

Lauderdale County Board of Education

Lauderdale County, Alabama

October 1, 2024 through September 30, 2025

Filed: May 15, 2026

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

Rachel Laurie Riddle, *Chief Examiner* | **334-777-0500** | **www.alexaminers.gov**

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 777-0500
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Lauderdale County Board of Education, Lauderdale County, Alabama, for the period October 1, 2024 through September 30, 2025, by Examiners Bryanna P. Adams and Jeffryl Martin. I, Bryanna P. Adams, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Bryanna P. Adams

Bryanna P. Adams
Examiner of Public Accounts

rb

26-267

Table of Contents

		Page
Summary		A
Contains items pertaining to federal, state and local legal compliance, Board operations and other matters.		
Schedule of State and Local Compliance and Other Findings		C
Contains detailed information about findings pertaining to state and local legal compliance and other findings.		
Independent Auditor's Report		E
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).		
Basic Financial Statements		1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP.		
Exhibit #1	Statement of Net Position	2
Exhibit #2	Statement of Activities	4
Exhibit #3	Balance Sheet – Governmental Funds	5
Exhibit #4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Exhibit #5	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Exhibit #6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Exhibit #7	Statement of Fiduciary Net Position	9
Exhibit #8	Statement of Changes in Fiduciary Net Position	10

Table of Contents

		Page
Notes to the Financial Statements		11
Required Supplementary Information		44
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.		
Exhibit #9	Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability	45
Exhibit #10	Schedule of the Employer's Contributions – Pension	46
Exhibit #11	Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust	47
Exhibit #12	Schedule of the Employer's Contributions Other Postemployment Benefits (OPEB) Alabama Retired Education Employees' Health Care Trust	48
Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB)		49
Exhibit #13	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	51
Exhibit #14	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	53
Supplementary Information		55
Contains financial information and notes relative to federal financial assistance.		
Exhibit #15	Schedule of Expenditures of Federal Awards	56
Notes to the Schedule of Expenditures of Federal Awards		57

Table of Contents

Page

Additional Information 58

Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) for federal compliance audits.

Exhibit #16 **Board Members and Administrative Personnel** – a listing of the Board members and administrative personnel. 59

Exhibit #17 **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*** – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board's financial statements. 60

Exhibit #18 **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the *Uniform Guidance*** – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Board complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program. 63

Exhibit #19 **Schedule of Findings and Questioned Costs** – a schedule summarizing the results of audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by the *Uniform Guidance.* 67

Exhibit #20 **Auditee Response** – a response by the Board on the results of the audit. 69

Department of
Examiners of Public Accounts

SUMMARY

Lauderdale County Board of Education
October 1, 2024 through September 30, 2025

The Lauderdale County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Lauderdale County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 16. The Board is the governmental agency that provides general administration and supervision for Lauderdale County Public Schools, preschool through high school, with the exception of schools administered by the Florence City Board of Education.

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

An unmodified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2025.

AUDIT FINDING

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings, and it is summarized below.

- 2025-001: The Board failed to comply with the requirements of the Alabama Open Meetings Act.

EXIT CONFERENCE

Board members and administrative personnel, as reflected in Exhibit 16, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Jerry Hill; Chief School Financial Officer Hali Lyle and Board Members Ronnie Owens and B. J. Tully. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Briana Hannah, Audit Manager, Bryanna Adams, Examiner and Jeffryl Martin, Examiner.

Schedule of State and Local Compliance and Other Findings

Ref. No.	Finding/Noncompliance
2025-001	**Finding:** The ***Code of Alabama 1975***, Section 36-25A, known as the Alabama Open Meetings Act, governs certain aspects of the deliberative process of governmental bodies during meetings. The ***Code of Alabama 1975***, Section 36-25A-7(a)(1) states, in pertinent part, "… if the person is an elected or appointed public official, an appointed member of a state or local board or commission, or a public employee who is one of the classification of public employees required to file a statement of economic interests with the Alabama Ethics Commission pursuant to Section 36-25-14, the salary, compensation, and job benefits of specific public officials or specific public employees may not be discussed in executive session...". The Superintendent at the Lauderdale County Board of Education (the "Board") is required under the ***Code of Alabama 1975***, Section 36-25-14, to file a statement of economic interest form since he is an elected official. The ***Code of Alabama 1975***, Section 16-9-12, allows for the county board of education to vote on the salary of the elected superintendent. However, his salary cannot be discussed in an executive session. At the regular meeting held on March 12, 2025, the Board entered into an executive session to discuss the salary of the Superintendent and then approved the salary without stating the amount in the open meeting. Proper procedures were not in place to ensure compliance with the Alabama Open Meetings Act. As a result of not complying with the Alabama Open Meeting Act, the Board failed to properly approve the salary of the Superintendent. **Recommendation:** The Board should ensure compliance with the Alabama Open Meetings Act.

Independent Auditor's Report

Independent Auditor's Report

Members of the Lauderdale County Board of Education,
Superintendent and Chief School Financial Officer
Florence, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County Board of Education, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Lauderdale County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County 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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lauderdale County 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 the Lauderdale County Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Lauderdale County Board of Education's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lauderdale County 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 Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 14), 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.

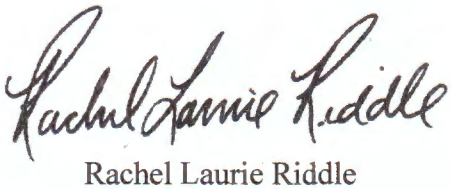
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 Lauderdale County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (*Uniform Guidance*), is presented for the purposes of additional analysis, 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 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 April 8, 2026, on our consideration of the Lauderdale County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lauderdale County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Lauderdale County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2026

This Page Intentionally Blank

Basic Financial Statements

Statement of Net Position
September 30, 2025

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 54,364,890.48
Cash with Fiscal Agent	590,659.55
Ad Valorem Property Taxes Receivable	17,328,639.89
Due from Other Governments	4,089,034.80
Inventories	326,676.97
Capital Assets (Note 4):	
Nondepreciable	36,780,759.50
Depreciable, Net	66,295,734.94
Total Assets	179,776,396.13
Deferred Outflows of Resources	
Employer Pension Contribution	7,539,344.89
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	11,040,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	2,430,588.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	64,445,827.00
Total Deferred Outflows of Resources	85,455,759.89
Liabilities	
Accounts Payable	1,774,344.82
Salaries and Benefits Payable	8,994,462.42
Long-Term Liabilities (Note 7):	
Portion Due or Payable Within One Year	1,400,422.89
Portion Due or Payable After One Year	198,309,808.98
Total Liabilities	210,479,039.11
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	17,328,639.89
Revenue Received in Advance - Motor Vehicle Taxes	670,708.32
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	15,299,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	32,351,003.00
Total Deferred Inflows of Resources	$ 65,649,351.21

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

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 60,823,517.57
Restricted for:	
Capital Projects	12,192,041.52
Child Nutrition Program	1,067,052.44
Debt Service	590,659.55
Other Purposes	10,854,997.03
Unrestricted	(96,424,502.41)
Total Net Position	$ (10,896,234.30)

Statement of Activities
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$ 60,994,320.00	$ 1,558,946.07	$ 52,987,853.51	$ 2,426,263.37	$ (4,021,257.05)
Instructional Support	19,947,170.01	536,620.82	14,571,461.46		(4,839,087.73)
Operation and Maintenance	9,381,430.28	247,594.01	6,607,154.17	121,861.55	(2,404,820.55)
Auxiliary Services:					
Student Transportation	6,345,424.77	136,770.92	5,155,959.66	429,597.08	(623,097.11)
Food Services	7,094,152.08	5,654,350.29	564,086.02		(875,715.77)
General Administrative and Central Support	4,326,864.40		1,554,037.16		(2,772,827.24)
Interest and Fiscal Charges	1,603,205.55				(1,603,205.55)
Other Expenses	4,273,405.23	499,908.95	2,767,708.08		(1,005,788.20)
Total Governmental Activities	$ 113,965,972.32	$ 8,634,191.06	$ 84,208,260.06	$ 2,977,722.00	(18,145,799.20)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					15,690,495.01
Property Taxes for Specific Purposes					429,170.00
Sales Tax					7,790,299.00
Alcohol Beverage Tax					29,180.61
Other Taxes					57,250.68
Grants and Contributions Not Restricted for Specific Programs					27,469.00
Investment Earnings					1,517,811.97
Miscellaneous					4,663,025.68
Total General Revenues					30,204,701.95
Changes in Net Position					12,058,902.75
Net Position - Beginning of Year					(22,955,137.05)
Net Position - End of Year					$ (10,896,234.30)

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

Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 21,336,142.80	$ 4,100,850.77	$ 28,927,896.91	$	$ 54,364,890.48
Cash with Fiscal Agent				590,659.55	590,659.55
Ad Valorem Property Taxes Receivable	17,328,639.89				17,328,639.89
Due from Other Governments	1,771,500.58	2,317,534.22			4,089,034.80
Due from Other Funds	1,622,886.19				1,622,886.19
Inventories		326,676.97			326,676.97
Total Assets	42,059,169.46	6,745,061.96	28,927,896.91	590,659.55	78,322,787.88
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	704,866.45	7,797.02	1,061,681.35		1,774,344.82
Due to Other Funds		1,622,886.19			1,622,886.19
Salaries and Benefits Payable	8,710,354.20	284,108.22			8,994,462.42
Total Liabilities	9,415,220.65	1,914,791.43	1,061,681.35		12,391,693.43
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	17,328,639.89				17,328,639.89
Revenue Received in Advance - Motor Vehicle Taxes	670,708.32				670,708.32
Total Deferred Inflows of Resources	17,999,348.21				17,999,348.21
Fund Balances					
Nonspendable:					
Inventories		326,676.97			326,676.97
Restricted for:					
Capital Projects	60,383.01		27,866,215.56		27,926,598.57
Child Nutrition Program		740,375.47			740,375.47
Debt Service				590,659.55	590,659.55
Other Purposes	10,854,997.03				10,854,997.03
Assigned to:					
Local Schools		3,763,218.09			3,763,218.09
Unassigned	3,729,220.56				3,729,220.56
Total Fund Balances	14,644,600.60	4,830,270.53	27,866,215.56	590,659.55	47,931,746.24
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 42,059,169.46	$ 6,745,061.96	$ 28,927,896.91	$ 590,659.55	$ 78,322,787.88

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2025

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 47,931,746.24
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The Cost of Capital Assets is	$ 158,280,776.75	
Accumulated Depreciation is	(55,204,282.31)	
		103,076,494.44
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		3,280,344.89
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		34,525,412.00
Long-term liabilities, including net pension obligations, OPEB obligations and bonds/warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Current Portion of Long-Term Debt	$ 1,400,422.89	
Noncurrent Portion of Long-Term Debt	198,309,808.98	
		(199,710,231.87)
Total Net Position - Governmental Activities (Exhibit 1)		$ (10,896,234.30)

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
State	$ 74,563,532.91	$ 204,763.65	$ 5,974,054.38	$ 998,111.62	$ 81,740,462.56
Federal	303,394.95	10,112,529.33			10,415,924.28
Local	22,466,139.16	6,226,374.32	2,031,136.86	1,793,742.40	32,517,392.74
Other	667,454.99	101,631.89			769,086.88
Total Revenues	98,000,522.01	16,645,299.19	8,005,191.24	2,791,854.02	125,442,866.46
Expenditures					
Current:					
Instruction	51,923,221.32	4,767,327.06			56,690,548.38
Instructional Support	16,147,077.12	3,286,089.71			19,433,166.83
Operation and Maintenance	8,413,846.40	648,149.01	141,226.20		9,203,221.61
Auxiliary Services:					
Student Transportation	5,375,320.36	90,783.00			5,466,103.36
Food Services		7,385,213.82			7,385,213.82
General Administrative and Central Support	3,803,696.20	489,214.70			4,292,910.90
Other	3,183,677.54	994,597.48			4,178,275.02
Capital Outlay	8,505,366.53	253,254.00	19,914,018.59		28,672,639.12
Debt Service:					
Principal Retirement			226,841.75	940,044.60	1,166,886.35
Interest and Fiscal Charges			15,701.61	1,683,573.34	1,699,274.95
Debt Issuance Costs/Other Debt Service			7,661.19	11,265.00	18,926.19
Total Expenditures	97,352,205.47	17,914,628.78	20,305,449.34	2,634,882.94	138,207,166.53
Excess (Deficiency) of Revenues Over Expenditures	648,316.54	(1,269,329.59)	(12,300,258.10)	156,971.08	(12,764,300.07)
Other Financing Sources (Uses)					
Indirect Cost	512,677.83				512,677.83
Transfers In	293,437.70	1,787,027.33			2,080,465.03
Other Financing Sources	582,008.61				582,008.61
Transfers Out	(1,787,027.33)	(293,437.70)			(2,080,465.03)
Total Other Financing Sources (Uses)	(398,903.19)	1,493,589.63			1,094,686.44
Net Changes in Fund Balances	249,413.35	224,260.04	(12,300,258.10)	156,971.08	(11,669,613.63)
Fund Balances - Beginning of Year	14,395,187.25	4,606,010.49	40,166,473.66	433,688.47	59,601,359.87
Fund Balances - End of Year	$ 14,644,600.60	$ 4,830,270.53	$ 27,866,215.56	$ 590,659.55	$ 47,931,746.24

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2025

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		$ (11,669,613.63)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period.		
Capital Outlays	$ 28,672,639.12	
Depreciation Expense	(3,901,567.64)	
		24,771,071.48
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.		1,166,886.35
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.		
Loss on Disposition of Capital Assets	$ (10,684.93)	
		(10,684.93)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of Bond/Warrant Premiums	$ (114,995.59)	
Pension Expense, Current Year (Increase)/Decrease	2,833,338.11	
OPEB Expense, Current Year (Increase)/Decrease	(519,586.00)	
		(2,198,756.52)
Change in Net Position of Governmental Activities (Exhibit 2)		$ 12,058,902.75

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

Statement of Fiduciary Net Position
September 30, 2025

	Custodial Fund
Assets	
Cash and Cash Equivalents	$ 207,347.36
Total Assets	207,347.36
Liabilities	
Salaries and Benefits Payable	7,106.52
Total Liabilities	7,106.52
Net Position	
Held for Other Purposes	200,240.84
Total Net Position	$ 200,240.84

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2025

	Custodial Fund
Additions	
Other Sources	$ 342,888.72
Total Additions	342,888.72
Deductions	
Instruction	69,214.09
Instructional Support	145,024.33
Operation and Maintenance	20,324.62
Auxiliary Services:	
Student Transportation	1,128.40
Other	79,873.21
Total Deductions	315,564.65
Changes in Net Position	27,324.07
Net Position - Beginning of Year	172,916.77
Net Position - End of Year	$ 200,240.84

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of Florence City Board of Education).

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

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

- ***Capital Projects Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

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

Governmental Fund Type

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

The Board reports the following fiduciary fund type:

Fiduciary Fund Type

- ***Custodial Fund*** – This fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

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

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

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

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

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits.

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Board reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

2. Receivables

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

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

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

3. Inventories

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

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash equivalents on the balance sheet are considered restricted assets because they are maintained separately, and their use is limited. The Public School Capital Projects and Fleet Renewal funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due. Also, Series 2024 Special School Tax Warrant funds are used to report proceeds on hand that are restricted for use in government-wide projects.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. The Board is currently working to add capitalization and estimated useful life detail for right-to-use assets to their current policy. Currently, they follow the same thresholds and useful lives as equipment. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	$50,000	20 years
Buildings	$50,000	25 – 50 years
Building Improvements	$50,000	7 – 30 years
Equipment and Furniture	$ 5,000	5 – 20 years
Vehicles	$ 5,000	8 – 15 years

6. Deferred Outflows of Resources

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

7. Right-to-Use Assets and Lease Liability

The Board has recorded right-to-use lease assets and liabilities as a result of implementing GASB Statement Number 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

In accordance with GASB Statement Number 87, payments on leases with a term of 12 months or less or leases with a present value of less than $5,000 (for equipment leases) and less than $50,000 (for property leases) are expensed as incurred. These leases are not included in assets or liabilities on the Statement of Net Position.

Payments included in the measurement of present value include:

1. Fixed payments,
2. Variable payments that depend on an index or a rate, initially measured using the index or rate as of the commencement of the lease term,
3. Variable payments that are fixed in substance,
4. Amounts that are reasonably certain of being required to be paid by the Board under residual value guarantees,
5. The exercise price of a purchase option if it is reasonably certain that the Board will exercise that option,
6. Payments for penalties for terminating the lease, if the lease term reflects the Board exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause,
7. Any lease incentives receivable from the lessor,
8. Any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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 expenditures.

9. Deferred Inflows of Resources

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

10. Net Position/Fund Balances

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

- ***Net Investment in Capital Assets*** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

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

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

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

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

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

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

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

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

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

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

Note 3 – Deposits and Investments

A. Deposits

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

B. Investment of Cash with Fiscal Agent

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

As of September 30, 2025, the Board had the following amount recorded in cash with fiscal agent on the financial statements:

Investment Type	Amortized Cost
Fidelity Treasury Only Money Market Funds	$590,659.55
Total	$590,659.55

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-funded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unity of any such state that the Board invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investor Services, Inc. The Board does not have a formal investment policy requiring investments to be rated in the highest category rating. As of September 30, 2025, the Board's investments in the Fidelity Treasury Portfolio were rated AAAm by Standard & Poor's and AAA-mf by Moody's.

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

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

Note 4 – Capital and Leased Assets

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

	Balance 10/01/2024	Additions/ Reclassification (*)	Retirements/ Reclassification (*)	Balance 09/30/2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 3,615,958.90	$	$	$ 3,615,958.90
Construction in Progress	7,490,202.26	25,748,398.34	(73,800.00)	33,164,800.60
Total Capital Assets, Not Being Depreciated	11,106,161.16	25,748,398.34	(73,800.00)	36,780,759.50
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	6,105,767.55	520,974.79		6,626,742.34
Buildings	54,384,347.03	221,763.06		54,606,110.09
Building Improvements	40,554,114.95			40,554,114.95
Equipment and Vehicles	14,256,816.02	2,255,302.93	(117,837.08)	16,394,281.87
Right-to-Use Lease Assets (Equipment)	3,318,768.00			3,318,768.00
Total Capital Assets Being Depreciated	118,619,813.55	2,998,040.78	(117,837.08)	121,500,017.25
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(2,141,510.43)	(286,826.46)		(2,428,336.89)
Buildings	(28,391,436.64)	(1,005,194.82)		(29,396,631.46)
Building Improvements	(9,750,907.17)	(1,507,185.27)		(11,258,092.44)
Equipment and Vehicles	(8,968,813.38)	(770,484.29)	107,152.15	(9,632,145.52)
Right-to-Use Lease Assets (Equipment)	(2,157,199.20)	(331,876.80)		(2,489,076.00)
Total Accumulated Depreciation	(51,409,866.82)	(3,901,567.64)	107,152.15	(55,204,282.31)
Total Capital Assets Being Depreciated, Net	67,209,946.73	(903,526.86)	(10,684.93)	66,295,734.94
Total Governmental Activities Capital Assets, Net	$ 78,316,107.89	$24,844,871.48	$ (84,484.93)	$103,076,494.44

(*) Additions and Retirements columns include a reclassification from Construction in Progress to Building Improvements in the amount of $55,330.00.

(*) Additions and Retirements columns include a reclassification from Construction in Progress to Land Improvements in the amount of $18,470.00.

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$2,793,061.44
Instructional Support	55,987.29
Operation and Maintenance	120,068.80
Auxiliary Services:	
Student Transportation	812,995.42
Food Service	87,298.52
General Administrative and Central Support	23,825.80
Other	8,330.37
Total Depreciation Expense – Governmental Activities	$3,901,567.64

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, pursuant to the ***Code of Alabama 1975***, Section 16-25-1 through Section 16-25-34 (Act Number 419, Acts of Alabama 1939), for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Act Number 2022-222, Acts of Alabama, provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit.

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

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

C. Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 members contribution rate increases were a result of Act Number 2021-537, Acts of Alabama, which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2025, was 13.57% of annual pay for Tier 1 members and 12.60% 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 $7,539,344.89 for the year ended September 30, 2025.

D. 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 $84,977,000.00 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 collective 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 .653262%, which was a decrease of .006995% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the Board recognized pension expense of $10,390,000.00. At September 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,450,000.00	$ 613,000.00
Changes of assumptions	1,303,000.00	
Net difference between projected and actual earnings on pension plan investments		13,936,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,287,000.00	750,000.00
Employer contributions subsequent to the measurement date	7,539,344.89	
Total	$18,579,344.89	$15,299,000.00

The $7,539,344.89 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2026	$ 137,000.00
2027	$ 4,379,000.00
2028	$(4,283,000.00)
2029	$(4,492,000.00)
2030	$ 0.00
Thereafter	$ 0.00

E. 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%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%

(*) 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.

Mortality rates for TRS 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 the year 2019:

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

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

Asset Class	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 Stock	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 of 2.00%.

F. 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.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's Proportionate Share of Collective Net Pension Liability	$118,154,000	$84,977,000	$57,052,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement Number 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 Statement Number 68 as of September 30, 2024, along with supporting schedules is also available. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68reports/.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

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

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

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

C. Contributions

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

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

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

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

At September 30, 2025, the Board reported a liability of $72,480,255.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the Board's proportion was .78838800%, which was an increase of .05705052% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the Board recognized OPEB expense of $2,024,838.00, with no special funding situations. At September 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$33,801,827.00	$15,643,231.00
Changes of assumptions	24,961,673.00	10,254,784.00
Net difference between projected and actual earnings on OPEB plan investments		1,788,208.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,682,327.00	4,664,780.00
Employer contributions subsequent to the measurement date	2,430,588.00	
Total	$66,876,415.00	$32,351,003.00

The $2,430,588.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026.

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

Year Ending:	
September 30, 2026	$4,654,347.00
2027	$5,044,736.00
2028	$3,678,238.00
2029	$5,849,947.00
2030	$9,718,903.00
Thereafter	$3,148,653.00

E. 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%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Year for Fiduciary Net Position (FNP) is Projected to be Depleted	2040
Single Equivalent Interest Rate at Measurement Date	4.32%
Single 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 FYE
Medicare Eligible	4.50% in 2033 FYE

(1) Includes 2.75% wage inflation.
(2) Compounded annually, net of investment expense, and including inflation.
(**) Initial Medicare claims are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiation period.

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 with the year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

Group	Membership Table	Set Forward (+)/ Setback (-)	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%> age 74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

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:

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

(*) Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2024, 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 school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. 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 or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will remain flat until, based on budget projections, it increases to $904 in fiscal year 2026, $1,114 in fiscal year 2027, and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2122.

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

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

	1% Decrease (5.75% Decreasing to 3.50% 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 Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's Proportionate Share of Collective Net OPEB Liability	$58,304,236	$72,480,255	$90,760,249

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.32%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.32%)	Current Discount Rate (4.32%)	1% Increase (5.32%)
Board's Proportionate Share of the Collective Net OPEB Liability	$88,046,780	$72,480,255	$60,040,898

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Long-Term Debt and Lease Obligations

The Board issued $19,600,000.00 in Special Tax School Warrants, Series 2024, dated August 29, 2024, to provide funds for the construction of the Career Tech Innovation Center and to pay the expenses related to the issuance of the Warrants. Interest rates for the various scheduled maturities range from 3.00% to 5.00%. Payments on the Series 2024 warrants are made by the Debt Service Fund with local taxes. In the event of default, which is defined as a failure to pay principal and interest when due, the principal of and the interest on the warrant, to the extent permitted by law, bear interest after maturity until paid or until moneys sufficient for payment thereof have been made available for that purpose by the Board, whichever first occurs, at the rate stated on such warrant. The warrant is not subject to acceleration.

The Board issued $10,375,000.00 in Special Tax School Warrants, Series 2020-A and Series 2020-B, dated December 22, 2020, to provide funds for various capital improvements and renovations to public schools under the Board's jurisdiction and to pay the expenses related to the issuance of the Warrants. Interest rates for the various scheduled maturities range from .50% to 4.00%. Payments on the Series 2020 warrants are made by the Debt Service Fund with local taxes. In the event of default, which is defined as a failure to pay principal and interest when due, the principal of and the interest on each warrant, to the extent permitted by law, bear interest after maturity until paid or until moneys sufficient for payment thereof have been made available for that purpose by the Board, whichever first occurs, at the rate stated on such warrant. The warrants are not subject to acceleration.

During the 2018 fiscal year, the Board entered into a lease obligation for the purchase of new school buses.

On May 18, 2022, the Alabama Public School and College Authority ("APSCA"), on behalf of the various Boards of Education in the pool, issued $36,565,000 in Capital Improvement Pool Bonds, with interest rates ranging from 4.00% to 5.00%. The Board has a 36.036% participation in the Series 2022-A warrants which resulted in an obligation of the Board in the amount of $13,176,563.40 of the total principal of $36,565,000. The proceeds are to provide funds for the construction of a career technical school and to pay the expenses related to the issuance of the Warrants. Payments on the Series 2022 warrants are made by the State by withholding a portion of the PSF Capital Purchase Fund allocation. In the event of default, which is defined as a failure to pay principal and interest when due and a failure to comply with the covenants in the loan agreement, the APSCA may withhold the Board's Public School Funds and intercept any State allocated funds payable to the Board. The warrants are not subject to default or acceleration.

The following is a summary of long-term obligations, including lease obligations, for the Board for the year ended September 30, 2025:

	Debt Outstanding 10/01/2024	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2025	Amounts Due Within One Year
Governmental Activities:					
Capital Outlay School Warrants, Series 2020-A	$ 685,000.00	$	$ (435,000.00)	$ 250,000.00	$ 250,000.00
Capital Outlay School Warrants, Series 2020-B	8,410,000.00			8,410,000.00	190,000.00
Capital Outlay Pool Warrants, Series 2022	12,308,095.80		(445,044.60)	11,863,051.20	468,468.00
Special Tax School Warrants, Series 2024	19,600,000.00		(60,000.00)	19,540,000.00	145,000.00
Premium on Warrants	1,835,769.66		(114,995.59)	1,720,774.07	114,995.59
Total Warrants Payable and Premium	42,838,865.46		(1,055,040.19)	41,783,825.27	1,168,463.59
Other Liabilities:					
Lease Obligation – Buses	695,993.35		(226,841.75)	469,151.60	231,959.30
Net Pension Liability	105,363,000.00		(20,386,000.00)	84,977,000.00	
Other Postemployment Benefits	14,057,406.00	58,422,849.00		72,480,255.00	
Total Other Liabilities	120,116,399.35	58,422,849.00	(20,612,841.75)	157,926,406.60	231,959.30
Governmental Activities Long-Term Liabilities	$162,955,264.81	$58,422,849.00	$(21,667,881.94)	$199,710,231.87	$1,400,422.89

The Board's outstanding lease obligation, originally issued at $2,198,270.00, is secured by school buses. The outstanding lease contains a provision that in the event of default, the lender may (1) declare all lease payments immediately due, (2) may repossess security equipment while the Board is still responsible for payments, (3) take possession of security equipment to sell for repayment of the lease and (4) require payment by the Board for all legal fees and costs related to the default.

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

	Warrants Payable		Lease Obligation		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	to Maturity
September 30, 2026	$ 1,053,468.00	$ 1,719,208.56	$231,959.30	$10,584.06	$ 3,015,219.92
2027	1,096,891.40	1,675,672.64	237,192.30	5,351.06	3,015,107.40
2028	1,145,314.80	1,627,928.08			2,773,242.88
2029	1,197,341.80	1,576,437.34			2,773,779.14
2030	1,254,368.80	1,520,820.26			2,775,189.06
2031-2035	7,197,699.40	6,677,150.10			13,874,849.50
2036-2040	8,788,689.60	5,082,418.32			13,871,107.92
2041-2045	6,904,277.40	3,229,738.38			10,134,015.78
2046-2050	5,805,000.00	1,840,846.91			7,645,846.91
2051-2054	5,620,000.00	490,450.00			6,110,450.00
Total	$40,063,051.20	$25,440,670.59	$469,151.60	$15,935.12	$65,988,808.51

Lease Obligations

Lessee Agreements

The Board leased buses from an external party under a long-term, noncancelable lease agreement. The lease expires in 2027. In accordance with GASB Statement Number 87, the Board records right-of-use assets and lease liabilities based on the present value of expected payments over the lease term. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. The Board does not have any leases featuring payments tied to an index or market rate. The Board also does not have any leases subject to a residual value guarantee. See Note 4 – Capital and Leased Assets for information on leased assets and associated amortization. Future commitments for leases having remaining terms in excess of one year as of September 30, 2025, were as follows:

Fiscal Year Ending	Lease Obligation Payable	Interest
September 30, 2026	$231,959.30	$10,584.06
2027	237,192.30	5,351.06
Total Remaining Lease Commitments	$469,151.60	$15,935.12

The lease commitment consists of:

Description	Lease Obligation Payable
An agreement between the Board and a third-party vendor for school buses in yearly installments of $242,543.36, with a fixed interest rate of 2.256%. The agreement expires fiscal year 2027.	$469,151.60
Present Value of Minimum Lease Commitments	$469,151.60

Premium

The Board has deferred bond premiums in connection with the issuance of its Series 2020-B Special School Tax Warrants and Series 2022 Capital Outlay Pool Warrants, which are being amortized using the straight-line method over a period of twenty years.

	Premium
Total Premium	$2,159,273.73
Amount Amortized Prior Years	(323,504.07)
Balance Premium	1,835,769.66
Current Amount Issued	
Current Amount Amortized	(114,995.59)
Premium	$1,720,774.07

Pledged Revenues

The Board issued Series 2020-A and 2020-B Special Tax School Warrants which are pledged to be repaid from the proceeds of a special sales tax and business privilege tax levied by the Lauderdale County Commission pursuant to the provisions of the ***Code of Alabama 1975***, Section 45-39-245, and the 4 mill District Ad Valorem taxes. The warrant proceeds were used for capital improvements at various schools. Future revenues in the amounts of $251,337.50 and $10,748,300.00, respectively, are pledged to repay the principal and interest on these warrants at September 30, 2025. Proceeds of the pledged taxes in the amount of $10,974,381.58 were received by the Board during the fiscal year ended September 30, 2025, of which $735,732.50 was used to pay principal and interest on the warrants. The Series 2020-A and 2020-B Special Tax School Warrants will mature in fiscal year 2040.

The Board issued Series 2022 Capital Outlay Pool Warrants which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The warrant proceeds will be used for the construction of a new career tech center. Future revenues in the amount of $16,986,787.18 are pledged to repay the principal and interest on the warrants at September 30, 2025. Proceeds of the pledged taxes in the amount of $1,253,804.38 were received by the Board during the fiscal year ended September 30, 2025, of which $998,111.62 was used to pay principal and interest on the warrants. The Series 2022 Capital Outlay Pool Warrants will mature in fiscal year 2042.

The Board issued Series 2024 Special Tax School Warrants which are pledged to be repaid from the proceeds of a special sales tax levied by the Lauderdale County Commission pursuant to the provisions of ***Code of Alabama 1975***, Section 45-39-245, Acts of Alabama 1975, and proceeds of the 4 mill District Ad Valorem taxes. The warrant proceeds will be used for the construction and equipping of a new vocational school. Future revenues in the amount of $37,517,297.11 are pledged to repay the principal and interest on the warrants at September 30, 2025. Proceeds of the pledged taxes in the amount of $10,935,119.07 were received by the Board during the fiscal year ended September 30, 2025, of which $889,773.82 was used to pay principal and interest on the warrants. The Series 2024 Special Tax School Warrants will mature in fiscal year 2054.

Note 8 – Risk Management

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

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

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

Note 9 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2025, were as follows:

	Interfund Payable	
	Special Revenue Fund	Totals
Interfund Receivable:		
General Fund	$1,622,886.19	$1,622,886.19
Totals	$1,622,886.19	$1,622,886.19

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2025, were as follows:

	Transfers Out		
	General Fund	Special Revenue Fund	Totals
Transfers In:			
General Fund	$	$293,437.70	$ 293,437.70
Special Revenue Fund	1,787,027.33		1,787,027.33
Totals	$1,787,027.33	$293,437.70	$2,080,465.03

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

Note 10 – Construction and Other Significant Commitments

As of September 30, 2025, the Board was obligated under the following significant construction contracts:

	Contract Amount	Amount Remaining
Innovation Center Construction	$34,694,700.00	$10,693,996.00
Total	$34,694,700.00	$10,693,996.00

This Page Intentionally Blank

Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2025
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective net pension liability	0.653262%	0.660257%	0.642709%	0.640736%	0.641961%	0.661675%	0.628999%	0.617507%	0.619252%	0.623418%
Employer's proportionate share of the collective net pension liability	$ 84,977	$ 105,363	$ 99,882	$ 60,359	$ 79,408	$ 73,161	$ 62,539	$ 60,692	$ 67,040	$ 65,245
Employer's covered payroll during the measurement period (*)	$ 56,927	$ 54,291	$ 49,066	$ 46,232	$ 45,257	$ 43,421	$ 41,540	$ 40,660	$ 39,199	$ 39,384
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	149.27%	194.07%	203.57%	130.56%	175.46%	168.49%	150.55%	149.27%	171.02%	165.66%
Plan fiduciary net position as a percentage of the total collective pension liability	71.41%	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

(*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)
For fiscal year 2025, the measurement period is October 1, 2023 through September 30, 2024.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2025
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 7,539	$ 6,950	$ 6,628	$ 5,933	$ 5,594	$ 5,530	$ 5,309	$ 5,056	$ 4,834	$ 4,660
Contributions in relation to the contractually required contribution	$ 7,539	$ 6,950	$ 6,628	$ 5,933	$ 5,594	$ 5,530	$ 5,309	$ 5,056	$ 4,834	$ 4,660
Contribution deficiency (excess)	$	$	$	$	$	$	$	$	$	$
Employer's covered payroll	$ 57,474	$ 56,927	$ 54,291	$ 49,066	$ 46,232	$ 45,257	$ 43,421	$ 41,540	$ 40,660	$ 39,199
Contributions as a percentage of covered payroll	13.12%	12.21%	12.21%	12.09%	12.10%	12.22%	12.23%	12.17%	11.89%	11.89%

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2025
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.78838800%	0.73133748%	0.80244118%	0.72930100%	0.72188600%	0.81351600%	0.78602300%	0.75900300%
Employer's proportionate share of the collective net OPEB liability	$ 72,480	$ 14,057	$ 13,982	$ 37,682	$ 46,849	$ 30,692	$ 64,601	$ 56,374
Employer's covered-employee payroll during the measurement period (*)	$ 56,927	$ 54,291	$ 49,066	$ 46,232	$ 45,257	$ 43,421	$ 41,540	$ 40,660
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	127.32%	25.89%	28.50%	81.51%	103.52%	70.68%	155.52%	138.65%
Plan fiduciary net position as a percentage of the total collective OPEB liability	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll.
For fiscal year 2025, the measurement period is October 1, 2023 through September 30, 2024.

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

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2025
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 2,431	$ 1,016	$ 1,142	$ 1,535	$ 1,268	$ 1,430	$ 2,320	$ 1,943
Contributions in relation to the contractually required contribution	$ 2,431	$ 1,016	$ 1,142	$ 1,535	$ 1,268	$ 1,430	$ 2,320	$ 1,943
Contribution deficiency (excess)	$	$	$	$	$	$	$	$
Employer's covered-employee payroll	$ 57,474	$ 56,927	$ 54,291	$ 49,066	$ 46,232	$ 45,257	$ 43,421	$ 41,540
Contributions as a percentage of covered-employee payroll	4.23%	1.78%	2.10%	3.13%	2.74%	3.16%	5.34%	4.68%

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

Changes in Actuarial Assumptions

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

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

In fiscal year 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 Number 2022-222, Acts of Alabama.

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

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

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

Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB)

For the 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's Contributions – Other Postemployment Benefits (OPEB) were 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.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
State	$ 59,929,186.98	$ 64,831,154.85	$ 74,563,532.91		$	$ 74,563,532.91
Federal	3,700.00	3,700.00	303,394.95			303,394.95
Local	21,395,096.18	21,382,875.02	22,466,139.16			22,466,139.16
Other	280,450.00	280,450.00	667,454.99			667,454.99
Total Revenues	81,608,433.16	86,498,179.87	98,000,522.01			98,000,522.01
Expenditures						
Current:						
Instruction	46,719,304.93	50,926,623.10	51,899,774.85	(1)	23,446.47	51,923,221.32
Instructional Support	14,729,095.09	15,440,521.44	16,131,942.76	(1)	15,134.36	16,147,077.12
Operation and Maintenance	8,678,332.18	9,727,479.49	8,413,303.16	(1)	543.24	8,413,846.40
Auxiliary Services:						
Student Transportation	4,682,009.80	4,793,034.60	5,370,090.86	(1)	5,229.50	5,375,320.36
General Administrative and Central Support	3,462,922.80	3,565,379.61	3,792,379.43	(1)	11,316.77	3,803,696.20
Other	3,330,275.69	3,083,533.40	3,162,908.63	(1)	20,768.91	3,183,677.54
Capital Outlay	7,573,696.00	7,228,578.18	8,505,366.53			8,505,366.53
Total Expenditures	89,175,636.49	94,765,149.82	97,275,766.22		76,439.25	97,352,205.47
Excess (Deficiency) of Revenues Over Expenditures	(7,567,203.33)	(8,266,969.95)	724,755.79		(76,439.25)	648,316.54
Other Financing Sources (Uses)						
Indirect Cost	483,342.44	500,726.57	512,677.83			512,677.83
Transfers In			293,437.70			293,437.70
Other Financing Sources	45,000.00	45,000.00	582,008.61			582,008.61
Transfers Out	(2,111,116.32)	(2,111,116.32)	(1,787,027.33)			(1,787,027.33)
Other Financing Uses	(10,087.53)	(10,087.53)				
Total Other Financing Sources (Uses)	(1,592,861.41)	(1,575,477.28)	(398,903.19)			(398,903.19)
Net Change in Fund Balances	(9,160,064.74)	(9,842,447.23)	325,852.60	(2)	(76,439.25)	249,413.35
Fund Balances - Beginning of Year	26,168,833.73	23,699,694.75	23,699,694.75		(9,304,507.50)	14,395,187.25
Fund Balances - End of Year	$ 17,008,768.99	$ 13,857,247.52	$ 24,025,547.35		$ (9,380,946.75)	$ 14,644,600.60

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2025

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

(1) The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.	$	(76,439.25)
Net Change in Fund Balance - Budget to GAAP	$	(76,439.25)

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
State	$	$	$ 204,763.65		$	$ 204,763.65
Federal	9,220,203.00	10,214,502.09	10,112,529.33			10,112,529.33
Local	5,190,270.19	5,257,520.19	6,226,374.32			6,226,374.32
Other	98,200.00	98,200.00	101,631.89			101,631.89
Total Revenues	14,508,673.19	15,570,222.28	16,645,299.19			16,645,299.19
Expenditures						
Current:						
Instruction	4,068,432.89	4,617,757.73	4,767,327.06			4,767,327.06
Instructional Support	3,399,295.34	3,754,737.95	3,286,089.71			3,286,089.71
Operation and Maintenance	291,690.00	285,740.00	648,149.01			648,149.01
Auxiliary Services:						
Student Transportation	75,534.92	100,534.92	90,783.00			90,783.00
Food Services	7,421,639.05	7,421,639.05	7,387,474.02	(1)	(2,260.20)	7,385,213.82
General Administrative and Central Support	468,664.71	514,883.10	489,214.70			489,214.70
Other	846,577.83	859,511.08	994,597.48			994,597.48
Capital Outlay	270,000.00	283,030.00	253,254.00			253,254.00
Total Expenditures	16,841,834.74	17,837,833.83	17,916,888.98		(2,260.20)	17,914,628.78
Excess (Deficiency) of Revenues Over Expenditures	(2,333,161.55)	(2,267,611.55)	(1,271,589.79)		2,260.20	(1,269,329.59)
Other Financing Sources (Uses)						
Transfers In	2,111,116.32	2,111,116.32	1,787,027.33			1,787,027.33
Transfers Out			(293,437.70)			(293,437.70)
Total Other Financing Sources (Uses)	2,111,116.32	2,111,116.32	1,493,589.63			1,493,589.63
Net Change in Fund Balances	(222,045.23)	(156,495.23)	221,999.84	(2)	2,260.20	224,260.04
Fund Balances - Beginning of Year	5,330,253.42	5,068,680.73	4,892,363.96		(286,353.47)	4,606,010.49
Fund Balances - End of Year	$ 5,108,208.19	$ 4,912,185.50	$ 5,114,363.80		$ (284,093.27)	$ 4,830,270.53

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2025

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

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

(1) The Board budgets for salaries and benefits only to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis (GAAP).	$	2,260.20
Net Change in Fund Balance - Budget to GAAP	$	2,260.20

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

This Page Intentionally Blank

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
U. S. Department of Agriculture			
Passed Through Alabama Department of Education			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	N/A	$ 1,447,978.77
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,573,004.81
Non-Cash Assistance (Commodities)	10.555	N/A	359,283.15
Sub-Total National School Lunch Program			3,932,287.96
Sub-Total Child Nutrition Cluster			5,380,266.73
Total U. S. Department of Agriculture			5,380,266.73
U. S. Department of the Interior			
Passed Through the Lauderdale County Commission			
Payments in Lieu of Taxes	15.226	N/A	2,469.00
U. S. Department of Education			
Passed Through Alabama Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	2,073,592.75
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	2,042,662.71
Special Education - Preschool Grants	84.173	N/A	9,700.93
Sub-Total Special Education Cluster			2,052,363.64
Career and Technical Education - Basic Grants to States	84.048	N/A	121,879.04
Supporting Effective Instruction State Grants	84.367	N/A	400,766.97
Student Support and Academic Enrichment Program	84.424	N/A	148,300.34
Education for Homeless Children and Youth	84.196	N/A	15,000.00
Total U. S. Department of Education			4,811,902.74
U. S. Department of Justice			
Passed Through Alabama Department of Education			
Public Safety Partnership and Community Policing Grants	16.710	N/A	220,185.81
Social Security Administration			
Passed Through Alabama Department of Education			
Social Security - Disability Insurance	96.001	N/A	1,100.00
Total Expenditures of Federal Awards			$ 10,415,924.28

N/A = Not Available or Not Applicable

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

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Lauderdale County Board of Education under programs of the federal government for the year ended September 30, 2025. 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 Lauderdale County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Lauderdale County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Lauderdale County Board of Education has elected not to use the 15-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

This Page Intentionally Blank

Additional Information

Board Members and Administrative Personnel
October 1, 2024 through September 30, 2025

Board Members		**Term Expires**
Hon. Ronnie Owens	President	2026
Hon. Daniel Patterson	Vice-President	2028
Hon. Randy Burns	Member	2030
Hon. Larry Hill (*)	Member	2025
Hon. B. J. Tully	Member	2028
Hon. Charlotte Hill (*)	Member	2030
Hon. Jerry Fulmer	Member	2024
Administrative Personnel		
Hon. Jerry Hill	Superintendent	2028
Hali Lyle	Chief School Financial Officer	Indefinite

(*) Hon. Larry Hill resigned June 30, 2025 and Charlotte Hill was appointed to complete his term.

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

Independent Auditor's Report

Members of the Lauderdale County Board of Education,
Superintendent and Chief School Financial Officer
Florence, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County Board of Education, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Lauderdale County Board of Education's basic financial statements, and have issued our report thereon dated April 8, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lauderdale County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not the 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***. However, we noted a certain matter that we reported to management in the Schedule of State and Local Compliance and Other Findings.

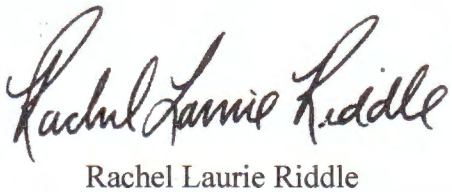
Lauderdale County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Lauderdale County Board of Education's response to the findings identified in our audit. The Lauderdale County Board of Education's response to the findings identified in our audit are described in the accompanying Auditee Response. The Lauderdale County Board of Education's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2026

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

Independent Auditor's Report

Members of the Lauderdale County Board of Education,
Superintendent and Chief School Financial Officer
Florence, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lauderdale County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Lauderdale County Board of Education's major federal programs for the year ended September 30, 2025. The Lauderdale County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Lauderdale County Board of Education complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); 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 the Lauderdale County 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 the Lauderdale County 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 the Lauderdale County 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 the Lauderdale County 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 GAAS, ***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 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 the Lauderdale County Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***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 the Lauderdale County 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 the Lauderdale County 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 the Lauderdale County 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 the 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.

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

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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2026

This Page Intentionally Blank

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	____ Yes	X No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Programs or Clusters
84.027 and 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000.00	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Auditee Response

BOARD MEMBERS
Ronnie Owens - President
Daniel Patterson - Vice-President
Randy Burns
Charlotte T. Hill
B.J. Tully

Lauderdale County Board of Education

Telephone (256) 760-1300 • Fax (256) 766-5815
www.lcschools.org

Jerry Hill - *Superintendent*
Vicky Tubbs - *Secretary*

Auditee Response

For the Year Ended September 30, 2025

The Lauderdale County Board of Education has prepared and hereby submits the following Auditee Response for the finding (other matter) which is included in the Schedule of State and Local Compliance and Other Findings for the year ended September 30, 2025.

Finding Ref. No.	Corrective Action Plan Details

2025-001

Finding:

The ***Code of Alabama 1975***, Section 36-25A, known as the Alabama Open Meetings Act, governs certain aspects of the deliberative process of governmental bodies during meetings. The ***Code of Alabama 1975***, Section 36-25A-7(a)(1) states, in pertinent part, "... if the person is an elected or appointed public official, an appointed member of a state or local board or commission, or a public employee who is one of the classification of public employees required to file a statement of economic interests with the Alabama Ethics Commission pursuant to Section 36-25-14, the salary, compensation, and job benefits of specific public officials or specific public employees may not be discussed in executive session...". The Superintendent at the Lauderdale County Board of Education (the "Board") is required under the ***Code of Alabama 1975***, Section 36-25-14, to file a statement of economic interest form since he is an elected official. The ***Code of Alabama 1975***, Section 16-9-12, allows for the county board of education to vote on the salary of the elected superintendent. However, his salary cannot be discussed in an executive session. At the regular meeting held on March 12, 2025, the Board entered into an executive session to discuss the salary of the Superintendent and then approved the salary without stating the amount in the open meeting. Proper procedures were not in place to ensure compliance with the Alabama Open Meetings Act. As a result of not complying with the Alabama Open Meeting Act, the Board failed to properly approve the salary of the Superintendent.

Recommendation:

The Board should ensure compliance with the Alabama Open Meetings Act.

Response/Views: We agree with the finding.

Corrective Action Planned: The Board has corrected this matter by approving the Superintendent's salary in compliance with the Alabama Open Meetings Actduring the March 18, 2026 meeting, with the salary amount stated in open session. Going forward, the Board will ensure that all discussions and actions regarding the salary, compensation, and job benefits of the Superintendent are conducted in open session as required by law. Board members and administrative staff will be reminded of these requirements, and procedures will be reinforced to prevent recurrence. Legal counsel will be consulted as needed to ensure continued compliance.

Correction Date: March 18, 2026

Contact Person(s): Hali Lyle, Chief School Financial Officer

Mr. Jerry Hill, Superintendent
Lauderdale County Board of Education