ATHENS CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022



Athens City Board of Education

Financial Statements

September 30, 2022

Athens City Board of Education
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INTRODUCTORY SECTION

Athens City Board of Education
List of Principal Officers
September 30, 2022

MEMBERS OF THE SCHOOL BOARD



Beverly Malone – Pres.



Jennifer Manville – V.P.



Anthony Townsend



Scott Henry



Shannon Hutton

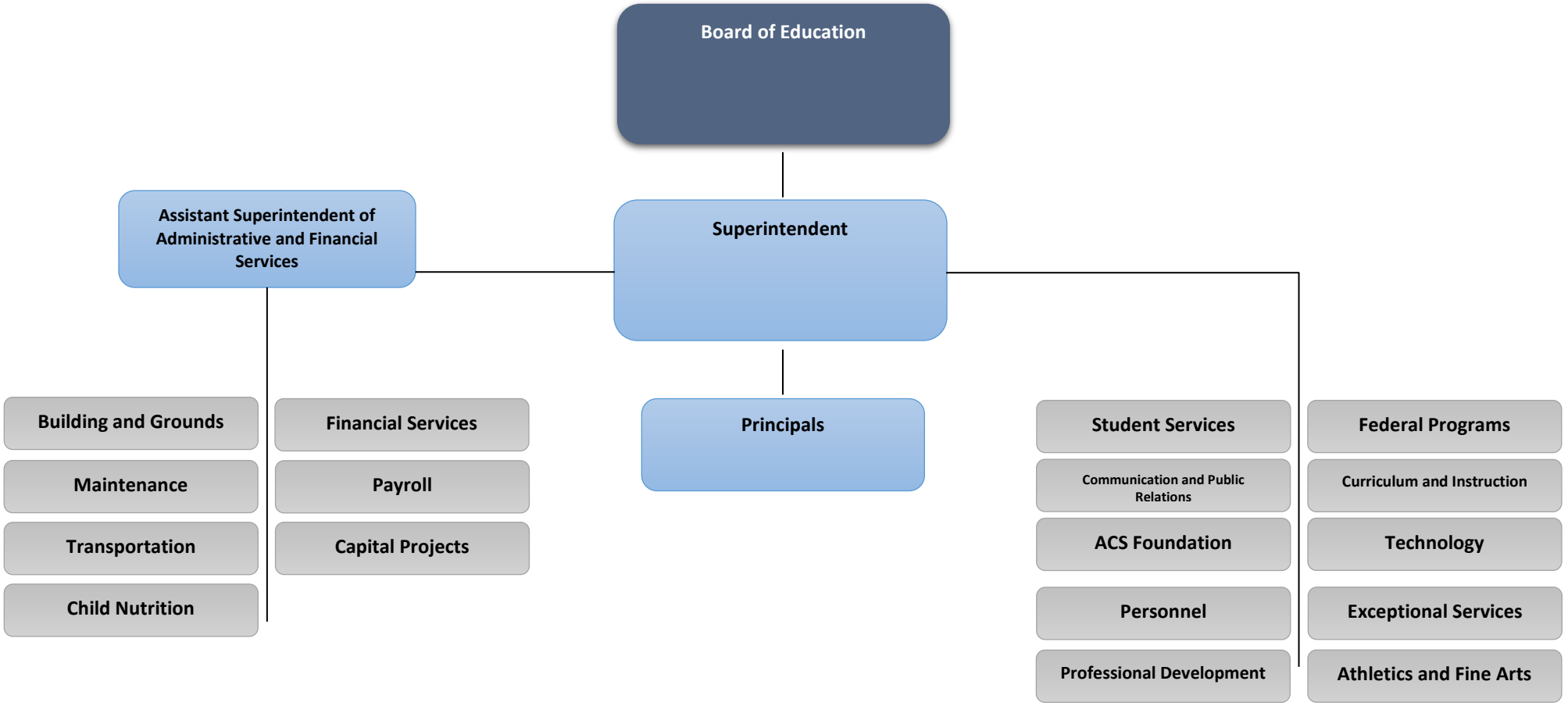
SUPERINTENDENT

Beth Patton	Superintendent

DIRECTORS

Garner Ezell	Director of Curriculum and Instruction
Serena Owsley	Chief School Financial Officer and Assistant Superintendent of Administrative and Financial Services

Athens City Board of Education
Organizational Chart of the Athens City Board of Education
September 30, 2022



FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board Members
Athens City Board of Education
Athens, 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 Athens City Board of Education (the "Board"), a component unit of the City of Athens, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Board, as of September 30, 2022, and the respective changes in financial position and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and related notes, Schedule of Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

March 31, 2023
Athens, Alabama

The Management's Discussion and Analysis (MD&A) of the Athens City Board of Education's (the "Board") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2022. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. The MD&A should be read in conjunction with the Board's financial statements and notes to the financial statements to enhance an understanding of the Board's financial performance.

The MD&A is an element of the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Athens City Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. This report also includes supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The first two statements are government-wide financial statements — the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. All of the activities of the Board reported in the government-wide financial statements are classified as governmental activities. These activities include instructional, instructional support, operation and maintenance, student transportation, food services, general administration, and interest and fiscal charges. The Board has no business-type activities.

The *Statement of Net Position* presents information on all of the Board's assets and deferred outflows of resources less liabilities and deferred inflows of resources, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. Two kinds of funds — governmental funds and fiduciary funds — are presented in the fund financial statements.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that reconciles the relationship (or differences) between them.

Fiduciary funds - The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. Fiduciary funds also include the balances of custodial funds, such as accounts payable clearing and payroll clearing funds. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* in these financial statements. These funds are not available to the Board to finance its operations, and therefore are not included in the government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A, consisting of a budgetary comparison schedule for the General Fund and any major special revenue fund that has legally adopted an annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting. RSI also includes certain pension and OPEB schedules presented in accordance with professional standards.

Financial Analysis of the Board as a Whole

As noted earlier, the Athens City Board of Education has no business-type activities. Consequently, the Board's net position is reported under governmental activities as follows:

	Governmental Activities			
Assets	2022	Percent of Total	2021	Percent of Total
Current and Other Assets	$ 50,496,979	28.02%	$ 35,349,440	23.38%
Capital Assets, net	111,802,615	62.04%	95,391,571	63.10%
Total Assets	162,299,594	90.06%	130,741,011	86.48%
Deferred Outflows of Resources				
Employers Pension Contribution	3,338,585	1.85%	3,031,760	2.01%
Deferred Outflows Related to Pensions	6,670,000	3.70%	7,820,000	5.17%
Employer OPEB Contribution	729,519	0.41%	566,649	0.38%
Deferred Outflows Related to OPEB	7,176,306	3.98%	9,026,674	5.97%
Total Deferred Outflows of Resources	17,914,410	9.94%	20,445,083	13.52%
Total Assets and Deferred Outflows of Resources	180,214,004	100.00%	151,186,094	100.00%
Liabilities				
Current and Other Liabilities	8,199,178	9.30%	5,538,640	6.17%
Long-term Liabilities	54,515,687	61.81%	68,278,952	76.06%
Total Liabilities	62,714,865	71.11%	73,817,592	82.23%
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	10,018,000	11.36%	1,340,000	1.49%
Deferred Inflows Related to OPEB	15,459,905	17.53%	14,609,611	16.28%
Total Deferred Inflows of Resources	25,477,905	28.89%	15,949,611	17.77%
Total Liabilities and Deferred Inflows of Resources	88,192,770	100.00%	89,767,203	100.00%
Net Position				
Net Investment in Capital Assets	105,011,256	114.12%	89,611,750	145.90%
Restricted	2,771,360	3.01%	2,320,486	3.78%
Unrestricted	(15,761,382)	-17.13%	(30,513,345)	-49.68%
Total Net Position	$ 92,021,234	100.00%	$ 61,418,891	100.00%

The Board's assets and deferred outflows exceeded liabilities and deferred inflows by $92,021,234 at the close of the fiscal year 2022 and $61,418,891 at the close of fiscal year 2021, an increase of $30,602,343. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — totaled ($15,761,382) at the end of fiscal year 2022 and ($30,513,345) at the end of fiscal year 2021, an increase of $14,751,963. The reporting of net pension and OPEB liabilities, together with their related deferred inflows and outflows of resources had a significant negative impact on unrestricted net position of $57,125,760 as of September 30, 2022.

The Board's total revenues and expenses from governmental activities are reflected in the following chart:

	Governmental Activities			
Revenues	2022	Percent of Total	2021	Percent of Total
Program Revenues:				
Charges for Services	$ 5,081,150	5.82%	$ 3,953,829	6.02%
Operating Grants and Contributions	36,733,997	42.06%	34,271,807	52.16%
Capital Grants and Contributions	2,553,833	2.92%	1,436,622	2.19%
Total Program Revenues	44,368,980	50.80%	39,662,258	60.36%
General Revenues:				
Property Tax	3,897,952	4.46%	3,339,430	5.08%
Sales Tax	16,064,051	18.39%	15,563,421	23.68%
Other Taxes	540,461	0.62%	449,088	0.68%
Gain on Disposition of Capital Assets	214,091	0.25%	-	0.00%
Grants and Contributions Not Restricted	15,709,618	17.99%	1,330,582	2.03%
Investment Earnings	114,256	0.14%	20,832	0.03%
Miscellaneous	6,422,740	7.35%	5,346,054	8.14%
Total General Revenues	42,963,169	49.20%	26,049,407	39.64%
Total Revenues	87,332,149	100.00%	65,711,665	100.00%
Expenses				
Instructional Services	30,467,488	53.71%	29,753,431	54.19%
Instructional Support Services	8,365,577	14.75%	8,219,095	14.97%
Operation & Maintenance Services	6,118,020	10.78%	5,412,011	9.86%
Student Transportation Services	1,523,361	2.69%	1,527,276	2.78%
Food Services	2,624,103	4.63%	681,183	1.24%
General Administrative Services	1,912,857	3.37%	2,333,338	4.25%
Interest and Finance Charges	4,352,222	7.67%	4,025,290	7.33%
Other Expenses	1,366,178	2.41%	2,955,935	5.38%
Total Expenses	56,729,806	100.00%	54,907,559	100.00%
Change in Net Position	30,602,343		10,804,106	
Net Position, Beginning	61,418,891		50,614,785	
Net Position, Ending	$ 92,021,234		$ 61,418,891	

During the current fiscal year, the Board's net position increased by $30,602,343 due to tax increases of $1,150,525, funding from ARPA, and appropriations from the City for construction activities. Expenses increased by $1,822,247. The reason for the expense increase was because of local schools returning to full operations after COVID-19. Also, construction continued on the new Athens Elementary School which resulted in ancillary operating costs. Program Revenues are 50.80% of total revenues while general revenues comprise 49.20% of total revenues.

There was an increase in net investment in capital assets of $15,399,506. The increase can also be attributed to an increase in construction work-in-progress on the new Athens Elementary School, as well as roofing projects for other schools. The systems depreciation expense approximated non-work-in-progress additions. This trend is expected to continue as the Capital Plan continues to progress.

- Operating grants and contributions contribute 42.06% of total revenues. The major sources of revenues in this category are state foundation program funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues are used to provide for the remaining expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board at 53.71%. Instructional support services comprise 14.75% of the total expenses.

- Instructional services includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Student transportation services includes bus driver salaries and benefits, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and related depreciation.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- The Statement of Activities reports the cost of program services and the charges and grants offsetting those services. The table below condenses this statement to compare the total cost to the net cost of providing these services. The total cost of a service, less charges for the service and related grants, is the program's net cost. In other words, the net cost shows the cost of the program funded by general revenues, primarily property and sales taxes.

	2022		2021	
	Total Cost	Net Cost	Total Cost	Net Cost
Instructional Services	$ 30,467,488	$ 3,937,061	$ 29,753,431	$ 4,881,783
Instructional Support Services	8,365,577	1,008,877	8,219,095	2,031,790
Operation and Maintenance	6,118,020	1,898,470	5,412,011	2,375,203
Student Transportation	1,523,361	(29,795)	1,527,276	196,821
Food Services	2,624,103	(388,458)	681,183	(43,729)
General and Administrative	1,912,857	1,397,053	2,333,338	1,729,100
Interest and Fiscal Charges	4,352,222	4,352,222	4,025,290	4,025,290
Other Expenses	1,366,178	185,396	2,955,935	49,045
	$ 56,729,806	$ 12,360,826	$ 54,907,559	$ 15,245,303

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year 2022, the Board's governmental funds reported combined ending

fund balances of $43,608,528 as compared to a combined ending fund balance at the end of fiscal year 2021 of $31,116,642. This results in a $12,491,886 increase in the combined ending fund balances for the Board's governmental funds. The increase is a result of increased tax revenues, ARPA monies allocated to ACS, and construction appropriations from the City.

Major Funds – The general fund is the primary operating fund of the Board. The general fund increased by $7,531,596. The transfers out from general fund to capital projects fund were $4,200,000. This money is set aside to pay for maintenance and small capital projects. The general capital projects fund is to account for major construction activities, such as the new Athens Elementary School project. The general capital projects fund increased by $2,224,993.

Other Governmental Funds – This is a combined total of nonmajor governmental funds. Other governmental funds include debt service funds, and special revenue funds, and other capital funds. Other governmental funds increased by $2,735,297.

General Fund Budgetary Highlights

The original 2022 fiscal year budget, adopted in September 2021 included only estimated revenues and expenditures known at that time. Since some of the state-funded and federally-funded programs had not yet been authorized, amendments were necessary during the year. The original budget figures are amended when revenues fall short of the original budgeted amount by 10% for a major revenue source. Amendments are compiled for expenditures when a major program within a fund source exceeds 10% of the original budget amount. Over the course of the year, the Board amended the original general fund budget primarily due to the following items .

- ALSDE source revenue was approximately $800K less than originally budgeted.
- Sales and ad valorem taxes were approximately $1.7M more than originally budgeted.
- Expenditures were approximately $1.3M more than originally budgeted due to the corresponding increases in revenue.
- Transfers to the capital projects fund were approximately $1.8M more than originally budgeted due to various unplanned projects.

Capital Assets

At September 30, 2022 the Board had $111,802,615 invested in capital assets, net of accumulated depreciation/amortization. These investments include land, buildings and improvements, equipment, vehicles, and construction in progress. Increases during the year represent additions or reclassifications to those categories, while decreases represent retirements or reclassifications of assets during the year. (Comparative year data was available to present the prior year's balance of capital assets, net of accumulated depreciation).

	September 30, 2022	2021
Land and Land Improvements, net	$ 7,078,873	$ 7,112,204
Construction in Progress	18,315,540	1,659,689
Buildings, net	84,345,469	84,925,743
Vehicles, net	619,594	582,385
Equipment, net	1,443,139	1,111,550
	$ 111,802,615	$ 95,391,571

The Board expended available resources to acquire capital asset additions during the year. These additions are reduced by the current year's depreciation expense of $2,198,026. The board continued AES site work and construction so there was $18,315,540 in CIP primarily for the new Athens Elementary School. There were several projects done at schools including major roof repairs.

Current Known Facts

Current known facts, decisions or conditions that may have a significant impact on the financial position of the Athens City Board of Education are:

Significant construction occurred on the new elementary school during fiscal year 2022. The project was completed subsequent to year end and students began attending in January 2023. For information on the Capital Plan, visit the system website at www.acs-k12.org.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Beth Patton, Superintendent of Schools, 455 US Highway 31 North Athens, AL 35611, by phone (256)233-6600, or by email at Beth.Patton@acs-k12.org or Serena Owsley, Chief School Financial Officer by phone (256)771-7135 or by email at Serena.Owsley@acs-k12.org.

Athens City Board of Education
Statement of Net Position
September 30, 2022

	Governmental Activities
Assets	
Cash & Cash Equivalents	$ 44,215,210
Receivables – Other	6,169,343
Inventories	112,426
Capital Assets	
Land & Land Improvements	7,078,873
Construction Work-in-Progress	18,315,540
Buildings and Building Improvements	123,716,803
Vehicles	3,065,332
Equipment	4,009,492
Accumulated Depreciation	(44,383,425)
Total Assets	162,299,594
Deferred Outflows	
Pension Related Amounts	10,008,585
OPEB Related Amounts	7,905,825
Total Deferred Outflows	17,914,410
Liabilities	
Accounts Payable & Accrued Liabilities	4,671,889
Accounts Payable – Construction	2,160,919
Other Liabilities	55,643
Noncurrent Liabilities	
Due Within One Year	1,365,028
Due in More Than One Year	54,461,386
Total Liabilities	62,714,865
Deferred Inflows	
Pension Related Amounts	10,018,000
OPEB Related Amounts	15,459,905
Total Deferred Inflows	25,477,905
Net Position	
Net Investment in Capital Assets	105,011,256
Restricted	2,771,360
Unrestricted	(15,761,382)
Total Net Position	$ 92,021,234

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

Athens City Board of Education
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenues & Changes in Net Position: Governmental Activities
Governmental Activities:					
Instructional Services	$ 30,467,488	$ 1,526,369	$ 24,908,262	$ 95,796	$ (3,937,061)
Instructional Support Services	8,365,577	94,791	7,126,775	135,134	(1,008,877)
Operation & Maintenance Services	6,118,020	214,280	1,850,180	2,155,090	(1,898,470)
Student Transportation Services	1,523,361	82,950	1,311,005	159,201	29,795
Food Services	2,624,103	2,764,356	248,205	-	388,458
General Administrative Services	1,912,857	7,244	499,948	8,612	(1,397,053)
Interest & Fiscal Charges	4,352,222	-	-	-	(4,352,222)
Other Expenses	1,366,178	391,160	789,622	-	(185,396)
Total Governmental Activities	56,729,806	5,081,150	36,733,997	2,553,833	(12,360,826)
General Revenues:					
Taxes					
Sales and Use Tax					16,064,051
Ad Valorem					3,897,952
Other Taxes					540,461
Intergovernmental Revenues – Not Restricted					15,709,618
Investment Income					114,256
Gain on Disposition of Capital Assets					214,091
Miscellaneous					6,422,740
Total General Revenues					42,963,169
Change in Net Position					30,602,343
Net Position – Beginning					61,418,891
Net Position – Ending					$ 92,021,234

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

Athens City Board of Education
Balance Sheet – Governmental Funds
As of September 30, 2022

	General Fund	General Capital Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash & Cash Equivalents	$ 23,043,402	$ 13,240,706	$ 7,931,102	$ 44,215,210
Due from Other Governmental Units	2,940,097	1,723,747	1,505,498	6,169,342
Inventories	-	-	112,426	112,426
Total Assets	$ 25,983,499	$ 14,964,453	$ 9,549,026	$ 50,496,978
Liabilities				
Accounts Payable	$ 30,762	$ 7,957	$ 438,444	$ 477,163
Accounts Payable – Construction	-	2,123,916	37,003	2,160,919
Deferred Revenues	-	-	55,643	55,643
Salaries and Benefits Payable	3,686,314	-	508,411	4,194,725
Total Liabilities	3,717,076	2,131,873	1,039,501	6,888,450
Fund Balance				
Nonspendable	-	-	112,426	112,426
Restricted	-	-	2,771,360	2,771,360
Assigned to				
Capital Projects	-	12,832,580	5,625,739	18,458,319
Unassigned	22,266,423	-	-	22,266,423
Total Fund Balance	22,266,423	12,832,580	8,509,525	43,608,528
Total Liabilities & Fund Balance	$ 25,983,499	$ 14,964,453	$ 9,549,026	$ 50,496,978

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

Athens City Board of Education
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
As of September 30, 2022

Total Fund Balances – Governmental Funds	$	43,608,528
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 are not reported in the governmental funds. See Note II.		111,802,615
Deferred outflows and inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(9,415)
Deferred outflows and inflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds.		(7,554,080)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the governmental funds. See Note II.		(55,826,414)
Net Position of Governmental Activities	$	92,021,234

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

Athens City Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2022

	General Fund	General Capital Projects	Nonmajor Governmental Funds	Totals
Revenues				
State Sources	$ 31,374,969	$ -	$ 2,550,405	$ 33,925,374
Federal Sources	1,300	-	8,095,566	8,096,866
Local Sources	26,470,022	15,709,658	2,036,138	44,215,818
Other Sources	114,822	-	478,932	593,754
Total Revenues	57,961,113	15,709,658	13,161,041	86,831,812
Expenditures				
Instructional Services	25,484,028	20,200	4,386,424	29,890,652
Instructional Support Services	7,474,158	7,615	1,161,165	8,642,938
Operation and Maintenance Services	4,736,514	787,931	472,814	5,997,259
Student Transportation Services	1,319,751	-	106,424	1,426,175
Food Services	1,253	-	2,828,551	2,829,804
General Administrative Services	1,787,084	824	78,698	1,866,606
Debt Service:				
Principal Retirement	188,001	-	909,665	1,097,666
Interest and Fiscal Charges	2,937,421	-	48,572	2,985,993
Other Debt Service Costs	1,411,543	-	-	1,411,543
Capital Outlay	254,338	17,116,369	1,426,909	18,797,616
Other	836,468	-	607,511	1,443,979
Total Expenditures	46,430,559	17,932,939	12,026,733	76,390,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,530,554	(2,223,281)	1,134,308	10,441,581
Other Financing Sources (Uses)				
Long-Term Debt Issued	-	-	1,317,803	1,317,803
Sale of Capital Assets	247,422	-	-	247,422
Transfers In	92,553	4,200,000	311,012	4,603,565
Transfers Out	(4,511,012)	-	(92,553)	(4,603,565)
Other	172,079	248,274	64,727	485,080
Total Other Financing Sources (Uses)	(3,998,958)	4,448,274	1,600,989	2,050,305
Net Change in Fund Balance	7,531,596	2,224,993	2,735,297	12,491,886
Fund Balance, Beginning	14,734,827	10,607,587	5,774,228	31,116,642
Fund Balance, Ending	$ 22,266,423	$ 12,832,580	$ 8,509,525	$ 43,608,528

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

Athens City Board of Education
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, 2022

Net Change in Fund Balances – Total Governmental Funds	$ 12,491,886
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlays are reported as expenditures in the fund financial statements but are capitalized in the government-wide financial statements	18,797,616
Depreciation/Amortization is reported in the government-wide statements	(2,353,241)
In the statement of activities, only the gain or loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. The change in net position differs from the change in fund balances by this amount.	
Proceeds from disposition of capital assets	(247,422)
Gain on disposition of capital assets	214,091
Debt and leases issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(1,317,803)
Principal repaid	1,097,666
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(67,984)
OPEB	1,883,710
Pension	103,824
Change in Net Position of Governmental Activities	$ 30,602,343

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

Athens City Board of Education
Statement of Fiduciary Net Position
September 30, 2022

	Private-Purpose Trust	Custodial Funds
Assets		
Cash and Cash Equivalents	$ -	$ 630,217
Investments	20,406	19,910
Receivables	-	9,052
Total Assets	20,406	659,179
Liabilities		
Accounts Payable	-	954
Total Liabilities	-	954
Net Position – Restricted for:		
Individuals, Organizations, & Other Governments	$ 20,406	$ 658,225

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

Athens City Board of Education
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2022

	Private-Purpose Trust	Custodial Funds
Additions		
Fundraisers	$ -	$ 447,271
Dues & Fees	-	47,224
Concessions	-	48,729
Grants & Contributions	-	73,405
Other	-	119,905
Total Additions	-	736,534
Deductions		
Materials & Supplies	-	258,060
Transportation & Food	-	50,971
Other	2,434	346,118
Total Deductions	2,434	655,149
Change in Net Position	(2,434)	81,385
Net Position - Beginning	22,840	576,840
Net Position - Ending	$ 20,406	$ 658,225

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The ACBOE is a legally separate organization from the City of Athens, Alabama (the "City"). The ACBOE is composed of five members appointed by the City Council. The purpose of the ACBOE is to operate elementary, intermediate, middle, and high school for students residing in the City. The City Council provides fiscal guidance because it levies taxes for the ACBOE's operations and issues debt for its school construction projects. Based on these facts, the City reports the ACBOE as a discretely presented component unit. The information presented is for the fiscal year ended September 30, 2022. Separately issued financial statements of the Athens City Board of Education may be obtained from the ACBOE's office.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds, even though they are excluded from the government-wide financial statements. Major individual governmental funds and fiduciary funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Board or meets the following criteria:

a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and

b. The same element of the individual governmental fund or fiduciary fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or fiduciary fund that the Board believes is particularly important to financial statement users may be reported as a major fund.

The Board reports the following major governmental funds:

Major Governmental Funds

General Fund – accounts for the Board's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

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

The Board reports the following nonmajor governmental and fiduciary funds:

Nonmajor Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.

IDEA
Pre-K
Public School
ROTC
Title I
Title II
Title III
Title IV
USDA
Vocational
CARES Act
ARPA

Debt Service Funds – accounts for resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs other than enterprise debt.

Debt Service

Capital Projects Funds – used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of equipment and/or major capital facilities and other capital assets.

PSCA Capital Projects
Public School Capital Projects

Nonmajor Fiduciary Funds

Fiduciary Funds – used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the Board's programs.

Custodial
Private-Purpose Trust

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt and lease liabilities, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Board is entitled to the resources and the amounts are available. Amounts owed to the Board which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met and recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include taxes, public charges for services, and interest. Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

Public school funds and other funds under the control of school principals use the cash basis of accounting during the year. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

Cash and cash equivalents may include cash on hand, demand deposits, money market, and savings accounts, and short-term investments with original maturities of three months or less, excluding restricted funds, which are carried at fair value (level 1).

Credit Risk

The Board has no formal policy on managing credit risk. However, the State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government. Investments consist of certificates of deposit with short-term maturities and are stated at fair value.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

See Note IV.A. for further information.

2. Receivables

Due from Other Governmental Units

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes.

Allowances

The Limestone County Revenue Commissioner, the City of Athens, and the State of Alabama remit 100% of the taxes collected and paid to the Board. Because of this, no provision for uncollectible taxes receivable has been made.

Due To/From Advances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates net realizable value, using the first-in, first-out (FIFO) method. The cost of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government that are expensed when consumed. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund.

Prepaid items such as insurance premiums and rent are recorded as expenditures in governmental funds when paid. In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Financial Statements

Capital assets and right-to-use leased assets are reported in the government-wide financial statements. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

Asset Class	Capitalization Threshold	Estimated Useful Life
Land Improvements – Exhaustible	$ 50,000	20 years
Buildings	$ 50,000	50 years
Building Improvements	$ 50,000	7-30 years
Equipment	$ 15,000	5-20 years
Right-to-use Leased Vehicles	$ 15,000	8-10 years
Vehicles	$ 15,000	8-10 years

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

All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. While projects are in progress, costs are accumulated in the construction work-in-progress account. When projects are completed, the total cost is transferred to the appropriate capital asset accounts. Additions, improvements, and expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets acquisitions, including executing contracts giving the Board the right to use leased assets, used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time. A deferred charge on refunding arises from the advance refunding of debt. The difference between the costs of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide financial statements.

7. Compensated Absences

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 442 sick leave days, which can then be used as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board.

Because employees do not receive compensation for unused sick leave at termination no liability is recorded on the financial statements. Professional and support personnel with up to four years of service are provided three days of personal leave per year with pay. Employees with four years to ten years of service receive four days and employees with ten years or more; receive five days of personal leave with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. As of June 30, professional personnel are paid $85 a day and support personnel $60-65 for up to five days of unused personal leave which was accrued in the previous twelve month period. Personal leave is accrued in full as of the employee contract date for the upcoming contract period. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, the accrued liability for unpaid leave as of September 30, 2022 includes all unused personal leave for the period July 1, 2021 through September 30, 2022.

Twelve month employees are allowed ten days of vacation per year with pay. Because unused vacation leave cannot be carried over to succeeding years, the accrued liability for unpaid leave as of September 30, 2022 includes all unused personal leave for the period July 1, 2021 through September 30, 2022.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, compensated absences, other postemployment benefits, and net pension liability. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. For the government-wide statements, bond premiums and discounts are amortized over the life of the issue. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position fund balance that applies to a future period, and therefore, will not be recognized as an inflow of resources (revenue) until that future time.

10. Leases in Statements of Lessees

At the commencement of a lease, the Board initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Board determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Board uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Board generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Board is reasonably certain to exercise.

The Board monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

11. Equity Classifications

Government-Wide Financial Statements

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

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Financial Statements

Governmental fund balances are displayed as follows:

a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board that originally created the commitment.

d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board has adopted a financial policy authorizing the CFSO to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Board considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Board would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

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

Land & Land Improvements	$ 7,078,873
Construction Work-in-Progress	18,315,540
Buildings	123,716,803
Vehicles	3,065,332
Equipment	4,009,492
Less: Accumulated Depreciation	(44,383,425)
Combined Adjustment for Capital Assets	$ 111,802,615

Some assets are not available to provide resources in the current period and, therefore, are not reported in the funds.

Some liabilities applicable to the Board's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities–both current and long-term–are reported in the statement of net position.

Bonds & Notes Payable	$ 5,999,958
Net Pension Liability	32,644,000
Compensated Absences	264,191
Net OPEB Liability	16,918,265
Combined Adjustment for Liabilities	$ 55,826,414

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent with the approval of the board has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The superintendent may approve amendments to program budgets without board approval.

B. Excess Expenditures and Other Financing Uses Over Appropriations

Only the General Capital Projects fund expenditures exceeded appropriations by more than 10% for the year ended September 30, 2022.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Board maintains both individual accounts and a cash pool that is available for use by specific funds. Each fund type's portion in this pool is included on the statement of net position and balance sheet in cash and cash equivalents. In addition, investments are separately held in the fiduciary funds. The Board's cash at year end was comprised of the following:

	Fair Value	Bank & Investment Balance	Associated Risks
Demand Deposits	$ 44,214,610	$ 46,683,243	N/A
Petty Cash & Returned Checks	600	-	N/A
Total Cash & Cash Equivalents	$ 44,215,210	$ 46,683,243	
Reconciliation to Financial Statements			
Per Statement of Net Position	44,215,210		
Total Cash & Cash Equivalents	$ 44,215,210		

**Custodial Credit, Interest Rate, Investments Sensitive to Interest Rate Changes*

The Board's deposits at September 30, 2022 were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (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 Depository Insurance Corporation. If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, some or all of the Board's deposits may not be returned. All of the Board's deposits are protected by the SAFE Program.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2022, the Board's only investments were held in fiduciary funds.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of September 30, 2022, the Board's only investments were held in fiduciary funds.

Concentration of Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with longer maturities are more sensitive to interest rate changes.

As of September 30, 2022, the Board's only investments were held in fiduciary funds.

Fair Value

The Board's deposits and investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset of paid to transfer a liability between buyers and sellers at the measurement date.

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

B. Receivables

All receivables for the Board's individual major fund and nonmajor funds in the aggregate are expected to be collected within one year.

C. Restricted Assets

Cash and investments that must be used for restricted purposes are reported as "Restricted Assets" in the government-wide statement of net position and fund financial statements balance sheets.

D. Capital Assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable Assets:					
Land	$ 7,112,204	$ -	$ (33,331)	$ -	$ 7,078,873
Construction-in-Progress	1,659,689	16,830,752	(174,901)	-	18,315,540
Total	8,771,893	16,830,752	(208,232)	-	25,394,413
Depreciable Assets:					
Buildings	107,003,188	1,223,452	-	-	108,226,640
Building Improvements	15,315,262	174,901	-	-	15,490,163
Vehicles	2,833,570	231,762	-	-	3,065,332
Equipment	3,497,841	511,651	-	-	4,009,492
Total Being Depreciated	128,649,861	2,141,766	-	-	130,791,627
Accumulated Depreciation:					
Buildings	31,176,489	1,481,972	-	-	32,658,461
Building Improvements	6,216,219	496,654	-	-	6,712,873
Vehicles	2,251,185	194,553	-	-	2,445,738
Equipment	2,386,291	180,062	-	-	2,566,353
Total Accumulated Depreciation	42,030,184	2,353,241	-	-	44,383,425
Total Capital Assets Being Depreciated, Net	86,619,677	(211,475)	-	-	86,408,202
Governmental Activities Capital Assets, Net	$ 95,391,570	$ 16,619,277	$ (208,232)	$ -	$ 111,802,615

Depreciation expenses were charged to functions as follows:

General Administration	$ 5,216
Instructional Services	1,836,255
Instruction Support Services	14,958
Operation & Maintenance Services	245,560
Student Transportation Services	185,757
Food Services	65,495
Total Depreciation Expense	$ 2,353,241

E. Interfund Receivables/Payables & Transfers

Interfund Receivables/Payables

At September 30, 2022, there were no interfund receivables and payables in the balance sheet.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Capital Projects	General	$ 4,200,000	Project Costs
General	Nonmajor Special Revenue Funds	92,553	Transfer Revenue
Total Major Funds		4,292,553	
Nonmajor Special Revenue Funds	General	161,012	Transfer Revenue
Nonmajor Debt Service Funds	General	150,000	Debt Service
Total Nonmajor Funds		311,012	
Total - Fund Financial Statements		4,603,565	
Less: Fund Eliminations		(4,603,565)	
Total		$ -	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-Term Obligations

Long-term obligations activity for the year end was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Due Within One Year
Governmental Activities					
Bonds & Notes Payable:					
General Obligation Debt	$ 1,147,124	$ 1,317,803	$ 165,251	$ 2,299,676	$ 147,002
Direct Borrowing	3,132,697	-	932,415	2,200,282	953,835
Direct Placement Debt	1,500,000	-	-	1,500,000	-
Other Liabilities:					
Compensated Absences	196,207	110,705	42,721	264,191	264,191
Net Pension Liability	42,269,000	-	9,625,000	32,644,000	-
Net OPEB Liability	21,339,766	-	4,421,501	16,918,265	-
Total	$ 69,584,794	$ 1,428,508	$ 15,186,888	$ 55,826,414	$ 1,365,028

The ACBOE has pledged future general revenues to repay general obligation debt issued in 2004, 2020, and 2022. Proceeds from the debt provided financing for various projects of the ACBOE. The bonds are payable solely from general revenues and are payable through 2033. Total principal remaining to be paid on the bonds is $2,299,676, shown as follows:

General Obligation Debt:	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Principal Balance 9/30/2022
General Obligation - PSCA	3/18/2004	3/18/2025	3.35%	$ 1,277,172	$ 46,092
General Obligation – PSC 2022-A	5/26/2022	5/1/2042	4.25-5.00%	1,317,803	1,317,803
General Obligation - BRAC	10/22/2020	6/1/2033	3.00-5.00%	1,091,879	935,781
Total General Obligation Debt					$ 2,299,676

The City has issued various general obligation bonds and warrants for the construction of facilities for the ACBOE. The City is obligated for repayment of the general obligation debt and, therefore, has included in their statement of net position.

During the year ended September 30, 2017, the Board entered into a 10-year financed purchase agreement for the purchase of 17 new buses. An initial direct borrowing liability was recorded in the amount of $1,293,639. As of September 30, the liability was $663,309. The Board is required to make monthly principal and interest payments in the amount of $12,687. The agreement has an interest rate of 2.19%. At the end of the agreement, title to the buses will pass to the Board. The buses have a 10-year estimated useful life and the value of the related asset as of the end of the current fiscal year was $1,480,139 and had accumulated depreciation of $1,332,125.

During the year ended September 30, 2019, the Board entered into a 10-year financed purchase agreement for the purchase of 2 new buses. An initial direct borrowing liability was recorded in the amount of $195,576. As of September 30, the value of the liability was $144,327. The Board is required to make monthly principal and interest payments in the amount of $1,890. The agreement has an interest rate of 2.42%. At the end of the agreement, title to the buses will pass to the Board. The buses have a 10-year estimated useful life and the value of the related asset as of the end of the current fiscal year was $195,576 and had accumulated depreciation of $77,008.

During the year ended September 30, 2019, the Board entered into a 4-year financed purchase agreement for the purchase of iPads. An initial direct borrowing liability was recorded in the amount of $545,220. As of September 30, the value of the liability was $143,709. The Board is required to make monthly principal and interest payments in the amount of $12,184. The agreement has an interest rate of 3.19%. At the end of the agreement, title to the iPads will pass to the Board. The Board determined that the individual products did not meet the asset capitalization threshold and were therefore not capitalized.

During the year ended September 30, 2020, the Board entered into a 4-year financed purchase agreement for the purchase of iPads. An initial direct borrowing liability was recorded in the amount of $2,606,475. As of September 30, the value of the liability was $1,248,937. The Board is required to make monthly principal and interest payments in the amount of $54,302. The agreement has an interest rate of 0.00%. At the end of the agreement, title to the iPads will pass to the Board. The Board determined that the individual products did not meet the asset capitalization threshold and were therefore not capitalized.

During fiscal year 2020, the Board adopted new accounting guidance by implementing the provisions of GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. A requirement of the standard is that lease contracts containing substantially a transfer of ownership at term end fall within the scope of GASB Statement No. 88 and should be treated as a direct borrowing financed purchase rather than a lease. As of September 30, 2022 the Board had four contracts that met the requirements to be treated as direct borrowings and beginning liability balances have been reclassified as follows:

	Governmental Activities
Debt from direct borrowings, as previously reported	$ –
Reclassification of items previously reported as capital leases	3,132,697
Debt from direct borrowings, restated as of October 1, 2021	$ 3,132,697

Debt service requirements to maturity on direct borrowing and general obligation debt are as follows:

	Direct Borrowing		General Obligation	
Years	Principal	Interest	Principal	Interest
2023	$ 953,835	$ 18,909	$ 147,002	$ 76,214
2024	759,376	12,862	148,397	75,117
2025	165,691	9,231	129,113	70,268
2026	169,404	5,517	129,204	65,490
2027	109,536	1,953	132,528	62,196
2028-2032	42,440	1,035	718,208	250,539
2033-2037	-	-	451,932	139,733
2038-2042	-	-	443,292	56,592
Totals	$ 2,200,282	$ 49,507	$ 2,299,676	$ 796,149

The ACBOE also has outstanding bonds from a direct placement in 2018 related to governmental activities in the amount of $1,500,000 for various projects of the ACBOE. The bonds are payable solely from general revenues, with one payment occurring on 8/31/2028. Total principal remaining to be paid on the bonds is $1,500,000, shown as follows:

Direct Placement Debt:	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Principal Balance 9/30/2022
Qualified Zone Academy Bond	9/30/2018	8/31/2028	0.00%	$ 1,500,000	$ 1,500,000
Total Direct Placement Debt:					$ 1,500,000

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences and other postemployment benefit liability attributable to governmental activities will be liquidated primarily by the general fund.

G. Governmental Activities Net Position/Fund Balances

Governmental activities net position reported on the government wide statement of net position includes the following:

Net Investment in Capital Assets	
Capital Assets	$ 156,186,040
Less: Accumulated Depreciation	(44,383,425)
Add: PSCA 2022-A Funds	1,369,518
Less: Related Debt and Payables	(8,160,877)
Net Investment in Capital Assets	105,011,256
Restricted for:	
Special Revenue Funds	2,771,360
Total Restricted	2,771,360
Unrestricted	(15,761,382)
Total Governmental Activities Net Position	$ 92,021,234

Governmental fund balances reported on the fund financial statements include the following:

	General Fund	General Capital Projects	Nonmajor Governmental Funds	Totals
Nonspendable				
Inventory	$ -	$ -	$ 112,426	$ 112,426
Restricted	-	-	2,771,360	2,771,360
Assigned to:				
Capital Projects	-	12,832,580	5,625,739	18,458,319
Unassigned	22,266,423	-	-	22,266,423
Total Fund Balance	$ 22,266,423	$ 12,832,580	$ 8,509,525	$ 43,608,528

NOTE V – OTHER INFORMATION

A. Teachers' Retirement System

Summary of Significant Accounting Policies

Pensions

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

Plan Description

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

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

Effective 10/1/2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% 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 System were $3,338,585 for the year ended September 30, 2022.

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

At September 30, 2022, the ACBOE reported a liability of $32,644,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The ACBOE'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, 2021, the ACBOE's proportion was 0.346529%, which was an increase of 0.04811% from its proportion measured as of September 30, 2020.

For the year ending September 30, 2022, the ACBOE recognized pension expense of $3,234,761. At September 30, 2022 the ACBOE 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 & actual experience	$ 1,511,407	$ 1,902,384
Changes of assumptions	3,426,593	-
Net difference between projected & actual earnings on pension plan investments	-	7,705,616
Changes in proportion & differences between Employer contributions & proportionate share of contributions	1,732,000	410,000
Employer contributions subsequent to the measurement date	3,338,585	-
	$ 10,008,585	$ 10,018,000

$3,338,585 reported as deferred outflows of resources related to pensions resulting from ACBOE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. 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:	
2023	$ 109,000
2024	189,000
2025	888,000
2026	2,162,000
2027	-
	$ 3,348,000

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

**Net of pension plan investment expense*

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, 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

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

**Includes assumed rate of inflation of 2.00%.*

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan 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 ACBOE's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the ACBOE's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the ACBOE'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 Discount Rate (7.45%)	1% Increase (8.45%)
ACBOE's proportionate share of collective net pension liability	$ 48,049,000	$ 32,644,000	$ 19,669,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. 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/.

B. 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 insures against losses by carrying commercial property, liability and workman's compensation insurance. There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

C. Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. From time to time, the ACBOE is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Board attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Board's financial position or results of operations.

The ACBOE has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.
As of September 30, 2022, The ACBOE has committed approximately:

- $17,177,838 to a vendor for the construction of a new elementary school. As of September 30, 2022, $14,832,632 had been paid with $429,446 held in retainage.
- $921,835 to a vendor for roof replacement. As of September 30, 2022, $911,302 had been paid with $0 held in retainage.
- $458,160 to a vendor for HVAC replacement. As of September 30, 2022, $359,690 had been paid with $11,454 held in retainage.
- $699,795 to a vendor for new track installation. As of September 30, 2022, $389,156 had been paid with $17,495 held in retainage.

D. Other Postemployment Benefits

Summary of Significant Accounting Policies

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.

General Information about the OPEB Plan

Plan description

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

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

Benefits provided

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

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

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana replaced the UHC contract. The MAPDP plan is fully insured by Humana 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 MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

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

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

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

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

At September 30, 2022, the ACBOE reported a liability of $16,918,265 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The ACBOE's proportion of the net OPEB liability was based on a projection of the ACBOE's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the ACBOE's proportion was 0.327441%, which was an decrease of 0.1376% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the ACBOE recognized OPEB benefit of $1,155,425, with no special funding situations. At September 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	$ 400,286	$ 5,885,896
Changes of assumptions	6,025,277	6,557,665
Net difference between projected & actual earnings on OPEB plan investments	-	527,740
Changes in proportion & differences between Employer contributions & proportionate share of contributions	750,743	2,488,604
Employer contributions subsequent to the measurement date	729,519	-
	$ 7,905,825	$ 15,459,905

$729,519 reported as deferred outflows of resources related to OPEB resulting from the ACBOE's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2023.

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:	
2023	$ (2,576,916)
2024	(2,144,219)
2025	(2,358,737)
2026	(444,326)
2027	(256,270)
Thereafter	(503,131)
	$ (8,283,599)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary increases	3.25% - 5.00%, includes 2.75% wage inflation
Long-Term Investment Rate of Return	7.00%*
Municipal Bond Index Rate at the Measurement Date	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at the Measurement Date	3.97%
Single Equivalent Interest Rate at the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

* *Compounded annually, net of investment expense, and includes inflation.*

***Initial Medicare claims are set based on scheduled increases through plan year 2022*.

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of

return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stock	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%	

**Includes assumed rate of inflation of 2.50%.*

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 3.97%. 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, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2024. 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 were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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

The following table presents the ACBOE'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 (5.50%)[1]	Current Healthcare Trend Rate (6.50%)[2]	1% Increase (7.50%)[3]
Net OPEB Liability	$ 13,275,300	$ 16,918,265	$ 21,611,873

[1]*5.50% decreasing to 3.50% for pre-Medicare, 3.50% for Medicare Eligible, and 1% for Optional Plans*
[2]6.50*% decreasing to 4.50% for pre-Medicare, 4.50% for Medicare Eligible, and 2% for Optional Plans*
[3]7.50*% decreasing to 5.50% for pre-Medicare, 5.50% for Medicare Eligible, and 3% for Optional Plans*

Sensitivity of the ACBOE's proportionate share of the net OPEB liability to changes in the discount rate.

The following table presents the ACBOE's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, 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 (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	$ 20,810,215	$ 16,918,265	$ 13,796,492

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

E. Related Parties

During the year ended September 30, 2022, the City paid $6,948,980 in sales tax revenue to the ACBOE.

F. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

G. Donated Food Program

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was $166,934 for 2022.

Athens City Board of Education
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues				
State Sources	$ 30,925,286	$ 30,124,502	$ 31,374,969	$ 1,250,467
Federal Sources	600	1,400	1,300	(100)
Local Sources	21,134,730	22,795,230	26,470,022	3,674,792
Other Sources	47,000	58,500	114,822	56,322
Total Revenues	52,107,616	52,979,632	57,961,113	4,981,481
Expenditures				
Instructional Services	25,608,275	26,015,118	25,272,720	(742,398)
Instructional Support Services	7,332,234	7,730,280	7,382,236	(348,044)
Operation and Maintenance Services	5,405,550	5,295,668	4,735,822	(559,846)
Student Transportation Services	1,310,498	1,353,739	1,320,895	(32,844)
Food Services	4,000	4,000	1,253	(2,747)
General Administrative Services	1,935,928	2,118,629	1,793,182	(325,447)
Debt Service				
Principal Retirement	1,324,620	1,719,620	169,128	(1,550,492)
Interest & Fiscal Charges	2,936,104	2,936,104	2,937,421	1,317
Other Debt Service Costs	-	-	1,430,416	1,430,416
Capital Outlay	476,062	456,062	254,338	(201,724)
Other Expenditures	769,830	797,848	843,981	46,133
Total Expenditures	47,103,101	48,427,068	46,141,392	(2,285,676)
Excess of Revenues Over Expenditures	5,004,515	4,552,564	11,819,721	7,267,157
Other Financing Sources (Uses)				
Transfers In	100,388	118,641	92,553	(26,088)
Transfers Out	(576,222)	(2,358,329)	(4,511,012)	(2,152,683)
Sale of Capital Assets	-	-	247,422	247,422
Other Sources (Uses)	152,052	160,745	172,079	11,334
Total Other Financing Sources (Uses)	(323,782)	(2,078,943)	(3,998,958)	(1,920,015)
Excess of Revenues & Other Sources Over Expenditures & Other Uses	4,680,733	2,473,621	7,820,763	5,347,142
Fund Balance, Beginning	14,551,780	18,131,974	18,131,974	-
Fund Balance, Ending	$ 19,232,513	$ 20,605,595	$ 25,952,737	$ 5,347,142

Athens City Board of Education
Notes to Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual
For the Year Ended September 30, 2022

	General Fund
Uses/outflows of resources	
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	$ 46,141,392
Differences--budget to GAAP	
The School System 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.	289,167
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds.	$ 46,430,559

Athens City Board of Education
Schedule of Proportionate Share of the Net OPEB Liability
For the Measurement Period Ended September 30:

	2021	2020	2019	2018	2017
ACBOE's proportion of the net OPEB liability	0.327441%	0.328817%	0.371037%	0.361014%	0.350300%
ACBOE's proportionate share of the net OPEB liability	$ 16,918,265	$ 21,339,766	$ 13,998,365	$ 29,670,753	$ 26,018,283
ACBOE's covered-employee payroll	$ 25,254,267	$ 25,211,779	$ 22,870,980	$ 22,749,216	$ 20,339,904
ACBOE's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	66.99%	84.64%	61.21%	130.43%	127.92%
Plan fiduciary net position as a percentage of the total OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

Notes to the Schedule of Proportionate Share of the Net OPEB Liability

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

Athens City Board of Education
Schedule of OPEB Contributions
For the Years Ended September 30:

	2022	2021	2020	2019	2018
Contractually required contribution	$ 729,519	$ 566,649	$ 651,104	$ 1,059,768	$ 850,316
Contributions in relation to the contractually required contribution	(729,519)	(566,649)	(651,104)	(1,059,768)	(850,377)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (61)
ACBOE's covered-employee payroll	$ 27,821,542	$ 25,254,267	$ 25,211,779	$ 22,870,980	$ 22,749,216
Contributions as a percentage of covered-employee payroll	2.62%	2.24%	2.58%	4.63%	3.74%

Notes to the Schedule of OPEB Contributions
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in actuarial assumptions

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

Recent Plan Changes
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 ACA 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, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Athens City Board of Education
Schedule of OPEB Contributions
For the Years Ended September 30:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	23 years, closed
Asset valuation method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Years of Ultimate Trend Rate	2028 for Pre-Medicare Eligible
	2025 for Medicare Eligible
Investment Rate of Return	7.00%, including inflation

Athens City Board of Education
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended September 30:

	2022	2021	2020	2019	2018	2017	2016	2015
System's Proportion of the Net Pension Liability	0.346529%	0.341718%	0.324114%	0.333860%	0.327131%	0.315628%	0.296635%	0.290857%
System's Proportionate Share of the Net Pension Liability	$ 32,644,000	$ 42,269,000	$ 35,837,000	$ 33,194,000	$ 32,152,000	$ 34,170,000	$ 31,045,000	$ 26,423,000
System's Covered Payroll[1]	$ 25,254,267	$ 25,211,779	$ 22,870,980	$ 22,749,216	$ 20,339,904	$ 19,003,805	$ 18,608,227	$ 16,176,696
System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	129.26%	167.66%	156.69%	145.91%	158.07%	179.81%	166.84%	163.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

[1]*System's Covered Payroll during the measurement period is the total covered payroll. For fiscal year 2022 the measurement period is October 1, 2020 - September 30, 2021.*

Notes to the Schedule of the System's Proportionate Share of the Net Position Liability

This schedule presents only eight years of information, rather than ten years, as only eight years of trend information are available at September 30, 2022.

Athens City Board of Education
Schedule of Employer Contributions
For the Years Ended September 30:

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution[1]	$ 3,338,585	$ 3,031,760	$ 2,947,000	$ 1,083,782	$ 1,022,772	$ 1,053,760	$ 1,060,244	$ 1,019,224
Contributions in relation to the actuarially determined contribution	(3,338,585)	(3,031,760)	(2,947,000)	(1,083,782)	(1,022,772)	(1,053,760)	(1,060,244)	(1,019,224)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll[2]	$ 27,821,542	$ 25,254,267	$ 25,211,779	$ 22,870,980	$ 22,749,216	$ 20,339,904	$ 19,003,805	$ 18,608,227
Contributions as a percentage of covered payroll	12.00%	12.00%	11.69%	4.74%	4.50%	5.18%	5.58%	5.48%

[1]*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.*

[2]*Employer's covered payroll for fiscal year 2022 is the total covered payroll for the 12-month period of the underlying financial statement.*

Notes to the Schedule of Employer Contributions
This schedule presents only eight years of information, rather than ten years, as only eight years of trend information are available at September 30, 2022.

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.45%*

**Net of pension plan investment expense, including inflation.*

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board Members
Athens City Board of Education
Athens, 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 the Athens City Board of Education (the "Board"), a component unit of the City of Athens, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon March 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board'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 the response.

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.

Mauldin & Jenkins, LLC

March 31, 2023
Athens, Alabama

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board Members
Athens City Board of Education
Athens, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Athens City Board of Education's (the "Board"), a component unit of the City of Athens, Alabama, 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 Board's major federal programs for the year ended September 30, 2022. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence the Board'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 Board'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 Board's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated March 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Athens, Alabama
June 29, 2023, except for our report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance, as to which the date is March 31, 2023

Athens City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
MAJOR PROGRAMS					
U.S. Department of Education					
Passed through Alabama State Department of Education					
Education Stabilization Fund – ARP-OA SEA	84.425X	159	10/1/21-9/30/22	$ -	$ 100,502
Education Stabilization Fund – ESSERF	84.425D	159	10/1/21-9/30/22	-	945,391
Education Stabilization Fund – ESSERF-Homeless Children & Youth	84.425W	159	10/1/21-9/30/22	-	4,644
Education Stabilization Fund – ARPA	84.425U	159	10/1/21-9/30/22	-	1,601,832
Total U.S. Department of Education				-	2,652,369
U.S. Department of Agriculture					
Passed through Alabama State Department of Education					
Child Nutrition Cluster					
National School Breakfast Program	10.553	159	10/1/21-9/30/22	-	870,285
National School Lunch Program	10.555	159	10/1/21-9/30/22	-	2,026,617
Total Child Nutrition Cluster				-	2,896,902
Total U.S. Department of Agriculture				-	2,896,902
Total Major Programs				-	5,549,271
NON-MAJOR PROGRAMS					
U.S. Department of Education					
Passed through Alabama State Department of Education					
Special Education Cluster					
Special Education Grants to States – IDEA, Part B	84.027	159	10/1/21-9/30/22	-	947,330
Special Education – Preschool Grants – IDEA, Part B	84.173	159	10/1/21-9/30/22	-	11,816
Total Special Education Cluster				-	959,146
Title I Grants to Local Education Agencies	84.010	159	10/1/21-9/30/22	-	793,379
Vocational Education Basic Grants to States	84.048	159	10/1/21-9/30/22	-	60,238
Improving Teacher Quality State Grants	84.367	159	10/1/21-9/30/22	-	141,363
English Language Acquisition Grants	84.365	159	10/1/21-9/30/22	-	48,992
Title IV Student Support and Academic Enrichment Grant	84.424	159	10/1/21-9/30/22	-	57,718
Total U.S. Department of Education				-	2,060,836

Athens City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
U.S. Department of Agriculture					
Passed through Alabama State Department of Education					
State Administrative Expenses for Child Nutrition	10.560	159	10/1/21-9/30/22	-	10,130
Pandemic EBT Administrative Expenses	10.649	159	10/1/21-9/30/22	-	3,071
Child and Adult Care Food Program	10.558	159	10/1/21-9/30/22	-	212,672
Commodity Supplemental Food Program (non-cash)	10.565	159	10/1/21-9/30/22	-	166,934
Total U.S. Department of Agriculture				-	392,807
Total Non-Major Programs				-	2,453,643
Total Federal Awards				$ -	$ 8,002,914

Athens City Board of Education
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

NOTE I - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Athens City Board of Education (the "Board") under programs of the federal government for the year ended September 30, 2022. 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 Board, it is not intended to and does not present the financial position, changes in net position or cash flows of the Board.

NOTE II – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Various reimbursement procedures are used for Federal awards received by the Board. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the Board and agencies and departments of the federal government and all subawards to the Board by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Special Education Programs
Title I Grants to Local Education Agencies
Child Nutrition Programs
COVID 19 - Education Stabilization Programs

Federal Assistance Listing Numbers
Catalog of Federal Assistance Listing numbers are assigned to contracts and grants on the basis of program type. Federal Assistance Listing numbers and pass-through numbers are provided when available.

Athens City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP:	Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?	X Yes ___ No
Significant deficiency(ies) identified?	___ Yes X None reported
Noncompliance material to financial statements noted?	___ Yes X No

Federal Awards

Internal Control Over Major 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 programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	___ Yes X No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
84.425	COVID 19 - Education Stabilization Funds
10.553 / 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	X Yes ___ No

Athens City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*:

2022-001 Accounts Payable – Construction

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in financial reporting. Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

Condition: The Board did not have procedures in place to correctly calculate and record accrued construction retainage payable.

Cause/Effect: The Board's designed internal control procedures for identifying and recording accrued construction retainage payable did not contain a sufficient detail review process to identify errors. As a result, accrued construction retainage payable was understated.

Recommendation: The Board should implement a process, whereas all accrued construction retainage payable calculations are subject to detailed review and approval.

View of Responsible Officials: Management concurs with this finding and will reassess controls, review these accounts, and implement detailed review and approval processes.

Athens City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section III

Federal Awards Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to major federal programs that are required to be reported in accordance with the Uniform Guidance.

No matters were reported.

Athens City Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022

None were reported.

ATHENS
CITY SCHOOLS
455 US Highway 31 North
Athens, Alabama 35611-2698
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Management's Corrective Action Plan
Year Ending September 30, 2022

Finding 2022-001

Condition: The Board did not have procedures in place to correctly calculate and record accrued construction retainage payable.

Management's Response: Management concurs with this finding.

View of Responsible Officials: We will reassess controls, review these accounts, and implement detailed review and approval processes.

Name of Responsible Person: Serena Owsley

Implementation Date: Immediately