u>349,849</u>	<u>33,272,803</u>
Excess (deficiency) of revenues over expenditures	<u>1,394,422</u>	<u>1,180,706</u>	<u>4,689,089</u>	<u>3,508,383</u>	<u>(74,407)</u>	<u>4,614,681</u>
OTHER FINANCING SOURCES (USES)						
Other fund sources	189,071	164,929	17,578	(147,351)	-	17,578
Transfers in	-	-	123,375	123,375	-	123,375
Transfers out	(1,503,865)	(1,503,865)	(1,082,305)	421,560	-	(1,082,305)
Total other financing sources (uses)	<u>(1,314,793)</u>	<u>(1,338,935)</u>	<u>(941,352)</u>	<u>397,583</u>	<u>-</u>	<u>(941,352)</u>
Net change in fund balances	<u>79,628</u>	<u>(158,229)</u>	<u>3,747,737</u>	<u>3,905,966</u>	<u>(74,407)</u>	<u>3,673,329</u>
Fund balances (deficit) - beginning	<u>6,596,187</u>	<u>7,234,100</u>	<u>7,234,100</u>	<u>-</u>	<u>(2,267,628)</u>	<u>4,966,473</u>
Fund balances - ending	<u>\$ 6,675,815</u>	<u>\$ 7,075,871</u>	<u>\$ 10,981,837</u>	<u>\$ 3,905,966</u>	<u>\$ (2,342,035)</u>	<u>\$ 8,639,802</u>

Explanation of differences:

Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12-month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries earned but not paid are reported as expenditures on the financial statements.

\$ (74,407)

During 2024, the General Fund received \$275,442 in non-cash appropriations from the City of Gulf Shores that was for non-capital expenditures. The Board recorded these non-cash contributions as both a revenue and expenditure.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual		Budget to GAAP	Actual
	Original	Final	Budgetary	Variance	Differences	Amounts
			Basis	to Budget	Over (Under)	GAAP Basis
REVENUES						
Federal Sources	\$ 2,544,349	\$ 2,771,291	\$ 2,772,823	\$ 1,532	\$ -	\$ 2,772,823
Local Sources	1,584,904	1,425,904	2,416,282	990,378	-	2,416,282
Other Sources	15,000	15,000	24,263	9,263	-	24,263
Total revenues	<u>4,144,253</u>	<u>4,212,195</u>	<u>5,213,368</u>	<u>1,001,173</u>	<u>-</u>	<u>5,213,368</u>
EXPENDITURES						
Instructional services	2,122,838	2,132,534	2,957,195	(824,661)	19,484	2,976,679
Instructions support services	624,072	535,401	1,023,302	(487,901)	(14,422)	1,008,880
Operational and maintenance services	83,142	83,142	102,726	(19,584)	-	102,726
Auxiliary services	1,302,646	1,400,603	1,693,364	(292,761)	1,356	1,694,720
General administrative services	243,026	170,610	162,781	7,829	518	163,299
Capital Outlay	-	-	90,402	(90,402)	-	90,402
Debt service	-	-	-	-	-	-
Other expenditures	<u>445,611</u>	<u>404,287</u>	<u>315,665</u>	<u>88,622</u>	<u>958</u>	<u>316,623</u>
Total expenditures	<u>4,821,336</u>	<u>4,726,578</u>	<u>6,345,435</u>	<u>(1,618,857)</u>	<u>7,894</u>	<u>6,353,329</u>
Excess (deficiency) of revenues over expenditures	<u>(677,083)</u>	<u>(514,383)</u>	<u>(1,132,067)</u>	<u>(617,684)</u>	<u>(7,894)</u>	<u>(1,139,961)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	943,865	943,865	1,362,112	418,248	-	1,362,112
Transfers out	<u>-</u>	<u>-</u>	<u>(403,182)</u>	<u>(403,182)</u>	<u>-</u>	<u>(403,182)</u>
Total other financing sources (uses)	<u>943,865</u>	<u>943,865</u>	<u>958,930</u>	<u>15,066</u>	<u>-</u>	<u>958,930</u>
Net change in fund balances	<u>266,782</u>	<u>429,482</u>	<u>(173,137)</u>	<u>(602,619)</u>	<u>(7,894)</u>	<u>(181,031)</u>
Fund balances (deficit) - beginning	<u>1,440,000</u>	<u>1,738,283</u>	<u>1,779,693</u>	<u>-</u>	<u>(178,443)</u>	<u>1,601,250</u>
Fund balances - ending	<u>\$ 1,706,782</u>	<u>\$ 2,167,765</u>	<u>\$ 1,606,556</u>	<u>\$ (602,619)</u>	<u>\$ (186,337)</u>	<u>\$ 1,420,219</u>

Explanation of differences:

Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12-month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries earned but not paid are reported as expenditures on the financial statements.

\$ (7,894)

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF BOARD'S CONTRIBUTIONS
ALABAMA RETIRED EDUCATION EMPLOYEE'S HEALTHCARE TRUST
FOR FISCAL YEAR ENDED SEPTEMBER 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 270,416	\$ 287,489	\$ 365,438	\$ 288,722	\$ 305,106	\$ 105,707
Contributions in relation to the contractually required contribution	<u>(270,416)</u>	<u>(287,489)</u>	<u>(365,438)</u>	<u>(288,722)</u>	<u>(305,106)</u>	<u>(105,707)</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Board's covered-employee payroll	\$ 18,991,332	\$ 18,289,645	\$ 15,439,008	\$ 13,482,118	\$ 11,329,390	\$ 1,792,307
Contributions as a percentage of covered-employee payroll	1.42%	1.57%	2.37%	2.14%	2.69%	5.90%

Schedule is intended to show 10 years. Additional years will be displayed as they become available.

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEE'S HEALTHCARE TRUST
AS OF SEPTEMBER 30 (MEASUREMENT DATE)

	2023	2022	2021	2020	2019
Board's proportion of the net OPEB Liability	0.181488%	0.191615%	0.165697%	0.152713%	0.022415%
Board's proportionate share of the net OPEB liability	\$ 3,488,479	\$ 3,338,796	\$ 8,561,255	\$ 9,910,861	\$ 845,666
Board's covered -employee payroll during the measurement period*	\$ 18,289,645	\$ 15,439,008	\$ 13,482,118	\$ 11,329,390	\$ 1,792,307
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	19.07%	21.63%	63.50%	87.48%	47.18%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	48.39%	27.11%	28.14%	28.14%

* Board's covered payroll during the measurement period is the total covered payroll. For fiscal year 2024, the measurement period is October 1, 2022 - September 30, 2023.

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF BOARD'S CONTRIBUTIONS
TEACHER'S RETIREMENT SYSTEM OF ALABAMA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30

	2024	2023	2022	2021	2020	2019
Contractually required contribution	\$ 2,396,790	\$ 2,131,077	\$ 1,802,616	\$ 1,572,408	\$ 1,420,291	\$ 224,161
Contributions in relation to the contractually required contribution	2,396,790	2,131,077	1,802,616	1,572,408	1,420,291	224,161
Contribution deficiency (excess)	-	-	-	-	-	-
Board's covered-employee payroll	\$ 19,670,619	\$ 17,528,124	\$ 14,982,682	\$ 13,114,509	\$ 11,660,464	\$ 1,710,505
Contributions as a percentage of covered-employee payroll	12.18%	12.16%	12.03%	11.99%	12.18%	13.10%

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

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
TEACHER'S RETIREMENT SYSTEM OF ALABAMA
AS OF SEPTEMBER 30 (MEASUREMENT DATE)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Board's proportion of the collective net pension liability	21.108900%	0.193149%	0.179457%	0.164658%	0.025737%
Board's proportionate share of the collective net pension liability	\$ 33,685,000	\$ 30,017,000	\$ 16,905,000	\$ 20,368,000	\$ 2,846,000
Board's covered payroll during the measurement period*	\$ 17,528,124	\$ 14,982,682	\$ 13,114,509	\$ 11,660,464	\$ 1,710,505
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	52%	50%	78%	57%	60%
Plan fiduciary net position as a percentage of the total collective pension liability	63.57%	62.21%	76.44%	67.72%	69.85%

* Employer's covered payroll during the measurement period is the total covered payroll (See GASB 82). For the fiscal year 2024, the measurement period is October 1, 2022 through September 30, 2023.

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

NOTE 1 – NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

Changes in Actuarial Assumptions

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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

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

Recent Plan Changes

The September 30, 2022, valuation reflects the impact of Act 2022-222

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contributions rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

* Initial Medicare claims are set bases on schedules increases through plan year 2022.

SUPPLEMENTARY INFORMATION

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing/CFDA Number	Expenditures
U.S. Department of Education		
Passed Through State Department of Education		
<i>Special Education Cluster:</i>		
Special Education Grants to States	84.027	\$ 623,644
Special Education Preschool Grants	84.173	10,179
<i>Total Special Education Cluster:</i>		<u>633,823</u>
<i>Education Stabilization Cluster:</i>		
CARES Elementary & Secondary School Emergency Relief Fund	84.425D	7,183
American Rescue Plan - Elementary & Secondary School Emergency Relief Fund	84.425U	442,714
American Rescue Plan - Elementary & Secondary School Emergency Relief - Homeless Children and Youth	84.425W	7,238
<i>Total Education Stabilization Cluster:</i>		<u>457,135</u>
Title I, Part A- Grants to Local Educational Agencies (LEAs)	84.010	319,791
Title II, Part A, Supporting Effective Instruction State Grant	84.367	56,753
Title IV, Part A, Student Support and Academic Enrichment Grant	84.424	23,514
Title IV, Part B, 21st Century Comm. Learning Ctrs.	84.287C	116,892
Career and Technical Education- Basic Grants to States	84.048A	49,565
Total U.S. Department of Education		<u>1,657,473</u>
U.S. Department of Defense		
ROTC Language and Cultural Training Grants	12.357	<u>76,464</u>
U.S. Environmental Protection Agency		
Diesel Emissions Reduction Act (DERA)	66.040	<u>63,470</u>
U.S. Department of Agriculture		
Passed Through State Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	167,537
National School Lunch Program	10.555	701,993
Team Nutrition Grants	10.574	4,710
Summer Food Services Program for Children	10.559	12,715
<i>Total Child Nutrition Cluster:</i>		<u>886,955</u>
<i>Food Distribution Cluster:</i>		
Commodity Supplement Food Program	10.565	<u>65,852</u>
Total U.S. Department of Agriculture		<u>952,807</u>
Total Federal Awards		<u><u>\$ 2,750,214</u></u>

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. The Board has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs.

Indirect Cost Rate

The State Department of Education approves the Board's indirect cost rate annually, therefore, the Board has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS

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



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INDEPENDENT AUDITORS' 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*

To the Members of the Board
Gulf Shores City Schools Board of Education
Gulf Shores, Alabama

We have audited, in accordance with the 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gulf Shores City Schools Board of Education, as of and for the year ended September 30, 2024, 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 20, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor", is written over the printed name of the firm.

Grant, Sanders & Taylor, Inc.
Gulf Shores, Alabama
June 20, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE



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

To the Members of the Board
Gulf Shores City Schools Board of Education
Gulf Shores, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Gulf Shores City Schools Board of Education's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Gulf Shores City Schools Board of Education's major federal programs for the year ended September 30, 2024. Gulf Shores City Schools Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Gulf Shores City Schools 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 each of its major federal programs for the years ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respects to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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



Grant, Sanders & Taylor, Inc.
Gulf Shores, Alabama
June 20, 2025

GULF SHORES CITY SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I- SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified Opinion	Unmodified Opinion		
Internal control over financial reporting:			
Material weakness(es) identified?	___	Yes <u>X</u>	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___	Yes <u>X</u>	None reported
Noncompliance material to financial statements noted?	___	Yes <u>X</u>	No

Federal Awards

Internal control over major program:			
Material weakness(es) identified?	___	Yes <u>X</u>	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___	Yes <u>X</u>	None reported
Type of auditors' report issued on compliance for major program:	Unmodified Opinion		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516 (a)?	___	Yes <u>X</u>	No
Identification of Major Programs			
<u>Federal CFDA Number</u>	<u>Federal Program or Cluster</u>		
10.553, 10.555, 10.559 & 10.574	Child Nutrition Cluster		
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000		
Auditee qualified as low-risk auditee?	<u>X</u>	Yes ___	No

SECTION II- FINANCIAL STATEMENT FINDINGS:

No matters were reportable

SECTION III- FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

No matters were reportable