FLORETTA P. CARSON VISUAL AND PERFORMING ARTS ACADEMY

FLORETTA P. CARSON
VISUAL AND PERFORMING
ARTS ACADEMY

FPC 2025

AUDIT

FLORETTA P CARSON VISUAL AND PERFORMING ARTS ACADEMY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

FLORETTA P CARSON VISUAL AND PERFORMING ARTS ACADEMY
Financial Statements
September 30, 2025

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Floretta P Carson Visual and Performing Arts Academy
Mobile, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floretta P Carson Visual and Performing Arts Academy as of and for the fourteen-month ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Floretta P Carson Visual and Performing Arts Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Floretta P Carson Visual and Performing Arts Academy, as of and for the fourteen-month ended September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Floretta P Carson Visual and Performing Arts Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Floretta P Carson Visual and Performing Arts Academy'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 Floretta P Carson Visual and Performing Arts Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30-32, schedule of proportionate share of the net pension liability and schedule of board contributions on pages 33-34, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 35-37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2026 on our consideration of Floretta P Carson Visual and Performing Arts Academy'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 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 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 Floretta P Carson Visual and Performing Arts Academy's internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

June 27, 2026
Brewton, Alabama

Floretta P Carson Visual and Performing Arts Academy
Statement of Net Position
September 30, 2025

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 703,680
Receivables, Net	146,845
Inventories	173
Other Assets	13,168
Capital Assets:	
Depreciable, net	67,013
Intangible Right-to-Use, Net	691,386
Total Assets	1,622,265
Deferred Outflows of Resources	
Employer Pension Contribution	140,473
Employer OPEB Contribution	40,734
Proportionate Share of Collective Deferred Outflows	
Related to Net Pension Liability	1,270,000
Related to Net OPEB Liability	1,297,403
Total Deferred Outflows of Resources	2,748,610
Liabilities	
Accounts Payable	92,517
Intangible Right-to-Use Lease Liability Current Portion	171,515
Long-Term Liabilities:	
Intangible Right-to-Use Lease Liability Less Current Portion	577,354
Net Pension Liability	1,467,000
Net OPEB Liability	1,021,582
Total Liabilities	3,329,968
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	252,000
Related to Net OPEB Liability	390,226
Total Deferred Inflows of Resources	642,226
Net Position	
Net Investment in Capital Assets	9,530
Restricted for:	
Education	173
Construction	9,459
Unrestricted	379,519
Total Net Position	$ 398,681

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

Floretta P Carson Visual and Performing Arts Academy
Statement of Activities
For the Fourteen-Month Period 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: Governmental Activities
Instructional	$ 2,172,347	$ 843,573	$ 3,349,485	$ 375,133	$ 2,395,844
Instructional Support	517,927	-	-	-	(517,927)
Operation and Maintenance	172,147	-	-	-	(172,147)
Student Transportation	21,561	-	-	-	(21,561)
Food Service	189,741	-	-	-	(189,741)
General Administrative	1,148,151	-	-	-	(1,148,151)
Interest and Fiscal Charges	37,875	-	-	-	(37,875)
Total Governmental Activities	$ 4,259,749	$ 843,573	$ 3,349,485	$ 375,133	308,442
Changes in Net Position					308,442
Net Position - Beginning of Year					90,239
Net Position - End of Year					$ 398,681

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

Floretta P Carson Visual and Performing Arts Academy
Balance Sheet
Governmental Funds
September 30, 2025

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 727,196	$ (33,371)	$ 9,855	$ 703,680
Receivables, Net	79,708	67,137	-	146,845
Inventories	-	173	-	173
Other Assets	13,168	-	-	13,168
Total Assets	$ 820,072	$ 33,939	$ 9,855	$ 863,866
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 58,355	$ 33,766	$ 396	$ 92,517
Total Liabilities	58,355	33,766	396	92,517
Fund Balances				
Restricted for:				
Education	-	173	-	173
Construction	-	-	9,459	9,459
Unassigned	761,717	-	-	761,717
Total Fund Balances	761,717	173	9,459	771,349
Total Liabilities and Fund Balances	$ 820,072	$ 33,939	$ 9,855	$ 863,866

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

Floretta P Carson Visual and Performing Arts Academy
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2025

Total Fund Balances - Governmental Funds		$ 771,349
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		758,399
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		1,158,473
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		947,911
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Intangible Right-to-Use Lease Liabilities	$ (748,869)	
Net Pension Liability	(1,467,000)	
Net OPEB Liability	(1,021,582)	(3,237,451)
Total Net Position - Governmental Activities		$ 398,681

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

Floretta P Carson Visual and Performing Arts Academy
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fourteen-Month Period Ended September 30, 2025

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Revenues				
State	$ 3,264,412	$ -	$ 85,073	$ 3,349,485
Federal	-	375,133	-	375,133
Local	843,573	-	-	843,573
Total Revenues	4,107,985	375,133	85,073	4,568,191
Expenditures				
Current:				
Instructional	1,633,144	157,005	-	1,790,149
Instructional Support	450,469	67,458	-	517,927
Operation and Maintenance	96,532	-	75,614	172,146
Auxiliary Services:				
Student Transportation	21,561	-	-	21,561
Food Service	-	189,741	-	189,741
General Administrative	934,173	-	-	934,173
Capital Outlay	46,564	-	-	46,564
Debt Service:				
Principal Retirement	152,939	-	-	152,939
Interest and Fiscal Charges	37,875	-	-	37,875
Total Expenditures	3,373,257	414,204	75,614	3,863,075
Excess (Deficiency) of Revenues Over Expenditures	734,728	(39,071)	9,459	705,116
Other Financing Sources (Uses)				
Transfers In	-	39,244	-	39,244
Transfers Out	(39,244)	-	-	(39,244)
Total Other Financing Sources (Uses)	(39,244)	39,244	-	-
Net Changes in Fund Balances	695,484	173	9,459	705,116
Fund Balances - Beginning of Year	66,233	-	-	66,233
Fund Balances - End of Year	$ 761,717	$ 173	$ 9,459	$ 771,349

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

Floretta P Carson Visual and Performing Arts Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Fourteen-Month Period Ended September 30, 2025

Net Changes in Fund Balances - Total Governmental Funds		$ 705,116
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.		
Capital Outlays	$ 46,564	
Depreciation	(3,557)	
Amortization	(210,422)	(167,415)
Repayment of principal and other debt service 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.		152,939
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension Expense	308,527	
OPEB Expense	73,671	(382,198)
Change in Net Position of Governmental Activities		$ 308,442

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Floretta P Carson Visual and Performing Arts Academy (the School) was established in 2023 and began serving students during the 2024-2025 school year. The School provides educational services to students in accordance with its charter and applicable state laws and regulations. The financial statements of the School have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). Pursuant to Chapter 290-3-6 of the Alabama Code, "The Alabama School Choice and Student Opportunity Act", the School operates under an approved charter granted by the Alabama Public Charter School Commission (the Commission), an agency of the State.

The School began receiving fund from the Alabama State Department of Education in August 2024. Therefore, the activity presented in these financial statements is for August 1, 2024 through September 30, 2025. This presents the activity from inception of operations for the School through the end of the fiscal year as required by the Alabama State Department of Education.

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

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

Government-wide

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Nonexchange transactions, in which the School 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Level

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

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

Governmental Funds

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

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

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

C. BASIS OF ACCOUNTING

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. INCOME TAXES

The School is a nonprofit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is reflected in the statement of activities. The income tax filings are subject to examination by taxing authorities, generally, for three years after they are filed.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles
GASB Statement No. 101, *Compensated Absence*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of GASB Statement No. 101 are effective for fiscal year 2025. The School implemented GASB 101 in fiscal year 2025 with no significant impact on the financial statements.

GASB Statement No. 102, *Certain Credit Risk Disclosures,* requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB Statement No. 102 are effective for the fiscal year 2025. The School implemented GASB 102 in fiscal year 2025 with no significant impact on the financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets,* requires certain type of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The requirements of GASB Statement No. 104 are effective for the reporting periods beginning after June 15, 2025. The School is currently evaluating the impact that this statement may have on its financial statements.

F. CASH AND INVESTMENTS

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

G. USE OF ESTIMATES

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

H. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

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

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

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the School's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the School, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The School authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of "restricted, committed or assigned fund balances." This portion of the total fund balance in the general fund is available to finance operating expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. ENCUMBRANCES

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

K. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of the following at September 30, 2025:

	Governmental Activities
Deferred outflows of resources as related to the net pension liability	$ 1,410,473
Deferred outflows of resources as related to the net OPEB liability	1,338,137
	$ 2,748,610

L. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of the following at September 30, 2025:

	Governmental Activities
Deferred inflows of resources as related to the net pension liability	$ 252,000
Deferred inflows of resources as related to the net OPEB liability	390,226
	$ 642,226

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. PENSIONS

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

N. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

O. SUBSEQUENT EVENTS

The School has evaluated subsequent events through June 27, 2026, the date which the financial statements were available to be issued.

There were no material subsequent events which require disclosure at September 30, 2025.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk
The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

NOTE 2 DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk
The School maintains a number of bank accounts with a service provider. The Federal Deposit Insurance Corporation (FDIC) insures all of the Organization's bank accounts up to a maximum of $250,000.

NOTE 3 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE 4 INTERFUND TRANSACTIONS

During the course of normal operations, the School has numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reflected as operating transfers or receivables and liabilities. Transactions reimbursing a fund for expenditures are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. The School typically uses transfers to fund ongoing operating subsidies and to recoup certain expenditures. The following interfund transactions occurred during the year ended September 30, 2025:

	Transfers In	
	Special Revenue Fund	
Transfers Out		
General Fund	$	39,244
Totals	$	39,244

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan Description
The School contributes to the Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan for the various state-supported educational agencies and institutions. The TRS was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its School of Control. The TRS School of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS School of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided

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

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

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

Act 2022 of the Legislature of 2022 for TRSA 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.

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

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature 2021 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 School were $140,473 for the year ended September 30, 2025.

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

At September 30, 2025, the School reported a liability of $1,467,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. The School'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 School's proportion was 0.011277 percent.

For the year ended September 30, 2025, the School recognized pension expense of $308,527. At September 30, 5, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 146,000	$ 11,000
Changes of assumptions	23,000	-
Net difference between projected and actual earnings on pension plan investments	-	241,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,101,000	-
Employer contributions subsequent to the measurement date*	140,473	-
Total	$ 1,410,473	$ 252,000

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

*Deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date was reported at $140,473 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2026	$ 288,000
2027	361,000
2028	213,000
2029	156,000
2030	-
Thereafter	-
	$ 1,018,000

Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25%-5.00%
Investment rate of return*	7.45%

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

Group	Membership Table	Set Forward(+)/ Setback (-)	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

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

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

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

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of collective net pension liability	$ 2,040,000	$ 1,467,000	$ 985,000

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided

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

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

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

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

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

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

At September 30, 2025, the School reported a liability of $1,021,582 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2024, the School's proportion was 0.011111 percent.

For the year ended September 30, 2025, the School recognized OPEB expense of $73,671, with no special funding situations. At September 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 476,424	$ 220,485
Changes of assumptions	351,825	144,537
Net difference between projected and actual earnings on OPEB plan investments	-	25,204
Changes in proportion and differences between Employer contributions and proportionate share of contributions	469,154	-
Employer contributions subsequent to the measurement date*	40,734	-
Total	$ 1,338,137	$ 390,226

* Deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to measurement date was report as $40,734 and will be recognized as a reduction of the net OPEB liability in the year ended 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 ended September 30:	
2026	$ 159,605
2027	158,993
2028	131,468
2029	165,338
2030	221,265
Thereafter	70,508
	$ 907,177

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:

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.50%
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 fiduciary net position (FNP) is projected to be depleted	2040
Single equivalent interest rate the measurement date	4.32%
Single equivalent interest rate the prior measurement date	7.00%
Healthcare cost trend rate	
Pre-medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2033
Medicare eligible	4.50% in 2033

[1] Includes 2.75% wage inflation.

[2] Compounded annually, net of investment expense and includes inflation

**Initial Medicare claims are set based on scheduled increases through plan 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 in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2021, submitted to and adopted by the Teachers' Retirement System of Alabama School on September 13, 2022.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2023 valuation.

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 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

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2122.

Sensitivity of the Floretta P Carson Visual and Performing Arts Academy's proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

The following table presents the Floretta P Carson Visual and Performing Arts Academy's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known 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)
School's proportionate share of collective net OPEB liability	$ 821,776	$ 1,021,582	$ 1,279,231

The following table presents the Floretta P Carson Visual and Performing Arts Academy's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.32%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 3.32%	Current Rate 4.32%	1% Increase 5.32%
School's proportionate share of collective net OPEB liability	$ 1,240,986	$ 1,021,582	$ 846,254

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is in the Trust's financial statements for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Other Liabilities:					
Net Pension Liability	$ -	$ 1,467,000	$ -	$ 1,467,000	$ -
Net OPEB Liability	-	1,021,582	-	1,021,582	-
Total Other Liabilities	-	2,488,582	-	2,488,582	-
Total Governmental Activities Long-Term Liabilities	$ -	$ 2,488,582	$ -	$ 2,488,582	$ -

NOTE 8 LEASES

The School implemented the guidance of GASB Statement No. 87, *Leases*, for accounting and reporting leases that had been previous reported as operating leases. The School entered into a lease agreement with Melrose Alabama Holdings, LLC (the Landlord) for a building to be used as the new school facility. The lease is for a term of 5 years, with monthly payments ranging from $13,168 to $18,744. For purposes of discounting future payments on the leases, the School used the interest rate 4% on its financing agreements to determine an appropriate discount rate.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Intangible Right-of-Use Lease Liabilities	$ -	$ 901,808	$ 152,939	$ 748,869	$ 171,515
Total	$ -	$ 901,808	$ 152,939	$ 748,869	$ 171,515

The future minimum lease payments are as follows:

	Principal	Interest
2026	$ 171,515	$ 26,859
2027	188,049	19,697
2028	205,256	11,862
2029	184,049	3,391
	$ 748,869	$ 61,809

NOTE 9 CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2025:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Capital Assets Being Depreciated:				
Equipment	$ 24,895	$ 46,564	$ -	$ 71,459
Total Capital Assets Being Depreciated	24,895	46,564	-	71,459
Less Accumulated Depreciation for:				
Equipment	889	3,557	-	4,446
Total Accumulated Depreciation	889	3,557	-	4,446
Total Capital Assets Being Depreciated, Net	24,006	43,007	-	67,013
Intangible Right-to-Use Assets:				
Leased Building	-	901,808	-	901,808
Less: Accumulated Amortization	-	210,422	-	210,422
Total Intangible Right-to-Use Assets, Net	-	1,112,230	-	691,386
Total Governmental Activities Capital Assets, Net	$ 24,006	$ 1,155,237	$ -	$ 758,399

REQUIRED SUPPLEMENTARY INFORMATION

Floretta P Carson Visual and Performing Arts Academy
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues				
State	$ 1,841,689	$ 2,759,614	$ 3,264,412	$ 504,798
Local	814,000	797,636	843,573	45,937
Total Revenues	2,655,689	3,557,250	4,107,985	550,735
Expenditures				
Current:				
Instructional	1,233,479	1,619,213	1,633,144	(13,931)
Instructional Support	591,316	872,490	450,469	422,021
Operation and Maintenance	223,532	414,532	96,532	318,000
Auxiliary Services	-	13,000	21,561	(8,561)
General Administrative	455,694	634,148	934,173	(300,025)
Other	-	39,200	-	39,200
Capital Outlay	-	-	46,564	(46,564)
Debt Service:				
Principal Retirement	-	-	152,939	(152,939)
Interest and Fiscal Charges	-	-	37,875	(37,875)
Total Expenditures	2,504,021	3,592,583	3,373,257	219,326
Excess (Deficiency) of Revenues Over Expenditures	151,668	(35,333)	734,728	770,061
Other Financing Sources (Uses):				
Other Financing Uses	(20,115)	(20,115)	(39,244)	19,129
Total Other Financing Sources (Uses)	(20,115)	(20,115)	(39,244)	19,129
Net Change in Fund Balances	131,553	(55,448)	695,484	789,190
Fund Balances - Beginning of Year	-	212,530	66,233	(146,297)
Fund Balances - End of Year	$ 131,553	$ 157,082	$ 761,717	$ 642,893

See note to required supplementary information

Floretta P Carson Visual and Performing Arts Academy
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(12) – Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues				
Federal	$ 522,823	$ 496,281	$ 375,133	$ (121,148)
Total Revenues	522,823	496,281	375,133	(121,148)
Expenditures				
Current:				
Instructional	193,719	158,064	157,005	1,059
Instructional Support	76,304	55,698	67,458	(11,760)
Operation and Maintenance	34,595	-	-	-
Auxiliary Services	238,320	238,320	189,741	48,579
General Administrative	-	64,314	-	64,314
Total Expenditures	542,938	516,396	414,204	102,192
Excess (Deficiency) of Revenues Over Expenditures	(20,115)	(20,115)	(39,071)	(18,956)
Other Financing Sources (Uses):				
Other financing Sources	20,115	20,115	39,244	19,129
Total Other Financing Sources (Uses)	20,115	20,115	39,244	19,129
Net Change in Fund Balances	-	-	173	173
Fund Balances - End of Year	$ -	$ -	$ 173	$ 173

See note to required supplementary information

Floretta P Carson Visual and Performing Arts Academy
Note to Required Supplementary Information
For the Year Ended September 30, 2025

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

Final budgeted amounts were adopted by the School in September 2025.

Floretta P Carson Visual and Performing Arts Academy
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
For the Fiscal Years Ended September 30,

	2025
School's proportion of the net pension liability	0.011277%
School's proportionate share of the net pension liability	$ 1,467,000
School's covered-employee payroll*	$ 1,106,220
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.61%
Plan fiduciary net position as a percentage of the total pension liability	71.41%

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

*Employer's covered-employee payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2025, the measurement period is October 1, 2023-September 30, 2024.

Floretta P Carson Visual and Performing Arts Academy
Schedule of Contributions
Teacher's Retirement Plan of Alabama
For the Fiscal Years Ended September 30,

	2025
Contractually Required Contribution*	$ 140,473
Contributions in relation to the contractually required contribution*	140,473
Contribution deficiency (excess)	$ -
School's covered employee-payroll**	$ 1,106,220
Contributions as a percentage of covered-employee payroll	12.70%

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

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

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2025, the measurement period is October 1, 2023-September 30, 2024.

Floretta P Carson Visual and Performing Arts Academy
Schedule of Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Years Ended September 30,

	2025
School's proportion of the net OPEB liability	0.011111%
School's proportionate share of the net OPEB liability	$ 1,021,582
School's covered-employee payroll	$ 1,106,220
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	92.35%
Plan fiduciary net position as a percentage of the total OPEB liability	20.41%

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

Floretta P Carson Visual and Performing Arts Academy
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Years Ended September 30,

	2025
Contractually Required Contribution	$ 40,734
Contributions in relation to the contractually required contribution	40,734
Contribution deficiency (excess)	$ -
School's covered employee-payroll	$ 1,106,220
Contributions as a percentage of covered-employee payroll	3.68%

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

Floretta P Carson Visual and Performing Arts Academy
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Years Ended September 30,

NOTE 1

Changes in actuarial assumptions

- In FY 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.
- In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.
- In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual
- experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.
- In 2019, the anticipated rates or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Recent Plan Changes

- The 9/30/2022 valuation reflects the impact of Act 2022-222.
- Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.
- Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.
- The Health Plan is changed each year to reflect the Affordable Care Act maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2024 is determined based on the actuarial valuation as of September 30, 2021. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	20 years, closed
Asset Valuation Method	Market value of assets
Inflation	2.50%
Healthcare cost trend rate	
Pre-medicare eligible	6.50%
Medicare eligible*	**
Ultimate trend rate	
Pre-medicare eligible	4.50%
Medicare eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

COMPLIANCE SECTION

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

Members of the Board
Floretta P Carson Visual and Performing Arts Academy
Mobile, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floretta P Carson Visual and Performing Arts Academy as of and for the fourteen-month period ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Floretta P Carson Visual and Performing Arts Academy's basic financial statements, and have issued our report thereon dated June 27, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Floretta P Carson Visual and Performing Arts Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Floretta P Carson Visual and Performing Arts Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Floretta P Carson Visual and Performing Arts Academy's internal control.

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

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

Compliance and Other Matters

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

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

Avizo Group, Inc.

Certified Public Accountants

June 27, 2026
Brewton, Alabama