



ALEXANDER CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Alexander City Board of Education

Opinion

We have audited 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 the Alexander City Board of Education, as of September 30, 2025, and the related notes to the financial statements, which collectively comprise Alexander City 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 Alexander City Board of Education, as of September 30, 2025, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alexander City 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 these 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 Alexander City Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing 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 Alexander City 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 Alexander City 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, schedule of proportionate share of the net pension liability and schedule of contributions, schedule of proportionate share of OPEB liability and schedule of contributions, respectively, to 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of Alexander City 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 Alexander City 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 Alexander City Board of Education's internal control over financial reporting and compliance.

Doeren Mayhew Assurance

Birmingham, Alabama
June 29, 2026

Alexander City Board of Education

Statement of Net Position

September 30, 2025

Assets

Current assets:	
Cash and Cash Equivalents	\$ 36,137,891
Investments	23,474
Ad Valorem Property Taxes Receivable	5,310,000
Accounts Receivable, Net	1,687,757
Inventories	91,400
Total Current Assets	<u>43,250,522</u>
Capital Assets:	
Capital Assets not being Depreciated	112,985,653
Capital Assets being Depreciated, Net	19,854,368
Total Capital Assets	<u>132,840,020</u>
Total Assets	<u>176,090,542</u>

Deferred Outflows of Resources

Related to Net Pension Liability	7,063,336
Related to Net OPEB Liability	21,734,768
Total Deferred Outflows of Resources	<u>28,798,104</u>

Liabilities

Current Liabilities:	
Accounts Payable	5,489,589
Unearned Revenue	11,217
Salaries and Benefits Payable	2,938,149
Accrued Interest Payable	1,402,373
Total Current Liabilities	<u>9,841,328</u>
Long-Term Liabilities:	
Portion Due or Payable Within One Year	2,012,976
Portion Due or Payable After One Year	167,081,745
Total Long-Term Liabilities	<u>169,094,721</u>
Total Liabilities	<u>178,936,049</u>

Deferred Inflows of Resources

Unavailable Revenue - Property Taxes	5,310,000
Related to Net Pension Liability	5,814,000
Related to Net OPEB Liability	10,144,715
Total Deferred Inflows of Resources	<u>21,268,715</u>

Net Position

Net Investment in Capital Assets	19,646,533
Restricted for:	
Debt Service	2,264,305
Capital Projects	13,991,321
Other Purposes	242,069
Unrestricted	(31,460,344.43)
Total Net Position	<u>\$ 4,683,883</u>

See accompanying notes to financial statements

Alexander City Board of Education
Statement of Activities
September 30, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Program activities:</u>					
Instructional	\$ 21,677,278	\$ 357,780	\$ 17,609,678	\$ 1,507,524	\$ (2,202,296)
Instructional Support	8,007,310	118,669	4,937,435	-	(2,951,206)
Operation and Maintenance	3,082,002	44,086	2,407,609	2,019	(628,288)
Student Transportation	2,079,965	102,951	1,614,610	137,416	(224,988)
Food Service	2,311,773	1,889,694	186,399	-	(235,680)
General Administrative	2,110,356	27,232	352,952	-	(1,730,171)
Interest and Fiscal Charges	3,530,979	-	-	-	(3,530,979)
Other Expenses	1,707,589	96,148	1,167,159	-	(444,282)
Total Governmental Activities	\$ 44,507,251	2,636,561	28,275,842	1,646,959	(11,947,890)

General revenues:

Taxes:	
Property Taxes for General Purposes	4,635,476
Sales Tax	7,065,335
Alcohol Beverage Tax	98,066
Other Taxes	27,150
Investment Earnings	2,496,725
Gain on Disposition of Capital Assets	64,458
Miscellaneous	1,306,984
Total General Revenues	15,694,193
Changes in Net Position	3,746,303
Net Position - Beginning of Year	937,580
Net Position - End of Year	4,683,883

See accompanying notes to financial statements

**Alexander City Board of Education
Balance Sheet
Governmental Funds
September 30, 2025**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 14,228,826	\$ 640,408	\$ 2,261,966	\$ 19,006,691	\$ 36,137,891
Investments	-	23,474	-	-	23,474
Ad Valorem Property Taxes Receivable	5,310,000	-	-	-	5,310,000
Receivables, Net	943,307	562,040	2,339	180,072	1,687,757
Inventories	-	91,400	-	-	91,400
Total assets	<u>20,482,133</u>	<u>1,317,322</u>	<u>2,264,305</u>	<u>19,186,763</u>	<u>43,250,522</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	277,041	17,106	-	5,195,442	5,489,589
Unearned Revenues	-	11,217	-	-	11,217
Salaries and Benefits Payable	2,657,597	280,552	-	-	2,938,149
Total liabilities	<u>2,934,638</u>	<u>308,875</u>	<u>-</u>	<u>5,195,442</u>	<u>8,438,955</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	<u>5,310,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,310,000</u>
Fund balances:					
Nonspendable	-	91,400	-	-	91,400
Restricted	-	150,668	2,264,305	13,991,321	16,406,294
Assigned	-	766,378	-	-	766,378
Unassigned	<u>12,237,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,237,495</u>
Total fund balances	<u>12,237,495</u>	<u>1,008,447</u>	<u>2,264,305</u>	<u>13,991,321</u>	<u>29,501,567</u>
Total liabilities and fund balances	<u>\$ 20,482,133</u>	<u>\$ 1,317,322</u>	<u>\$ 2,264,305</u>	<u>\$ 19,186,763</u>	<u>\$ 43,250,522</u>

See accompanying notes to financial statements

Alexander City Board of Education
Reconciliation of Governmental Fund Balances to Net Position of
Governmental Activities
September 30, 2025

Fund Balances - Total Governmental Funds		\$	29,501,567
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:			
Capital assets being depreciated and amortized, net			132,840,020
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			1,249,336
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.			11,590,053
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Portion of debt due or payable within one year	2,012,976		
Portion of debt due or payable after one year	<u>167,081,745</u>		
			(169,094,721)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.			
Accrued interest payable			<u>(1,402,373)</u>
Net Position of Governmental Activities		\$	<u><u>4,683,883</u></u>

See accompanying notes to financial statements

Alexander City Board of Education
Statement of Revenues, Expenditures, and Changes in
Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
Revenues					
State	\$ 25,629,033	\$ -	\$ 847,625	\$ 797,315	\$ 27,273,973
Federal	76,011	4,321,277	-	-	4,397,287
Local	8,984,815	932,567	4,743,637	1,740,453	16,401,472
Other	72,685	43,679	-	-	116,364
Total Revenues	<u>34,762,544</u>	<u>5,297,523</u>	<u>5,591,262</u>	<u>2,537,768</u>	<u>48,189,097</u>
Expenditures:					
Instructional	18,731,976	2,053,495.58	-	-	20,785,472
Instructional Support	6,864,112	561,313.07	-	667	7,426,092
Operation and Maintenance	2,977,877	64,357.25	-	22,424	3,064,659
Auxiliary Services:					
Student Transportation	1,727,591	46,909.62	-	937,365	2,711,865
Food Service	2,159	2,448,065.96	-	-	2,450,225
General Administrative	1,788,346	198,204.99	-	31,045	2,017,596
Other	1,503,365	169,597.37	-	-	1,672,963
Capital Outlay	1,651,896	-	-	43,037,001	44,688,896
Debt Service:					
Principal Retirement	23,644	-	48,433	1,850,000	1,922,076
Interest and Fiscal Charges	356	-	777,710	2,837,246	3,615,312
Total Expenditures	<u>35,271,323</u>	<u>5,541,944</u>	<u>826,143</u>	<u>48,715,748</u>	<u>90,355,157</u>
Excess of Revenues over Expenditures	<u>(508,779)</u>	<u>(244,421)</u>	<u>4,765,120</u>	<u>(46,177,980)</u>	<u>(42,166,060)</u>
Other financing sources (uses):					
Indirect Cost	224,016	-	-	-	224,016
Transfers in (out)	(305,298)	305,298	(4,511,780)	4,511,780	-
Other Financing Sources	-	-	-	254,622	254,622
Total Other Financing Sources (uses)	<u>(81,282)</u>	<u>305,298</u>	<u>(4,511,780)</u>	<u>4,766,402</u>	<u>478,638</u>
Net Change in Fund Balances	(590,061)	60,877	253,340	(41,411,578)	(41,687,422)
Fund Balances, Beginning	<u>12,827,555</u>	<u>947,570</u>	<u>2,010,965</u>	<u>55,402,899</u>	<u>71,188,989</u>
Fund Balances, Ending	<u>\$ 12,237,495</u>	<u>\$ 1,008,447</u>	<u>\$ 2,264,305</u>	<u>\$ 13,991,321</u>	<u>\$ 29,501,567</u>

See accompanying notes to financial statements

Alexander City Board of Education
Reconciliation of The Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
September 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (41,687,422)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and other capital purchases (\$46,154,252) exceeded depreciation (\$1,424,902) in the current period. 44,729,350

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,922,076

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.

Proceeds from Sale of Capital Assets	(254,622)	
Gain on Disposition of Capital Assets	64,458	(190,164)

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

Accrued Interest Payable, Current Year Increase/(Decrease)	(15,932)	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(68,402)	
Pension Expense, Current Year Increase/(Decrease)	1,391,917	
OPEB Expense, Current Year Increase/(Decrease)	(280,046)	(1,027,537)

Change in Net Position of Governmental Activities \$ 3,746,303

See accompanying notes to financial statements

**Alexander City Board of Education
Statement of Fiduciary Net Position
September 30, 2025**

	Custodial Funds
Assets	
Cash and Cash Equivalents	\$ 396,082
Total Assets	<u>396,082</u>
Liabilities	
Total Liabilities	<u>-</u>
Net Position	<u><u>\$ 396,082</u></u>

See accompanying notes to financial statements

Alexander City Board of Education
Statement of Changes in Fiduciary Net Position
September 30, 2025

	Custodial Funds
Additions	
Other Sources	\$ 612,748
Total Additions	<u>612,748</u>
Deductions	
Instructional	366,187
Instructional Support	107,823
Operation and Maintenance	2,730
Auxiliary Services:	
Student Transportation	20,342
General Administrative	38
Other	87,309
Total Deductions	<u>584,429</u>
Changes in Net Assets	28,319
Net Position - Beginning of Year	367,762
Net Position - End of Year	<u>\$ 396,082</u>

See accompanying notes to financial statements

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Statement No. 61 of 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 financial 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 entity of the Board.

The Board is a legally separate agency of the State of Alabama (the State).

The financial statements of the Board include local school activity funds and other funds under the control of school principals.

Basis of Presentation – Government-Wide and Fund Level

Government-wide

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

Fund Level

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

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

The Board reports the following major governmental funds:

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

Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

Special Revenue Fund account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Federal Programs, Child Nutrition Funds, Public and Nonpublic Funds, Local School Activity Funds, Community Education Funds, and Other State and Local Funds.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Board's programs. Permanent Funds consist of a fund reserved for teachers' continuing education.

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 did not report any fiduciary funds.

Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund 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 when the related cash flows take place. Non-exchange 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. Revenue 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 the government-wide financial statements.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Governmental Fund Financial Statements

Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 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 transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Deposits 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 issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables

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

Property Tax Calendar

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

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the number of materials and supplies consumed and the number of prepaid items applicable to the current period. Prepaid items on the Statement of Net Position are included in Other Assets.

Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), and intangible right-to-use assets (e.g., lease assets) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented school department are depreciated using the straight-line method over the following estimated useful lives. Right-to-use assets are amortized over the shorter of the lease term or useful life.

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	20 years
Buildings	\$ 50,000	20 - 50 years
Building Improvements	\$ 50,000	7 - 30 years
Equipment	\$ 5,000	5 - 20 years
Equipment Under Capital Lease	\$ 5,000	5 - 20 years
Vehicles	\$ 5,000	8 - 10 years

(The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is \$1 or more. However, these capital assets are not depreciated.)

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Long-term Debt, Lease Obligations, and Long-term Obligations

In the government-wide financial statements, long-term debt, lease obligations, and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Debt premiums and discounts are deferred and are amortized over the life of the new debt using the straight-line method. Debt payable is reported net of the applicable debt premium or discount. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

Lease obligations are recognized in the government-wide financial statements. At the commencement of a lease, a lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable and lease obligations, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, other postemployment benefits, and claims and judgments, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position or fund balances that applies to the future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a consumption of net position or fund balances that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until then.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 101 requires that 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 are attributable to services already rendered.
- b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

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

Professional and support personnel are provided 2 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed up to 2 weeks of vacation per year with pay. (Twelve-month employees are allowed vacation pay and certain employees may carryover unused vacation days). Because unused vacation leave can be carried over to succeeding years, a liability for unpaid leave is accrued in the financial statement.

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.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Postemployment Benefits Other Than Pensions (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.

Net Position/Fund Equity

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

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.

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

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

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Fund Balances

Fund balances are reported on the fund financial statements and are required to be classified for accounting and reporting purposes into the following fund balance categories:

Unassigned Fund Balance - Represents resources available to meet current and future years' expenditures.

Committed Fund Balance - Represents amounts constrained for a specific purpose by the Board. It requires action by the Board to remove or change the constraints placed on the resources. The Board had no Committed Fund Balance as of September 30, 2025.

Assigned Fund Balance - Represents amounts constrained by the Board's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the Board itself, or an official to whom the Board has delegated the authority to assign amounts to be used for specific purposes. The action to remove or modify assignments is not as strict as for Committed Fund Balance. Assigned Fund Balance amounts as of September 30, 2025 are as follows:

Local Schools	\$	766,378
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Non-spendable Fund Balance - Represents amounts that cannot be spent due to form such as inventories and prepaid accounts. This also includes amounts that must be maintained intact legally or contractually. Non-spendable Fund Balance amounts as of September 30, 2025 are as follows:

Child Nutrition	\$	91,400
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Restricted/Reserved Fund Balance - Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The Board had no Reserved Fund Balance amounts as of September 30, 2025.

Restricted Fund Balance - Represents amount that can be spent only for specific purpose by construction, external resource providers, or through enabling legislation. Constraints are placed on the use of resources either by: externally imposed creditors, grantors, contributions, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. Restricted Fund Balance amounts as of September 30, 2025 are as follows:

Child Nutrition	\$	307,074
Debt Service		2,264,305
Capital Outlay		13,991,321
Other		(156,405)
Total Restricted Funds	\$	<u>16,406,294</u>

The Board's policy is to first apply restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted balances are available. The Board's policy is to first apply assigned, committed and unassigned resources, respectively, when an expense is incurred for the purposes for which assigned, committed, and/or unassigned balances are available.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

NOTE 3 – UNEARNED REVENUES

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2025, the various components and unearned revenue reported in the governmental funds were as follows:

	Unearned	Total
Student Meals Prepaid	11,217	11,217
\$	<u>11,217</u>	<u>\$ 11,217</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institution holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. \$23,474 of the Board's investments were in certificates of deposit and money market accounts. These certificates of deposit and money market accounts are classified as "deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

**Alexander City Board of Education
Notes to Financial Statements
September 30, 2025**

Cash with Fiscal Agents

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

As of September 30, 2025, the Board had cash with fiscal agents invested as follows:

Money Market Account	\$	1,333,333
U.S. Treasury Notes		928,633
Total	\$	<u>2,261,966</u>

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

Credit Risk – Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments of collateral securities that are in policy that limits the amount of securities that can be held by counterparties.

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

Alexander City Board of Education
Notes to Financial Statements
September 30, 2025

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,625,779	\$ -	\$ -	\$ 1,625,779
Construction in progress	67,445,101	43,914,773	-	111,359,873
Total capital assets not being depreciated	<u>69,070,880</u>	<u>43,914,773</u>	<u>-</u>	<u>112,985,653</u>
Capital assets being depreciated:				
Buildings	29,785,248	-	-	29,785,248
Building improvements	11,840,402	-	-	11,840,402
Land improvements - exhaustible	190,487	589,800	-	780,286
Equipment and Furniture	4,374,913	346,611	(101,611)	4,619,913
Vehicles	3,379,339	1,303,069	(485,653)	4,196,755
Total capital assets being depreciated	<u>49,570,388</u>	<u>2,239,479</u>	<u>(587,264)</u>	<u>51,222,603</u>
Less accumulated depreciation for:				
Buildings	21,722,520	450,273	-	22,172,793
Building improvements	2,353,746	398,345	-	2,752,091
Land improvements - exhaustible	111,205	24,647	-	135,852
Equipment and Furniture	3,520,424	217,686	(90,889)	3,647,221
Vehicles	2,632,539	333,952	(306,211)	2,660,279
Total accumulated depreciation	<u>30,340,433</u>	<u>1,424,902</u>	<u>(397,100)</u>	<u>31,368,235</u>
Total capital assets being depreciated, net	<u>19,229,955</u>	<u>814,577</u>	<u>(190,164)</u>	<u>19,854,368</u>
Total governmental activities capital assets, net	<u>\$ 88,300,835</u>	<u>\$ 44,729,350</u>	<u>\$ (190,164)</u>	<u>\$ 132,840,020</u>

Alexander City Board of Education
Notes to Financial Statements
September 30, 2025

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 366,298
Instructional Support Services	353,453
Operation and Maintenance Services	78,910
Student Transportation Services	539,708
Food Services	-
General Administrative Services	86,533
Other Services	-
Total Governmental Activities Depreciation Expense	<u>\$ 1,424,902</u>

The Board has entered into contracts for the construction or renovations of various facilities as follows:

	Project Authorization	Expended to Date	Commitments	Required Further Financing
Alexander City Middle School				
Additions and Renovations	\$ 5,302,169	5,240,018	62,151	\$ -
Benjamin Russell High School:				
New Construction	110,011,040	105,171,585	4,839,455	-
Video Board	617,398	569,045	48,353	-
Renovations	91,250	69,900	21,350	-
Gym Roof	368,000	309,325	58,675	
Totals	<u>\$ 116,389,857</u>	<u>\$ 111,359,873</u>	<u>\$ 5,029,984</u>	<u>\$ -</u>

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit 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.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Contributions

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

Effective 10/01/2021, the covered Tier 2 members contributions rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2025 was 13.57% (12.59% for 2024) of annual pay for Tier 1 members and 12.60% (11.57% for 2024) 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 \$2,862,336 for the year ended September 30, 2025.

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

At September 30, 2025, the Board reported a liability of \$31,807,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the Board's proportion was 0.192512%, which was an increase (decrease) of 0.004898% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the Board recognized pension expense of \$4,986,000. September 30, 2025 the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,163,000	\$ 229,000
Changes of assumptions	488,000	-
Net difference between projected and actual earnings on pension plan investments	-	5,216,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	550,000	369,000
Employer contributions subsequent to the measurement date	2,862,336	-
Total	<u>\$ 7,063,336</u>	<u>\$ 5,814,000</u>

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

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

The amount of \$2,862,336 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2026	\$ 161,000
2027	1,613,000
2028	(1,686,000)
2029	(1,701,000)
2030	-
Thereafter	-
Total	<u>\$ (1,613,000)</u>

Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023, 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, 2023, 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.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Actuarial Assumptions (Continued)

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation at 2.00%.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

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 Rate (7.45%)	1% Increase (8.45%)
Schools proportionate share of collective net pension liability	\$ 44,226,000	\$ 31,807,000	\$ 21,355,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. 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 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Alexander City Board of Education Notes to Financial Statements September 30, 2025

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.

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

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

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

Alexander City Board of Education

Notes to Financial Statements

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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% 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, 2025, the Board reported a liability of \$24,094,234 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2024 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as September 30, 2023. The Board's proportion of the Net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the Board's proportion was 0.26207972% which was an increase (decrease) of -(0.00179629%) from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the System recognized OPEB expense of \$593,320 with no special funding situations. At September 30, 2025, 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	\$ 11,236,566	\$ 5,200,198
Changes of assumptions	8,297,879	3,408,944
Net difference between projected and actual earnings on OPEB plan investments	-	594,445
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,327,182	941,128
Employer contributions subsequent to the measurement date	873,141	-
Total	<u>\$ 21,734,768</u>	<u>\$ 10,144,715</u>

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

\$873,141 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2025.

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,	Net Deferred Inflows of Resources
2026	\$ 1,522,847
2027	1,736,785
2028	1,346,779
2029	1,995,940
2030	3,121,849
Thereafter	992,712
Total	<u>\$ 10,716,912</u>

Actuarial Assumptions

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

Inflation	2.50%
Salary Increase	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	3.89%
Municipal Bond Index Rate at Prior Measurement Date	4.53%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	2040
Singe Equivalent Interest Rate at Measurement Date	4.32%
Singe Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rate	
Initial Trend Rate	
Pre-Medicare Eligible	6.75%
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

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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	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, 2023 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

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

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 4.32%. 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 Board systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employer. Approximately, 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase 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 \$904 in fiscal year 2026, 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 2122.

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

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

		1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known for pre- Medicare, Known decreasing to 3.50% for Medicare eligible	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known for pre- Medicare, Known decreasing to 4.50% for Medicare eligible	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known for pre- Medicare, Known decreasing to 5.50% for Medicare eligible
Schools proportionate share of collective net OPEB liability	\$	19,381,774	\$ 24,094,234	\$ 30,170,957

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

		1% Decrease (3.32%)	Current Rate (4.32%)	1% Increase (5.32%)
Schools proportionate share of collective net OPEB liability	\$	29,268,933	\$ 24,094,234	\$ 19,959,083

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, 2025. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

Alexander City Board of Education
Notes to Financial Statements
September 30, 2025

NOTE 8 - LONG TERM OBLIGATIONS

Long-Term Obligations

During the year ended September 30, 2005, the Board borrowed \$2,156,512 to finance the acquisition and construction of certain capital improvements to the public schools under the jurisdiction and control of the Board. The Capital Improvement Pool Bonds Series 2005-A are payable, as both principal and interest, solely out of the secured by the first priority pledge and assignment of the Pledged Capital Outlay Funds. The principal is payable on February 1, of each year. Interest is payable on February 1, and August 1 of each year beginning August 1, 2005. On May 28, 2014, the Alabama Public School and College Authority, on behalf of the various Board of Education in the pool, issued \$80,065,000 in Capital Improvement Pool Refunding Bonds, Series 2014-A ("Series 2014-A") with interest rates ranging from 2.00% to 5.00% to refund the 2005-A bonds. The proceeds from the 2014-A bonds were placed in an escrow account to fund the 2005-A bonds. The proceeds from the 2014-A bonds were placed in an escrow account to fund the 2005-A bonds until called and paid in full in February 2015. The Board had a 1.604% participation in the Series 2014-A which resulted in the Board's obligation for \$1,283,911 of the total principal of \$80,065,000. The Board's portion of net proceeds deposited in an irrevocable trust with an escrow agent was \$1,466,963. The remaining balance removed for the Series 2005-A was \$1,283,911. The issuance of the Series 2014-A generated a premium of \$191,286 which will be amortized over the life of the bond (11 years). The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$69,551. This difference is reported as a deferred outflow on the Statement of Net Position and will be amortized over the remaining life of the refunded debt which approximates the life of the new debt issued. As a result of the refunding, the Board increased its total debt service requirements by \$27,639, which resulted in an economic gain (difference between the present value of the debt service payments on the old and net debt) of \$3,235. Payments will be made from and secured by capital funds distributed from the Board's Public School Fund allocation. In the event of a default, the Authority may withhold all PSF funds to which the Board may be entitled. During the year ended September 30, 2013, the Board entered into an agreement with the Alabama Public School and College Authority to borrow funds under the Capital Outlay Pool Warrant Series 2013 to finance the renovation of existing school facilities and/or construction of new school facilities of the Board. Of these funds, \$451,010 is to be repaid with local revenues or PSF Capital Purchase Funds of the Board and is recorded as long-term debt. The principal is payable on June 1 of each year. Interest is payable on June 1 and December 1 of each year beginning December 1, 2013. The maturity date of the loan is June 1, 2024. In the event of a default, the Authority may withhold all PSF funds to which the Board may be entitled.

The Board is indebted to First Security Finance, Inc. on a note in the amount of \$6,270,324 secured by equipment related to a bundled energy solutions project agreement. The loan bears a 3.69% interest rate and requires monthly payments of \$7,806.78 until maturity on August 1, 2034. The Board expects to use the energy cost savings from the updated equipment to make future payments on the debt. In the event of a default, the lender may declare all payments due immediately or repossess the equipment.

On October 23, 2020, the Public School and College Authority issued Taxable Capital Improvement Pool Refunding Bonds, Series 2020-C (Social Bonds) to provide for the advances refunding and retiring the Refunded Pool Bonds and for the costs of issuing the 2020-C bonds. This Board has a 0.82% interest in the Series 2013-A School Tax Warrants which was part of the Refunding School Warrants. The Series 2020-C Taxable Capital Improvement Pool Refunding Bonds will mature in fiscal year 2034 and pay interest from 0.34% to 2.24% per annum. During the year ended September 30, 2021, the Board entered into an agreement with the City of Guntersville to borrow funds in the amount of \$47,240,000 under the General Obligation Warrants Series 2021-B to provide for the costs of the 2021 Public School Improvements and to pay for the costs of issuing the Series 2021-B Warranty. The Series 2021-B Warrants will mature in fiscal year 2051 and pay interest from 2.00% to 3.00% per annum.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

During the year ended September 30, 2021, the Board entered into an agreement with the City of Guntersville to borrow funds in the amount of \$4,230,000 under the General Obligation Warrants Series 2021-C to provide for the costs of retiring obligations incurred by the Board under a financing agreement with First Security Finance, Inc. dated July 31, 2018 regarding a Bundled Energy Solutions Project Agreement between the Board and ABM Building Solutions, LLC with respect to the acquisition, installation and construction of certain energy savings measures and equipment and facilities at buildings and property of the Board and to pay for the costs of issuing the Series 2021-C Warranty. The Series 2021-C Warrants will mature in fiscal year 2034 and pay interest from 0.42% to 2.21% per annum.

During the year ended September 30, 2024, the Board entered into an agreement with they City of Guntersville to borrow funds in the amount of \$15,630,000 under the General Obligation Warrants Series 2024 to provide for the costs of the Public School Improvements and the pay for the costs of issuing the Series 2024 Warrants. The Series 2024 Warrants will mature in fiscal year 2052 and pay interest from 4.00% to 5.00% per annum.

Long-Term Obligation Activity

Long-term liability balances and activities for the year ended September 30, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<u>Governmental type activities:</u>					
Warrants					
2011-A Series, QZAB Warrants	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
2017 Series, QZAB Warrants	2,500,000	-	-	2,500,000	-
2020-A Series, School Tax Warrants	47,950,000	-	-	47,950,000	-
2020-B Series, Taxable School Tax Warrants	3,815,000	-	1,610,000	2,205,000	1,640,000
2020-C Series, School Tax Warrants	7,490,000	-	-	7,490,000	-
2022 Series, School Tax Warrants	23,720,000	-	240,000	23,480,000	255,000
2023-A Series School Tax Warrants	18,610,000	-	-	18,610,000	-
2023-B Series School Tax Warrants	8,600,000	-	-	8,600,000	-
Unamortized Discount/Premium (2020)	201,923	-	23,213	178,710	23,213
Unamortized Discount/Premium (2022)	1,069,429	-	39,125	1,030,304	39,125
Unamortized Discount/Premium (2023-A)	(212,903)	-	13,405	(226,308)	(7,341)
Unamortized Discount/Premium (2023-B)	268,098	-	(7,341)	275,440	13,405
Total Warrants Payable	\$ 115,011,547	\$ -	\$ 1,918,402	\$ 113,093,145	\$ 1,963,402
<u>Other Liabilities</u>					
Finance Purchase - Copiers JPES	\$ 5,171	\$ -	\$ 5,171	\$ -	\$ -
Finance Purchase - Copiers SES	3,888	-	3,888	-	-
Finance Purchase - Copiers RES	3,888	-	3,888	-	-
Finance Purchase - Copiers ACMS	3,888	-	3,888	-	-
Finance Purchase - Copiers BRHS	6,808	-	6,808	-	-
Notes Payable - Buses	148,775	-	48,433	100,342	49,574
Net pension liability	39,586,000	-	7,779,000	31,807,000	-
Net OPEB liability	5,072,094	19,022,140	-	24,094,234	-
Total Other Liabilities	44,830,512	19,022,140	7,851,076	56,001,576	49,574
Total Governmental Long-Term Liabilities	\$ 159,842,059	\$ 19,022,140	\$ 9,769,478	\$ 169,094,721	\$ 2,012,976

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2025 are as follows:

Fiscal Year Ending September 30,	<u>Bonds/Warrants Payable</u>		
	Principal	Interest	Total
2026	\$ 1,895,000	\$ 3,612,258	\$ 5,507,258
2027	3,300,000	3,554,208	6,854,208
2028	2,380,000	3,429,508	5,809,508
2029	2,760,000	3,336,258	6,096,258
2030	2,865,000	3,231,933	6,096,933
2031-2035	19,030,000	14,437,813	33,467,813
2036-2040	19,865,000	11,424,085	31,289,085
2041-2045	21,945,000	8,036,159	29,981,159
2046-2050	19,630,000	5,063,300	24,693,300
2051-2054	18,165,000	1,584,738	19,749,738
Totals	\$ <u>111,835,000</u>	\$ <u>57,710,257</u>	\$ <u>169,545,257</u>

Fiscal Year Ending September 30,	<u>Notes Payable</u>		
	Principal	Interest	Total
2026	\$ 49,574	2,535	\$ 52,109
2027	50,768	1,341	52,109
Totals	<u>100,342</u>	<u>3,876</u>	<u>104,218</u>

Grand Totals	\$ <u>111,935,342</u>	\$ <u>57,714,133</u>	\$ <u>169,649,475</u>
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Pledged Revenue

On June 2, 2011, the Board entered into a special pool loan agreement for \$1,000,000 with the Alabama Public School and College Authority (the "PSCA"). The PSCA issued bonds known as "qualified zone academy bonds" under Section 54E of the Internal Revenue Code of 1986 in order to finance loans to various local Boards of Education throughout the State of Alabama. The proceeds of these bonds are limited to rehabilitating, repairing or equipping public school facilities. The interest rates on these bonds are 4.6%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. Annual sinking fund deposits of \$96,095 are required beginning in fiscal year 2012. The bonds mature on May 1, 2026. The Board has pledged the capital outlay funds allocated to the Board from the Public School Fund pursuant to Section 16-3-234, Code of Alabama (1975), as amended, for the payment of the principal, Pledged Revenue

Alexander City Board of Education

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Pledged Revenue

On June 2, 2011, the Board entered into a special pool loan agreement for \$1,000,000 with the Alabama Public School and College Authority (the "PSCA"). The PSCA issued bonds known as "qualified zone academy bonds" under Section 54E of the Internal Revenue Code of 1986 in order to finance loans to various local Boards of Education throughout the State of Alabama. The proceeds of these bonds are limited to rehabilitating, repairing or equipping public school facilities. The interest rates on these bonds are 4.6%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. Annual sinking fund deposits of \$96,095 are required beginning in fiscal year 2012. The bonds mature on May 1, 2026. The Board has pledged the capital outlay funds allocated to the Board from the Public School Fund pursuant to Section 16-3-234, Code of Alabama (1975), as amended, for the payment of the principal, sinking fund deposits and interest payable on the Capital Outlay Pool Warrants, Series 2011-QZAB. The Board received \$809,909 of Public School Capital Outlay funds of which \$96,096 was used for the sinking fund and interest payments during the fiscal year ending September 30, 2025.

On August 23, 2017, the Board issued in School Tax Warrants (Qualified Zone Academy Bonds), Series 2017-QZAB, for the purpose of making energy-savings capital improvements to two of its public school facilities in which the Qualified Zone Academy is established. The Board pledged to repay the school tax warrants from (1) that certain special 1.5-mill county wide ad valorem tax which was levied for public school purposes pursuant to Sections 269 and 217 of the Constitution of Alabama of 1901, and (2) that certain special 3.0-mill county wide ad valorem tax levied for public school purposes on all property in the County pursuant to Amendment No. 3 and proceedings under Amendment No. 373 to the Constitution of Alabama of 1901. Future revenues of \$1,666,667 are pledged for annual payments of the sinking fund deposits on the bonds at September 30, 2025. The Series 2017-QZAB Qualified Zone Academy Bonds will mature in fiscal year 2032. Proceeds from the pledged taxes of \$2,374,130 were received during fiscal year ending September 30, 2025 and interest or sinking fund payments of \$166,667 were made on this Series.

On June 25, 2020 the Board issued Series 2020-A Special Tax School Warrants, Series 2020-A for the purpose of capital improvements. The Board pledged to repay the school tax warrants from (1) City sales tax allocated to the Board and (2) the 7.5- mill city ad valorem tax levied for public school purposes on all property within the city limits. Future revenues of \$66,323,150 are pledged to repay the principal and interest on the warrants at September 30, 2025. The Series 2020-A School Tax Warrants will mature in fiscal year 2050.

On June 25, 2020, the Board issued Series 2020-B Special Tax School Warrants, Series 2020-B for the purpose to provide the funds needed to refund Alexander City for Warrants issued by the City on behalf of the Board. The Board pledged to repay the school tax warrants from (1) City sales tax allocated to the Board and (2) the 7.5-mill city ad valorem tax levied for public school purposes on all property within the city limits. Future revenues of \$2,238,350 are pledged to repay the principal and interest on the warrants at September 30, 2025. The Series 2020-B School Tax Warrants will mature in fiscal year 2027.

Alexander City Board of Education

Notes to Financial Statements

September 30, 2025

Pledged Revenue - Continued

On June 25, 2020, the Board issued Series 2020-C Special Tax School Warrants, Series 2020-C for the purpose of capital improvements. The Board pledged to repay the school tax warrants from (1) the 1.5-mill county wide ad valorem tax levied for public school purposes on all property within the County and (2) the 3.0-mill county wide ad valorem tax levied for public school purposes on all property within the County. Future revenues of \$9,638,772 are pledged to repay the principal and interest on the warrants at September 30, 2025. The Series 2020-C School Tax Warrants will mature in fiscal year 2044.

On March 23, 2022, the Board issued \$24,200,000 of School Tax Warrants, Series 2022 for the purpose of constructing a new high school. The Board pledged to repay school tax warrants (1) the 1.5 mill county wide ad valorem tax levied for public school purposes on all property within the county and (2) the 3.0 mil county wide ad valorem tax levied for public school purposes on all property within the county. Future revenues of \$39,069,813 are pledged to repay the principal and interest on the warrants at September 30, 2025. The series 2022 School Tax Warrants will mature in fiscal year 2052.

On October 1, 2023, the Board issued Series 2023-A School Tax Warrants (Special Local Taxes), Series 2023-A for the purpose of capital improvements. The Board pledged to repay the school tax warrants from (i) 1989 One- Cent County Sales Tax, (ii) 2019 One-Cent County Sales Tax, (iii) Applicable Portion of City Sales Tax, and (iv) City Ad Valorem Tax. Future revenues of \$35,512,420 are pledged to repay the principal and interest on the warrants at September 30, 2025. The Series 2023-A School Tax Warrants will mature in fiscal year 2054.

On October 1, 2023, the Board issued Series 2023-B School Tax Warrants (Special Local Taxes), Series 2023-B for the purpose of capital improvements. The Board pledged to repay the school tax warrants from (i) the 1.5-Mill County Tax (ii) 3-Mill County Tax. Future revenues of \$13,170,753 are pledged to repay the principal and interest on the warrants at September 30, 2025. The Series 2023-B School Tax Warrants will mature in fiscal year 2044.

Bond Issuance Costs, Premiums and Discounts

For warrants (bonds) and other long-term debt issued after October 1, 2002, the related debt issuance costs, premiums, and discounts are amortized using the straight-line method over the life of the debt in the government-wide statements.

	<u>Issuance Costs</u>	<u>Premiums</u>	<u>Discounts</u>
Series 2020-A Capital Outlay Warrants (at issuance)	\$ -	\$ 98,308	\$ -
Series 2020-B Capital Outlay Warrants (at issuance)	-	98,557	-
Series 2020-C Capital Outlay Warrants (at issuance)	-	105,649	-
Series 2022 School Tax Warrants (at issuance)	-	1,167,243	-
Series 2023-A Special Tax Warrants (at issuance)	-	-	220,245
Series 2023-B Special Tax Warrants (at issuance)	-	281,503	-
Amount Amortized in Prior Years	-	-	-
Years	-	(211,810)	(7,341)
Unamortized Amount	-	1,539,450	212,904
Current Year Amortization	-	(75,743)	(7,342)
Unamortized Amount - End of Fiscal Year	\$ -	\$ 1,463,707	\$ 205,562

Alexander City Board of Education
Notes to Financial Statements
September 30, 2025

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers at September 30, 2025 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>				<u>Total Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	
General Fund	\$ -	\$ 324,571	\$ -	\$ -	\$ 324,571
Special Revenue Fund	19,273	50,151	-	-	69,424
Debt Service Fund	-	-	-	4,616,303	4,616,303
Capital Project Fund	-	-	104,523	-	104,523
Total	<u>\$ 19,273</u>	<u>\$ 374,722</u>	<u>\$ 104,523</u>	<u>\$ 4,616,303</u>	<u>\$ 5,114,821</u>

The board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on behalf of the local schools, and to transfer the portion from the general fund to the debt service funds to service current-year debt requirements.

NOTE 10 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds, fleet insurance, buildings, and contents. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

Alexander City Board of Education
Notes to Financial Statements
September 30, 2025

NOTE 11 - 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 or the general fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE 12 – COMMISSIONS, MAP AND APPRAISAL COSTS

Commissions, county commission expense, current use interest (per court order), homestead exemptions, and various other costs of the Board were deducted from current years' taxes by the taxing authorities before they were remitted to the Board. The costs are excluded from the revenues in the financial statements as prescribed by the State Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

Alexander City Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual General Fund
Year Ended September 30, 2025

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
Revenues					
State	\$ 21,920,704	25,566,953	25,629,033	\$ -	\$ 25,629,033
Federal	72,934	72,934	76,011	-	76,011
Local	8,616,147	9,179,630	8,984,815	-	8,984,815
Other	26,272	56,272	72,685	-	72,685
Total revenues	<u>30,636,057</u>	<u>34,875,789</u>	<u>34,762,544</u>	<u>-</u>	<u>34,762,544</u>
Expenditures:					
Current:					
Instructional Services	19,235,471	19,872,208	18,478,580	253,397	18,731,976
Instructional Support	6,233,260	6,570,907	6,688,321	175,792	6,864,112
Operation & Maintenance Services	3,323,410	4,279,792	2,981,633	(3,756)	2,977,877
Auxiliary Services					
Student Transportation	1,549,055	1,699,432	1,724,892	2,699	1,727,591
Food Service	-	-	2,159	-	2,159
General Administrative Services	1,943,477	1,956,735	1,789,598	(1,252)	1,788,346
Other Expenditures	1,004,939	1,722,846	1,487,181	16,184	1,503,365
Capital Outlay	<u>1,600,000</u>	<u>3,400,000</u>	<u>1,651,896</u>	<u>-</u>	<u>1,651,896</u>
Debt Service:					
Principal Retirement	15,500	23,100	23,644	-	23,644
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>356</u>	<u>-</u>	<u>356</u>
Total expenditures	<u>34,905,112</u>	<u>39,525,020</u>	<u>34,828,260</u>	<u>443,063</u>	<u>35,271,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,269,055)</u>	<u>(4,649,231)</u>	<u>(65,716)</u>	<u>(443,063)</u>	<u>(508,779)</u>
Indirect Cost	226,338	230,704	224,016	-	224,016
Transfers In (Out)	(130,000)	(130,000)	(305,298)	-	(305,298)
Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>96,338</u>	<u>100,704</u>	<u>(81,282)</u>	<u>-</u>	<u>(81,282)</u>
Net change in fund balances	(4,172,717)	(4,548,527)	(146,998)	(443,063)	(590,061)
Fund Balances - Beginning of Year	15,197,351	15,070,130	15,042,089	(2,214,534)	12,827,555
Fund Balances - End of Year	<u>\$ 11,024,634</u>	<u>\$ 10,521,603</u>	<u>\$ 14,895,092</u>	<u>\$ (2,657,597)</u>	<u>\$ 12,237,495</u>

See accompanying notes to required supplementary information

Alexander City Board of Education
Statement Of Revenues, Expenditures and Changes in Fund Balances–
Budget and Actual Special Revenue
For The Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
Revenues					
Federal	4,451,634	4,822,743	4,321,277	-	4,321,277
Local	825,825	830,325	932,567	-	932,567
Other	58,446	60,446	43,679	-	43,679
Total Revenues	5,335,905	5,713,514	5,297,523	-	5,297,523
Expenditures					
Current:					
Instructional	2,057,218	2,249,451	2,210,742	(157,247)	2,053,496
Instructional Support	567,934	689,212	579,242	(17,929)	561,313
Operation and Maintenance	56,803	59,803	64,357	-	64,357
Auxiliary Services:					
Student Transportation	26,781	28,681	46,910	-	46,910
Food Service	2,369,584	2,423,988	2,419,245	28,821	2,448,066
General Administrative	213,997	207,596	200,494	(2,289)	198,205
Other	138,787	167,886	167,166	2,431	169,597
Total Expenditures	5,431,104	5,826,617	5,688,156	(146,212)	5,541,944
Excess (Deficiency) of Revenues Over Expenditures	(95,199)	(113,103)	(390,633)	146,212	(244,421)
Other Financing Sources (Uses)					
Transfers In	190,100	190,100	374,722	-	374,722
Transfers Out	(59,100)	(59,100)	(69,424)	-	(69,424)
Total Other Financing Sources (Uses)	131,000	131,000	305,298	-	305,298
Net Change in Fund Balances	35,801	17,897	(85,335)	146,212	60,877
Fund Balances - Beginning of Year	1,480,000	1,374,334	1,374,334	(426,764)	947,570
Fund Balances - End of Year	1,515,801	1,392,231	1,288,999	(280,552)	1,008,447

See accompanying notes to required supplementary information

**Alexander City Board of Education
Note to Required Supplementary Information
September 30, 2025**

NOTE 1 – EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary bases) available for appropriation shown as Total Revenues on the budgetary comparison schedule	34,762,544	5,297,523
 Differences--budget to GAAP		
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	 -	 -
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u>34,762,544</u>	<u>5,297,523</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	34,828,260	5,688,156
 Differences--budget to GAAP		
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 (and related benefits) earned but not paid are reported as expenditures on the financial statements.	 443,063	 (146,212)
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds.	<u>35,271,323</u>	<u>5,541,944</u>

**Alexander City Board of Education
Schedule of Proportionate Share of Net Pension Liability
Teachers Retirement Plan of Alabama
September 30, 2025**

	2024	2023	2022	2021	2020
Board's proportion of the net pension liability	0.248069%	0.244414%	0.240076%	0.233555%	0.230050%
Board's proportionate share of the net pension liability	\$ 39,586,000	37,984,000	22,616,000	28,890,000	25,436,000
Board's covered-employee payroll during the Measurement Period(*)	\$ 21,774,424	20,999,620	19,460,936	17,195,023	16,579,439
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.51%	195.18%	127.09%	174.25%	154.08%
Plan fiduciary net position as a percentage of the total pension liability	63.57%	62.21%	76.44%	67.72%	69.85%
	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	0.238768%	0.239669%	0.237613%	0.234236%	0.234302%
Board's proportionate share of the net pension liability	\$ 23,740,000	23,556,000	25,724,000	24,514,000	21,285,000
Board's covered-employee payroll during the Measurement Period(*)	\$ 16,508,108	16,056,644	15,906,908	15,026,651	14,928,612
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.85%	148.09%	171.19%	164.21%	143.82%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

See accompanying notes to required supplementary information

**Alexander City Board of Education
Schedule of Pension Contributions
Teachers Retirement Plan of
Alabama September 30, 2025**

		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$	2,862,336	2,642,253	2,502,412	2,286,305	2,100,028
Contributions in relation to the contractually required contribution	\$	<u>2,862,336</u>	<u>2,642,253</u>	<u>2,502,412</u>	<u>2,286,305</u>	<u>2,100,028</u>
Contribution deficiency (excess)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Board's covered employee-payroll	\$	21,986,180	21,774,424	20,999,620	19,460,936	17,795,023
Contributions as a percentage of covered- employee payroll		13.02%	12.13%	11.92%	12.00%	12.01%
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$	2,014,350	1,999,936	1,916,000	1,786,319	1,728,465
Contributions in relation to the contractually required contribution	\$	<u>2,014,350</u>	<u>1,999,936</u>	<u>1,916,000</u>	<u>1,786,319</u>	<u>1,728,465</u>
Contribution deficiency (excess)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Board's covered employee-payroll	\$	16,579,439	16,508,108	16,056,644	15,906,908	15,026,651
Contributions as a percentage of covered- employee payroll		12.16%	12.15%	12.01%	11.84%	11.83%

See accompanying notes to required supplementary information

**Alexander City Board of Education
Schedule of Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care
Trust For the Fiscal Year Ended September 30, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Board's proportion of the net OPEB liability	0.263876%	0.264743%	0.240577%	0.229239%	0.273436%
Board's proportionate share of the net OPEB liability	\$ 5,072,094	4,613,011	12,430,165	14,877,292	10,316,106
Board's covered-employee payroll*	\$ 21,606,080	21,007,116	18,705,727	17,516,028	16,298,652
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	24.14%	24.66%	70.96%	91.28%	63.87%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	48.39%	27.11%	19.80%	28.14%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion of the net OPEB liability	0.268326%	0.263022%	Not Available	Not Available	Not Available
Board's proportionate share of the net OPEB liability	\$ 22,052,980	19,535,772			
Board's covered-employee payroll*	\$ 16,152,486	15,834,702			
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	139.27%	123.89%			
Plan fiduciary net position as a percentage of the total OPEB liability	14.81%	15.37%			

See accompanying notes to required supplementary information

**Alexander City Board of Education
Schedule of OPEB Contributions
Alabama Retired Education Employees' Health Care
Trust for The Fiscal Year Ended September 30, 2025**

	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 873,141	375,299	413,001	506,323	418,151
Contributions in relation to the contractually required contribution	873,141	375,299	413,001	506,323	418,151
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll	\$ 22,140,331	21,606,080	21,007,116	18,705,727	17,516,028
Contributions as a percentage of covered- employee payroll	3.94%	1.74%	1.97%	3.03%	2.66%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 452,038	778,976	662,018	Not Available	Not Available
Contributions in relation to the contractually required contribution	452,038	778,976	662,018		
Contribution deficiency (excess)	\$ -	\$ -	-		
Board's covered employee-payroll	\$ 16,298,652	16,152,486	15,834,702		
Contributions as a percentage of covered- employee payroll	3.13%	5.32%	4.51%		

See accompanying notes to required supplementary information

**Alexander City Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
for The Fiscal Year Ended September 30, 2025**

Changes in actuarial assumptions

In FY 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

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

In FY 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 FY 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to 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.

**Alexander City Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
for The Fiscal Year Ended September 30, 2025**

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2024 is determined based on the actuarial valuation as of September 30, 2021. 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	20 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 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 2025

COMPLIANCE SECTION

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

Members of the Board
Alexander City Board of Education

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 Alexander City Board of Education, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Alexander City Board of Education's basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexander City 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alexander City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander City Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 Alexander City 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 stylized, handwritten-style signature of "Doeren Mayhew Assurance" in black ink.

Birmingham, Alabama
June 29, 2026

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

Members of the Board
Alexander City Board of Education

Opinion on Each Major Federal Program

We have audited Alexander City Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alexander City Board of Education's major federal programs for the year ended September 30, 2025. Alexander City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alexander City 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 year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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.

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

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander City Board of Education, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Alexander City Board of Education's basic financial statements. We issued our report thereon dated June 29, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Doeren Mayhew Assurance

Birmingham, Alabama
June 29, 2026

Alexander City Board of Education

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2025

	Federal ALN Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through State Department of Education:			
Special Education Cluster:			
Special Education Grants to States - FY 25	84.027	CLB102	815,522
Special Education Grants to States - FY 25	84.027	CLB102	6,000
Special Education-Preschool Grants - FY 25	84.173	CLB102	20,019
Subtotal Special Education Cluster			841,541
Title I Grants to Local Education Agencies - FY 24 (M)	84.010	CLB102	100,345
Title I Grants to Local Education Agencies - FY 25 (M)	84.010	CLB102	1,055,672
Vocational Education Basic Grants to States - FY 25	84.048	CLB102	51,822
Vocational Education Basic Grants to States - Program Improvement	84.048	CLB102	5,712
Title V Rural Education Initiative - FY 25	84.358	CLB102	110,838
Title III, English Language Acquisition	84.365	CLB102	9,573
Improving Teacher Quality - FY 24	84.367	CLB102	16,200
Improving Teacher Quality - FY 25	84.367	CLB102	115,908
Title IV, Part A: Student Support and Academic Advancement - FY 25	84.424	CLB102	96,589
TOTAL U.S. DEPARTMENT OF EDUCATION			2,404,200
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	CLB102	-
National School Lunch Program	10.555	CLB102	1,457,813
National School Lunch Program - Supply Chain Assistance	10.555	CLB102	326,905
National School Lunch Program Commodities (N)	10.555	CLB102	132,359
Subtotal Child Nutrition Cluster			1,917,076
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,917,076
U.S. DEPARTMENT OF DEFENSE			
Federal Funds Received Direct			
Navy ROTC	12.XXX	N/A	74,711
TOTAL U.S. DEPARTMENT OF DEFENSE			74,711
SOCIAL SECURITY ADMINISTRATION			
Passed through State Department of Education:			
Social Security Disability Insurance	96.001	CLB102	1,300
TOTAL SOCIAL SECURITY ADMINISTRATION			1,300
TOTAL FEDERAL AWARDS			4,397,287

Alexander City Board of Education
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Alexander City Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations, Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Alexander City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Alexander City Board of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

The Alexander City Board of Education has not elected to use the 10-percent de minimus indirect cost rate as allowed in the Uniform Guidance.

Alexander City Board of Education Schedule of Findings and Questioned Costs For the Fiscal Year Ended September 30, 2025

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified	_____ Yes	_____ X _____ No
Reportable Condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ No

Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified	_____ Yes	_____ X _____ No
Reportable Condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ X _____ No
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Identification of major programs:

<u>ALN Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	\$	1,000,000
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Auditee qualified as low risk auditee?	_____ X _____ Yes	_____ _____ No
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SECTION II: FINANCIAL STATEMENTS FINDINGS

No matters to be reported.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.