

ORANGE BEACH BOARD OF EDUCATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

**Orange Beach Board of Education
Financial Statements
September 30, 2024**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
Orange Beach Board of Education
Orange Beach, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange Beach 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 Orange Beach Board of Education's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange Beach Board of Education 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 Orange Beach Board of Education'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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing 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 Orange Beach Board of Education'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 Orange Beach Board of Education'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 budgetary comparison information on pages 31-32, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 34-35, schedule of proportionate share of the net OPEB liability, schedule of Board contributions on pages, and notes to the required supplementary information on pages 36-37 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.

Management has omitted the management's discussion and analysis 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 April 15, 2025, on our consideration of the Orange Beach Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Orange Beach Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange Beach Board of Education's internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

April 15, 2025
Brewton, Alabama

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Orange Beach Board of Education
Statement of Net Position
September 30, 2024

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 4,765,518
Receivables, Net	4,904,586
Inventories	37,750
Capital Assets:	
Nondepreciable	19,394,937
Depreciable, Net	77,996,678
Total Assets	107,099,469
Deferred Outflows of Resources	
Employer Pension Contribution	1,341,162
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	11,040,000
Employer OPEB Contribution	150,945
Proportionate Share of Collective Deferred Outflows Related to OPEB	6,748,132
Total Deferred Outflows of Resources	19,280,239
Liabilities	
Accounts Payable	408,182
Salaries and Benefits Payable	1,223,326
Long-Term Liabilities:	
Portion Due or Payable Within One Year	29,096
Portion Due or Payable After One Year	21,465,342
Total Liabilities	23,125,946
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	262,000
Proportionate Share of Collective Deferred Inflows Related to OPEB Liability	4,972,636
Total Deferred Inflows of Resources	5,234,636
Net Position	
Net Investment in Capital Assets	97,391,615
Restricted for:	
Education	806,221
Construction	921,224
Unrestricted	(1,099,934)
Total Net Position	\$ 98,019,126

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

Orange Beach Board of Education
Statement of Activities
For the Year Ended September 30, 2024

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Governmental Activities
Instructional	\$ 15,623,966	\$ -	\$ 425,146	\$ 904	\$ (15,197,916)
Instructional Support	4,247,536	1,339,392	533,336	-	(2,374,808)
Operation and Maintenance	7,469,047	85,403	3,461,227	26,185	(3,896,232)
Student Transportation	636,629	-	288,655	45,486	(302,488)
Food Service	854,546	200,890	-	241,049	(412,607)
General Administrative	2,038,480	336,291	12,285	24,468	(1,665,436)
Other Expenses	325,104	953,139	174,525	-	802,560
Total Governmental Activities	<u>\$ 31,195,308</u>	<u>\$ 2,915,115</u>	<u>\$ 4,895,174</u>	<u>\$ 338,092</u>	<u>(23,046,927)</u>

General revenues:

Taxes:

Property Taxes for General Purposes	8,073,283
Sales Tax	4,971,713
Other Taxes	497
Appropriations from the City	23,818,404
Miscellaneous	39,677
Total General Revenues	<u>36,903,574</u>
Changes in Net Position	13,856,647
Net Position - Beginning of Year	<u>84,162,479</u>
Net Position - End of Year	<u><u>\$ 98,019,126</u></u>

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

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Orange Beach Board of Education
Balance Sheet
September 30, 2024

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 5,276,449	\$ 754,165	\$ (1,265,095)	\$ 4,765,519
Receivables, Net	2,596,044	122,223	2,186,319	4,904,586
Inventories	-	37,750	-	37,750
Total Assets	<u>\$ 7,872,493</u>	<u>\$ 914,138</u>	<u>\$ 921,224</u>	<u>\$ 9,707,855</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 368,512	\$ 39,670	\$ -	\$ 408,182
Salaries and Benefits Payable	1,155,079	68,247	-	1,223,326
Total Liabilities	<u>1,523,591</u>	<u>107,917</u>	<u>-</u>	<u>1,631,508</u>
Fund Balances				
Restricted for:				
Education	-	806,221	-	806,221
Construction	-	-	921,224	921,224
Unassigned	6,348,902	-	-	6,348,902
Total Fund Balances	<u>6,348,902</u>	<u>806,221</u>	<u>921,224</u>	<u>8,076,347</u>
Total Liabilities and Fund Balances	<u>\$ 7,872,493</u>	<u>\$ 914,138</u>	<u>\$ 921,224</u>	<u>\$ 9,707,855</u>

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

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Orange Beach Board of Education
Reconciliation of the Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2024

Total Fund Balances - Governmental Funds		\$	8,076,347
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
The Cost of Capital Assets is		\$	109,105,257
Accumulated Depreciation is			(11,713,642)
			97,391,615
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
			12,119,162
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.			
			1,926,440
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Current Portion of Long-Term Liabilities			(29,096)
Noncurrent Portion of Long-Term Liabilities			(21,465,342)
			(21,494,438)
Total Net Position - Governmental Activities		\$	98,019,126

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

Orange Beach Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2024

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Revenues				
State	\$ 5,649,698	\$ -	\$ 69,954	\$ 5,719,652
Federal	-	715,387	-	715,387
Local	13,706,828	824,664	-	14,531,492
Other	267,020	-	-	267,020
Total Revenues	<u>19,623,546</u>	<u>1,540,051</u>	<u>69,954</u>	<u>21,233,551</u>
Expenditures				
Current:				
Instructional	10,413,001	945,039	-	11,358,040
Instructional Support	3,819,933	427,602	-	4,247,535
Operation and Maintenance	2,256,722	69,175	-	2,325,897
Auxiliary Services:				
Student Transportation	504,639	76,833	-	581,472
Food Service	-	754,506	-	754,506
General Administrative	2,014,012	-	24,469	2,038,481
Other	284,129	40,974	-	325,103
Capital Outlay	3,179,794	-	16,530,246	19,710,040
Total Expenditures	<u>22,472,230</u>	<u>2,314,129</u>	<u>16,554,715</u>	<u>41,341,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,848,684)</u>	<u>(774,078)</u>	<u>(16,484,761)</u>	<u>(20,107,523)</u>
Other Financing Sources (Uses)				
Appropriations from the City	7,429,769	-	16,388,635	23,818,404
Transfers In	-	1,103,500	363,254	1,466,754
Transfers Out	(1,466,754)	-	-	(1,466,754)
Total Other Financing Sources	<u>5,963,015</u>	<u>1,103,500</u>	<u>16,751,889</u>	<u>23,818,404</u>
Net Changes in Fund Balances	3,114,331	329,422	267,128	3,710,881
Fund Balances - Beginning of Period	3,234,571	476,799	654,096	4,365,466
Fund Balances - End of Period	<u>\$ 6,348,902</u>	<u>\$ 806,221</u>	<u>\$ 921,224</u>	<u>\$ 8,076,347</u>

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

**Orange Beach Board of Education
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances to
the Statement of Activities
For the Year Ended September 30, 2024**

Net Changes in Fund Balances - Total Governmental Funds \$ 3,710,881

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital Outlays	\$ 19,710,040	
Depreciation Expense	<u>(5,407,580)</u>	14,302,460

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, Increase/Decrease		(60,266)
Pension Expense, Current Year Increase/Decrease		(4,154,660)
OPEB Expense, Current Year Increase/Decrease		<u>58,232</u>

Change in Net Position of Governmental Activities \$ 13,856,647

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

**Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The financial statements of the Orange Beach Board of Education (the Board) have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 61, the Board includes those funds, account groups, agencies, boards, commissions and authorities for which the Board has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

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

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

Fund Level

The government fund level financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounts of the Board are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund—The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Board which are not accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund—Special revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources.

Capital Project Fund—Capital project funds are used to account for the financial resources used to construct or acquire major capital items.

C. CAPITAL ASSETS

The accounting treatment over capital assets depends on whether the assets are used by fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The Board has established a minimum capitalization threshold of \$5,000 for personal property and \$50,000 for real property. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds. Depreciation is not provided at the fund level.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line rates as follows:

Buildings and improvements	15-50 years
Vehicles and equipment	5-20 years

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is, when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: property taxes and federal financial assistance programs, which are measurable and available to finance expenditures of the current period.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, was issued to define *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, along with the accounting, reporting, and disclosures relating to these changes. The requirements of GASB Statement No. 100 are effective for the reporting periods beginning after June 15, 2023. The Board has evaluated the impact that this statement has on its financial statements and has determined the effect is immaterial.

GASB Statement No. 101, *Compensated Absence*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of GASB Statement No. 101 are effective for the reporting periods beginning after June 15, 2023. The Board has evaluated the impact that this statement has on its financial statements and has determined the effect is immaterial.

Recently Issued Accounting Principles

GASB Statement No. 102, *Certain Credit Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB Statement No. 102 are effective for the reporting periods beginning after June 15, 2024. The Board is currently evaluating the impact this may have to the financial statements.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 103, *Financial Reporting Model Improvements*, requires various improvements to Managements Discussion & Analysis, the definitions of both operating and nonoperating revenues and expenses, and various changes to the required presentation of unusual or infrequent items, the proprietary fund statements, component units, and budgetary comparisons. The requirements of GASB Statement No. 103 are effective for the reporting periods beginning after June 15, 2025. The Board is currently evaluating the impact this may have to the financial statements.

F. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments. The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

G. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of food products purchased to be sold in the cafeteria facilities. The costs of governmental fund inventories are recorded as expenditures when purchased, except commodities donated by the federal government, which are expensed when consumed.

H. USE OF ESTIMATES

The 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.

I. COMPENSATED ABSENCES

All personnel who are employed full-time on a 12-month basis are entitled to 12 days vacation leave per year. No more than 45 days can be carried over to the next year. Due to the intensity of summer work, the Superintendent may carry over days and must use all carry-over vacation according to the terms of his/her negotiated contract. Any vacation taken during the school year must be approved by the Superintendent.

Vacation days shall be earned by the month and accountable by the year, July 1 through June 30. One (1) vacation day will be earned for each month of employment up to 12 days unless the employee is under a contract with specific terms for vacation. An employee leaving the services of the school system in accordance with contractual obligations shall be entitled to accrued leave not to exceed twenty (20) days and personal leave not to exceed (2) days. This terminal leave shall not extend beyond the employee's contract. Accumulated, unused annual leave vacation time will be paid at the employee's daily rate of pay upon resignation, retirement, or death.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Orange Beach School System employees shall be allowed to accumulate an unlimited number of sick leave days. A new employee may transfer unused earned sick leave from another Alabama school Board, as permitted by law, upon certification by the previous employer. Professional and support employees earn non-vesting sick leave at the rate of one day per month worked.

Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

J. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The Board adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which superseded GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance is classified into one of the following five components:

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—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 laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of “restricted, committed or assigned fund balances.” This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

K. ENCUMBRANCES

Encumbrances represent commitments related to underperformed contracts for goods or services. Encumbrances accounting—under which purchase orders, contracts and other commitments for the expenditure or resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Deferred inflows and outflows relating to pensions and OPEB are derived from the difference 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.

M. PENSIONS

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

N. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through April 15, 2025, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at 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

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 2 DEPOSITS AND INVESTMENTS (continued)

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 financial institutions.

NOTE 3 RISK MANAGEMENT

Rather than finance various risks through self-insurance, the Board has elected to carry traditional insurance coverage.

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Board has insurance for its building and contents through an insurance company. The insurance company provides coverage up to \$94,543,749. Errors and omissions insurance is purchased from the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and vehicle fleet. Settled claims in the past three years have not exceeded the amounts of commercial insurance coverage.

The State Board of Adjustments is a state agency with which people can file against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. 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 Board.

NOTE 4 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama and the City of Orange Beach, Alabama, on behalf of the Board. These payments or services are reflected as revenues and expenditures on the Board’s financial statements in the applicable funds for which they apply.

NOTE 5 CONTINGENT LIABILITIES

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 amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE 6 INTERFUND TRANSACTIONS

During the course of normal operations, the Board has numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reflected

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 6 INTERFUND TRANSACTIONS (continued)

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 these transactions to fund ongoing operating subsidies.

At September 30, 2024, interfund transfers consisted of the following:

		Transfers Out
		General Fund
Transfers In		
Special Revenue Fund	\$	1,103,500
Capital Projects Fund		363,254
Totals	\$	1,466,754

NOTE 7 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Teachers’ Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. The TRS was established as of September 15, 1939 under the provisions of 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. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama 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 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 highest 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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 **DEFINED BENEFIT PENSION PLAN (continued)**

the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the members' age, service credit, employment status and eligibility for retirement.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

Contributions

Covered 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. 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. 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 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 \$1,341,162 for the fiscal year ended September 30, 2024.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

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

At September 30, 2024, the System reported a liability of \$19,412,000 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 Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the Board's proportion was 0.121644%, which was an increase of 0.007545% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized a change in pension expense of \$4,154,660. At September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,736,000	\$ 262,000
Changes of assumptions	546,000	-
Net difference between projected and actual earnings on pension plan investments	1,331,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	7,427,000	-
Employer contributions subsequent to the measurement date	1,341,162	-
Total	\$ 12,381,162	\$ 262,000

\$1,341,162 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	\$ 3,581,000
2026	3,267,000
2027	3,822,000
2028	108,000
2029	-
Therafter	-
	\$ 10,778,000

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 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%
Investment rate of return*	7.45%
Projected salary increases	3.25% - 5.0%

*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 on September 2021, which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustments 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	Contigent 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.

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Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-term Expected Rate of Return
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
Alternatives	3.00%	11.00%
International Emerging Market Stocks	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.00%

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

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Board's proportionate share of collective net pension liability	\$ 25,359,000	\$ 19,412,000	\$ 14,410,000

**Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

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/>.

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455)* to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. 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 PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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.

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

**Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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 Orange Beach Board of Education reported a liability of \$1,936,957 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Orange Beach Board of Education's proportion of the net OPEB liability was based on a projection of the Orange Beach Board of Education's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2023, the Orange Beach Board of Education's proportion was 0.10077033 percent, which was an increase of 0.01473099 percent from its proportion measured as of September 30, 2022.

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

For the year ended September 30, 2024, the System recognized OPEB expense of \$60,266, 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 Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,874	\$ 3,056,462
Changes of assumptions	1,631,820	1,916,174
Net difference between projected and actual earnings on OPEB plan investments	66,163	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,012,275	-
Employer contributions subsequent to the measurement date	150,945	-
Total	<u>\$ 6,899,077</u>	<u>\$ 4,972,636</u>

\$150,945 reported as deferred outflows of resources related to OPEB resulting from System 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 pension expense as follows:

Year ended September 30:	
2025	\$ (79,618)
2026	553,195
2027	547,644
2028	298,031
2029	409,198
Thereafter	47,046
	<u>\$ 1,775,496</u>

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:

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.50%
Salary increases	3.25%-5.00%%, 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%
Yearly fiduciary net position (FNP) to be depleted	N/A
Single equivalent interest rate the measurement date	7.00%
Single equivalent interest rate the prior measurement date	7.00%
Healthcare cost trend rate	
Pre-medicare eligible	7.00%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2033
Medicare eligible	4.50% in 2033

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

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

Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustments to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Employee 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
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly

**Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 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. 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 Orange Beach Board of Education’s proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

The following table presents the Orange Beach Board of Education’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)
Board's proportionate share of collective net OPEB liability	\$ 1,468,193	\$ 1,936,957	\$ 2,506,132

The following table presents the Orange Beach Board of Education’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 Rate 7.00%	1% Increase 8.00%
Board's proportionate share of collective net OPEB liability	\$ 2,391,170	\$ 1,936,957	\$ 1,550,363

OPEB plan fiduciary net position

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

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 9 CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 8,235,620	\$ 19,076,819	\$ 7,917,502	\$ 19,394,937
Total Capital Assets, Not Being Depreciated	<u>8,235,620</u>	<u>19,076,819</u>	<u>7,917,502</u>	<u>19,394,937</u>
Capital Assets Being Depreciated:				
Buildings & Building Improvements	63,620,356	8,253,735	-	71,874,091
Equipment and Furniture	17,539,241	296,988	-	17,836,229
Total Capital Assets Being Depreciated	<u>81,159,597</u>	<u>8,550,723</u>	<u>-</u>	<u>89,710,320</u>
Less Accumulated Depreciation for:				
Buildings & Building Improvements	2,040,742	1,904,948	-	3,945,690
Equipment and Furniture	4,265,320	3,502,632	-	7,767,952
Total Accumulated Depreciation	<u>6,306,062</u>	<u>5,407,580</u>	<u>-</u>	<u>11,713,642</u>
Total Capital Assets Being Depreciated, Net	<u>74,853,535</u>	<u>3,143,143</u>	<u>-</u>	<u>77,996,678</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 83,089,155</u>	<u>\$ 22,219,962</u>	<u>\$ 7,917,502</u>	<u>\$ 97,391,615</u>

Depreciation expense was charged to governmental functions/programs as follows:

Instructional	\$ 109,233
Operation and Maintenance	5,143,150
Student Transportation	55,157
Food Service	100,040
Total Depreciation Expense - Governmental Activities	<u>\$ 5,407,580</u>

Orange Beach Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 10 LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Liabilities:					
Compensated Absences	\$ 85,216	\$ 124,189	\$ 63,924	\$ 145,481	\$ 29,096
Net Pension Liability	17,732,000	1,680,000	-	19,412,000	-
Net OPEB Liability	1,499,191	437,766	-	1,936,957	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 19,316,407</u>	<u>\$ 2,241,955</u>	<u>\$ 63,924</u>	<u>\$ 21,494,438</u>	<u>\$ 29,096</u>

NOTE 11 OTHER COMMITMENTS

On May 23, 2022, the Board entered into a separation agreement with the Baldwin County Board of Education (BCBOE). Per the agreement, the Board will make yearly payments to the BCBOE for the funding portions of the BCBOE's Bonds/Warrant issues that pertained to construction and facility improvements to the Orange Beach Elementary School. The future minimum payments are as follows:

<u>Year Ending September 30,</u>	
2025	\$ 210,266
2026	200,232
2027	191,486
2028	195,684
2029	191,470
Thereafter	<u>1,164,031</u>
	<u><u>\$ 2,153,169</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Orange Beach Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual	Budget
	Original	Final	Amounts	to GAAP
			GAAP Basis	Differences
				Over (Under)
Revenues				
State	\$ 1,652,889	\$ 5,150,586	\$ 5,649,698	\$ (499,112)
Federal	100	100	-	100
Local	19,696,483	19,696,483	13,706,828	5,989,655
Other	-	233,539	267,020	(33,481)
Total Revenues	21,349,472	25,080,708	19,623,546	5,457,162
Expenditures				
Current:				
Instructional	9,531,219	10,452,927	10,413,001	39,926
Instructional Support	5,119,692	4,527,339	3,819,933	707,406
Operation and Maintenance	2,394,971	2,786,601	2,256,722	529,879
Auxiliary Services	403,455	434,840	504,639	(69,799)
General Administrative	1,434,994	1,601,206	2,014,012	(412,806)
Other	303,998	405,562	284,129	121,433
Capital Outlay	-	3,042,865	3,179,794	(136,929)
Total Expenditures	19,188,329	23,251,340	22,472,230	779,110
Excess (Deficiency) of Revenues				
Over Expenditures	2,161,143	1,829,368	(2,848,684)	4,678,052
Other Financing Sources (Uses):				
Appropriations from the City	-	-	7,429,769	(7,429,769)
Other Sources	-	3,373	-	3,373
Other Uses	(2,323,079)	(1,212,879)	-	(1,212,879)
Transfers Out	-	-	(1,466,754)	1,466,754
Total Other Financing Sources (Uses)	(2,323,079)	(1,209,506)	5,963,015	(7,172,521)
Net Change in Fund Balances	(161,936)	619,862	3,114,331	(2,494,469)
Fund Balances - Beginning of Period	4,680,000	4,228,906	3,234,571	(539,026)
Fund Balances - End of Period	\$ 4,518,064	\$ 4,848,768	\$ 6,348,902	\$ (3,033,495)

See note required to supplementary information.

Orange Beach Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
(12) – Special Revenue Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual	Budget
	Original	Final	Amounts	to GAAP
			GAAP Basis	Differences
				Over (Under)
Revenues				
Federal	\$ 688,194	\$ 691,458	\$ 715,387	\$ (23,929)
Local	1,108,584	1,108,584	824,664	283,920
Total Revenues	1,796,778	1,800,042	1,540,051	259,991
Expenditures				
Current:				
Instructional	964,144	1,005,525	945,039	60,486
Instructional Support	390,894	338,617	427,602	(88,985)
Operation and Maintenance	65,218	75,218	69,175	6,043
Auxiliary Services	658,403	724,181	831,339	(107,158)
General Administrative	-	3,988	-	3,988
Other	94,768	96,030	40,974	55,056
Total Expenditures	2,173,427	2,243,559	2,314,129	(70,570)
Excess (Deficiency) of Revenues				
Over Expenditures	(376,649)	(443,517)	(774,078)	330,561
Other Financing Sources (Uses):				
Other Sources	1,162,449	1,178,973	1,103,500	75,473
Other Uses	(145,342)	(145,342)	-	(145,342)
Total Other Financing Sources (Uses)	1,017,107	1,033,631	1,103,500	(69,869)
Net Change in Fund Balances	640,458	590,114	329,422	260,692
Fund Balances - Beginning of Period	735,000	533,064	476,799	56,265
Fund Balances - End of Period	\$ 1,375,458	\$ 1,123,178	\$ 806,221	\$ 316,957

See note required to supplementary information.

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Orange Beach Board of Education
Note to Required Supplementary Information
September 30, 2024

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before October 1 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. Neither the superintendent of education nor the Board can approve any budget for operations of the school system for a fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

Budgeted amounts for the year ended September 30, 2024 are as originally adopted by the Board on August 31, 2023. Final budgeted amounts were adopted by the Board on May 9, 2024.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal yearend. Project length financial plans are adopted for all capital project funds.

Orange Beach Board of Education
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
For the Fiscal Year Ended September 30,

	<u>2024</u>	<u>2023</u>
Board's proportion of the net pension liability	0.121644%	0.114099%
Board's proportionate share of the net pension liability	\$ 19,412,000	\$ 17,732,000
Board's covered-employee payroll*	\$ 11,050,993	\$ 9,388,517
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.66%	188.87%
Plan fiduciary net position as a percentage of the total pension liability	63.57%	62.21%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2024, the measurement period is October 1, 2022 – September 30, 2023.

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Orange Beach Board of Education
Schedule of Board Contributions
Teacher's Retirement Plan of Alabama
For the Fiscal Year Ended September 30,

	2024	2023
Contractually Required Contribution*	\$ 1,341,162	\$ 1,226,822
Contributions in relation to the contractually required contribution*	1,341,162	1,226,822
Common deficiency (excess)	\$ -	\$ -
Board's covered employee-payroll**	\$ 11,050,993	\$ 9,388,517
Contributions as a percentage of covered-employee payroll	12.14%	13.07%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

**Employer's covered-employee payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2024, the measurement period is October 1, 2022 – September 30, 2023.

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Orange Beach Board of Education
Schedule of the Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30,

	<u>2024</u>	<u>2023</u>
Board's proportion of the net OPEB liability	0.100770%	0.086039%
Board's proportionate share of the net OPEB liability	\$ 1,936,957	\$ 1,499,191
Board's covered-employee payroll*	\$ 11,050,993	\$ 9,388,517
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.53%	15.97%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	48.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2024, the measurement period is October 1, 2022 – September 30, 2023.

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Orange Beach Board of Education
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30,

	2024	2023
Contractually Required Contribution*	\$ 150,945	\$ 21,360
Contributions in relation to the contractually required contribution	150,945	21,360
Contribution deficiency (excess)	\$ -	\$ -
Board's covered employee-payroll	\$ 11,050,993	\$ 9,388,517
Contributions as a percentage of covered-employee payroll	1.37%	0.23%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2024, the measurement period is October 1, 2022 – September 30, 2023.

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Orange Beach Board of Education
Note to the Required Supplementary Information
Alabama Retired Educator Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2024

NOTE 1

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 reflect actual experience more closely.

Recent Plan Changes

The 9/30/2022 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.

Methods 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 contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	21 year, 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 based on scheduled increases through plan year 2022.

COMPLIANCE SECTION



**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***

Members of the Board
Orange Beach Board of Education
Orange Beach, 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, each major fund, and the aggregate remaining fund information of Orange Beach Board of Education as of and for year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Orange Beach Board of Education's basic financial statements and have issued our report thereon dated April 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orange Beach Board of Education's internal control over financial reporting (internal control) to determine the 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 Orange Beach Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Orange Beach 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Orange Beach 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 determination of financial statement amounts. 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*.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange Beach 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 determination of financial statement amounts. 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.

Avizo Group, Inc.

Certified Public Accountants

April 15, 2025
Brewton, Alabama