ATHENS
CITY SCHOOLS




# Athens City Board of Education

## Financial Statements

## September 30, 2023

# Athens City Board of Education
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## September 30, 2023


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**INTRODUCTORY SECTION**

# Athens City Board of Education
## List of Principal Officers
## September 30, 2023

**MEMBERS OF THE SCHOOL BOARD**



Beverly Malone
President



Shannon Hutton
Vice President



Anthony Townsend
Board Member



Scott Henry
Board Member



Karen Clem
Board Member

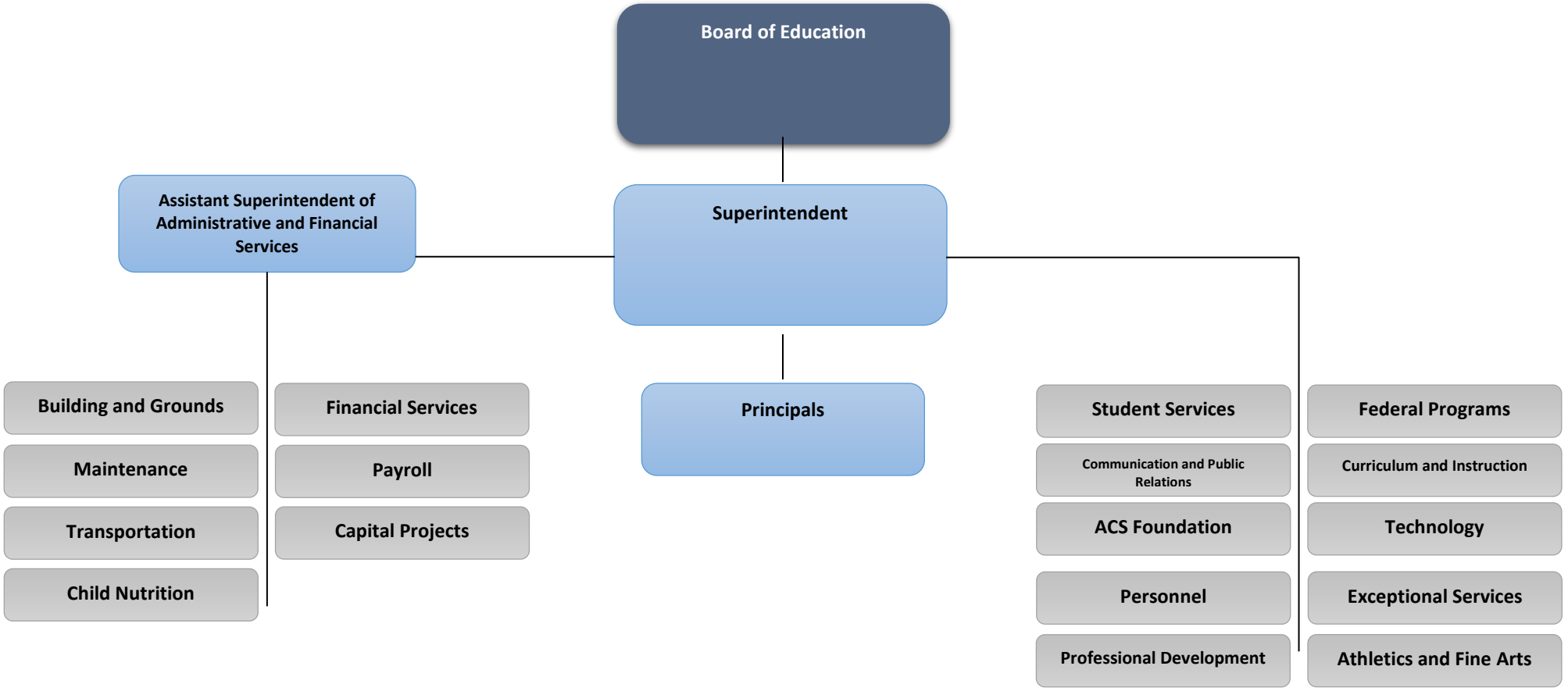
**SUPERINTENDENT**

| | |
|---|---|
| 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, 2023



**FINANCIAL SECTION**

MAULDIN & JENKINS
CPAs & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

**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, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 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 29, 2024, 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 29, 2024
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, 2023. 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** | 2023 | Percent of Total | 2022 | Percent of Total |
| Current & Other Assets | $ 50,774,112 | 24.64% | $ 50,496,979 | 28.02% |
| Capital Assets, net | 124,170,371 | 60.26% | 111,802,615 | 62.04% |
| Total Assets | 174,944,483 | 84.91% | 162,299,594 | 90.06% |
| **Deferred Outflows of Resources** | | | | |
| Employers Pension Contribution | 3,723,549 | 1.81% | 3,338,585 | 1.85% |
| Deferred Outflows Related to Pensions | 16,935,000 | 8.22% | 6,670,000 | 3.70% |
| Employer OPEB Contribution | 550,423 | 0.27% | 729,519 | 0.41% |
| Deferred Outflows Related to OPEB | 9,889,262 | 4.80% | 7,176,306 | 3.98% |
| Total Deferred Outflows of Resources | 31,098,234 | 15.09% | 17,914,410 | 9.94% |
| **Total Assets and Deferred Outflows of Resources** | 206,042,717 | 100.00% | 180,214,004 | 100.00% |
| **Liabilities** | | | | |
| Current & Other Liabilities | 6,149,048 | 6.24% | 8,199,178 | 9.30% |
| Long-term Liabilities | 66,153,851 | 67.12% | 54,515,687 | 61.81% |
| Total Liabilities | 72,302,899 | 73.36% | 62,714,865 | 71.11% |
| **Deferred Inflows of Resources** | | | | |
| Deferred Inflows Related to Pensions | 1,562,000 | 1.59% | 10,018,000 | 11.36% |
| Deferred Inflows Related to OPEB | 24,692,938 | 25.05% | 15,459,905 | 17.53% |
| Total Deferred Inflows of Resources | 26,254,938 | 26.64% | 25,477,905 | 28.89% |
| **Total Liabilities and Deferred Inflows of Resources** | 98,557,837 | 100.00% | 88,192,770 | 100.00% |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 109,176,238 | 101.57% | 105,011,256 | 114.12% |
| Restricted | 2,719,644 | 2.53% | 2,771,360 | 3.01% |
| Unrestricted | (4,411,002) | -4.10% | (15,761,382) | -17.13% |
| Total Net Position | $ 107,484,880 | 100.00% | $ 92,021,234 | 100.00% |

The Board's assets and deferred outflows exceeded liabilities and deferred inflows by $107,484,880 at the close of the fiscal year 2023 and $92,021,234 at the close of fiscal year 2022, an increase of $15,463,646. 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 ($4,411,002) at the end of fiscal year 2023 and ($15,761,382) at the end of fiscal year 2022, an increase of $11,350,380. 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 $66,988,001 as of September 30, 2023.

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

| | Governmental Activities | | | |
|---|---|---|---|---|
| **Revenues** | 2023 | Percent of Total | 2022 | Percent of Total |
| Program Revenues: | | | | |
| Charges for Services | $ 4,599,741 | 5.79% | $ 5,081,150 | 5.82% |
| Operating Grants & Contributions | 41,548,173 | 52.26% | 36,733,997 | 42.06% |
| Capital Grants & Contributions | 2,149,063 | 2.70% | 2,553,833 | 2.92% |
| Total Program Revenues | 48,296,977 | 60.75% | 44,368,980 | 50.80% |
| General Revenues: | | | | |
| Property Tax | 4,419,659 | 5.56% | 3,897,952 | 4.46% |
| Sales Tax | 16,260,301 | 20.45% | 16,064,051 | 18.39% |
| Other Taxes | 562,250 | 0.71% | 540,461 | 0.62% |
| Gain on Disposition of Capital Assets | - | 0.00% | 214,091 | 0.25% |
| Grants & Contributions Not Restricted | 2,731,576 | 3.44% | 15,709,618 | 17.99% |
| Investment Earnings | 1,355,690 | 1.71% | 114,256 | 0.14% |
| Miscellaneous | 5,877,350 | 7.39% | 6,422,740 | 7.35% |
| Total General Revenues | 31,206,826 | 39.25% | 42,963,169 | 49.20% |
| Total Revenues | 79,503,803 | 100.00% | 87,332,149 | 100.00% |
| **Expenses** | | | | |
| Instructional Services | 34,441,104 | 53.78% | 30,467,488 | 53.71% |
| Instructional Support Services | 8,741,875 | 13.65% | 8,365,577 | 14.75% |
| Operation & Maintenance Services | 7,362,845 | 11.50% | 6,118,020 | 10.78% |
| Student Transportation Services | 1,577,949 | 2.46% | 1,523,361 | 2.69% |
| Food Services | 2,906,855 | 4.54% | 2,624,103 | 4.63% |
| General Administrative Services | 3,081,577 | 4.81% | 1,912,857 | 3.37% |
| Interest & Finance Charges | 4,591,134 | 7.17% | 4,352,222 | 7.67% |
| Other Expenses | 1,336,818 | 2.09% | 1,366,178 | 2.41% |
| Total Expenses | 64,040,157 | 100.00% | 56,729,806 | 100.00% |
| Change in Net Position | 15,463,646 | | 30,602,343 | |
| Net Position, Beginning | 92,021,234 | | 61,418,891 | |
| Net Position, Ending | $ 107,484,880 | | $ 92,021,234 | |

During the current fiscal year, the Board's net position increased by $15,463,646 due to tax increases of $739,746, funding from ARPA, and appropriations from the City for construction activities. Expenses increased by $7,310,351. The reason for the expense increase was because of an increase in instructional services, operations and maintenance, and general administrative services, brought about from system growth. Also, construction was completed on the new Athens Elementary School which resulted in ancillary operating costs. Program Revenues are 60.75% of total revenues while general revenues comprise 39.25% of total revenues.

There was an increase in net investment in capital assets of $4,164,982. The increase can also be attributed to an increase in buildings and improvements from the completion of the new Athens Elementary School, as well as roofing projects for other schools. The system's 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 52.26% 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 53.78%. Instructional support services comprise 13.65% 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.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Total Cost | Net Cost | Total Cost | Net Cost |
| Instructional Services | $ 34,441,104 | $ 3,222,676 | $ 30,467,488 | $ 3,937,061 |
| Instructional Support Services | 8,741,875 | 1,366,593 | 8,365,577 | 1,008,877 |
| Operation and Maintenance | 7,362,845 | 3,924,740 | 6,118,020 | 1,898,470 |
| Student Transportation | 1,577,949 | 99,888 | 1,523,361 | (29,795) |
| Food Services | 2,906,855 | 52,672 | 2,624,103 | (388,458) |
| General and Administrative | 3,081,577 | 2,521,963 | 1,912,857 | 1,397,053 |
| Interest and Fiscal Charges | 4,591,134 | 4,591,134 | 4,352,222 | 4,352,222 |
| Other Expenses | 1,336,818 | (36,486) | 1,366,178 | 185,396 |
| | $ 64,040,157 | $ 15,743,180 | $ 56,729,806 | $ 12,360,826 |

**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 2023, the Board's governmental funds reported combined ending fund balances of $55,845,068 as compared to a combined ending fund balance at the end of fiscal year 2022 of $43,608,528. This results in a $12,236,540 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 $6,848,895. The transfers out from general fund to capital projects fund were $7,780,000. 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 $5,247,494.

**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 $140,151.

**General Fund Budgetary Highlights**

The original 2023 fiscal year budget, adopted in September 2022 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 $658K less than originally budgeted.
- Federal source revenues were approximately $387K more than originally budgeted.
- Expenditures were approximately $2 million more than originally budgeted due to increases in capital projects expenditures.

**Capital Assets**

At September 30, 2023 the Board had $114,093,159 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, 2023 | 2022 |
|---|---|---|
| Land and Land Improvements, net | $ 7,842,596 | $ 7,078,873 |
| Construction in Progress | 956,513 | 18,315,540 |
| Buildings, net | 103,063,681 | 84,345,469 |
| Vehicles, net | 833,010 | 619,594 |
| Equipment, net | 1,397,359 | 1,443,139 |
| | $ 114,093,159 | $ 111,802,615 |

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 $2,123,542. The board completed AES site work and construction so there was $956,513 in CIP primarily as the new Athens Elementary School was added to buildings and improvements during the year. 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 2023. The project was completed during the current 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, 2023

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash & Cash Equivalents | $ 46,815,612 |
| Investments | 10,077,212 |
| Receivables – Other | 3,833,320 |
| Inventories | 125,180 |
| Capital Assets | |
| Land & Land Improvements | 7,842,596 |
| Construction Work-in-Progress | 956,513 |
| Buildings & Building Improvements | 143,671,935 |
| Vehicles | 3,203,759 |
| Equipment | 4,149,005 |
| Accumulated Depreciation | (45,730,649) |
| Total Assets | 174,944,483 |
| **Deferred Outflows** | |
| Pension Related Amounts | 20,658,549 |
| OPEB Related Amounts | 10,439,685 |
| Total Deferred Outflows | 31,098,234 |
| **Liabilities** | |
| Accounts Payable & Accrued Liabilities | 4,827,579 |
| Accounts Payable – Construction | 125,523 |
| Other Liabilities | 53,154 |
| Noncurrent Liabilities | |
| Due Within One Year | 1,142,792 |
| Due in More Than One Year | 66,153,851 |
| Total Liabilities | 72,302,899 |
| **Deferred Inflows** | |
| Pension Related Amounts | 1,562,000 |
| OPEB Related Amounts | 24,692,938 |
| Total Deferred Inflows | 26,254,938 |
| **Net Position** | |
| Net Investment in Capital Assets | 109,176,238 |
| Restricted | 2,719,644 |
| Unrestricted | (4,411,002) |
| Total Net Position | $ 107,484,880 |

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, 2023

| 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 | $ 34,441,104 | $ 1,171,554 | $ 29,910,070 | $ 136,804 | $ (3,222,676) |
| Instructional Support Services | 8,741,875 | 124,307 | 7,250,975 | - | (1,366,593) |
| Operation & Maintenance Services | 7,362,845 | 198,400 | 1,403,103 | 1,836,602 | (3,924,740) |
| Student Transportation Services | 1,577,949 | 191,984 | 1,111,457 | 174,620 | (99,888) |
| Food Services | 2,906,855 | 2,547,802 | 306,381 | - | (52,672) |
| General Administrative Services | 3,081,577 | 6,539 | 552,038 | 1,037 | (2,521,963) |
| Interest & Fiscal Charges | 4,591,134 | - | - | - | (4,591,134) |
| Other Expenses | 1,336,818 | 359,155 | 1,014,149 | - | 36,486 |
| Total Governmental Activities | 64,040,157 | 4,599,741 | 41,548,173 | 2,149,063 | (15,743,180) |
| General Revenues: | | | | | |
| Taxes | | | | | |
| Sales & Use Tax | | | | | 16,260,301 |
| Ad Valorem | | | | | 4,419,659 |
| Other Taxes | | | | | 562,250 |
| Intergovernmental Revenues – Not Restricted | | | | | 2,731,576 |
| Investment Income | | | | | 1,355,690 |
| Miscellaneous | | | | | 5,877,350 |
| Total General Revenues | | | | | 31,206,826 |
| Change in Net Position | | | | | 15,463,646 |
| Net Position – Beginning | | | | | 92,021,234 |
| Net Position – Ending | | | | | $ 107,484,880 |

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

# Athens City Board of Education
## Balance Sheet – Governmental Funds
## As of September 30, 2023

| | General Fund | General Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash & Cash Equivalents | $ 30,094,436 | $ 8,104,451 | $ 8,616,726 | $ 46,815,613 |
| | | 10,077,212 | - | 10,077,212 |
| Due from Other Governmental Units | 3,138,423 | - | 694,897 | 3,833,320 |
| Inventories | - | - | 125,180 | 125,180 |
| Total Assets | $ 33,232,859 | $ 18,181,663 | $ 9,436,803 | $ 60,851,325 |
| **Liabilities** | | | | |
| Accounts Payable | $ 159,053 | $ - | $ 206,201 | $ 365,254 |
| Accounts Payable – Construction | - | 101,589 | - | 101,589 |
| Deferred Revenues | - | - | 53,154 | 53,154 |
| Salaries and Benefits Payable | 3,958,488 | - | 527,772 | 4,486,260 |
| Total Liabilities | 4,117,541 | 101,589 | - 787,127 | - 5,006,257 |
| **Fund Balance** | | | | |
| Nonspendable | - | - | 125,180 | 125,180 |
| Restricted | - | - | 8,524,496 | 8,524,496 |
| Assigned to | | | - | |
| Capital Projects | - | 18,080,074 | - | 18,080,074 |
| Unassigned | 29,115,318 | - | - | 29,115,318 |
| Total Fund Balance | 29,115,318 | 18,080,074 | 8,649,676 | 55,845,068 |
| Total Liabilities & Fund Balance | $ 33,232,859 | $ 18,181,663 | $ $ 9,436,803 | $ $ 60,851,325 |

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, 2023

| | | |
|---|---|---|
| Total Fund Balances – Governmental Funds | $ | 55,845,068 |
| 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. | | 114,093,159 |
| Deferred outflows and inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | | 19,096,549 |
| Deferred outflows and inflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds. | | (14,253,253) |
| 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. | | (67,296,643) |
| Net Position of Governmental Activities | $ | 107,484,880 |

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, 2023

| | General Fund | General Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|---|---|
| **Revenues** | | | | |
| State Sources | $ 35,893,742 | $ - | $ 2,145,605 | $ 38,039,347 |
| Federal Sources | 860 | - | 7,506,535 | 7,507,395 |
| Local Sources | 28,523,184 | 2,808,807 | 2,418,932 | 33,750,923 |
| Other Sources | 144,465 | - | 47,313 | 191,778 |
| Total Revenues | 64,562,251 | 2,808,807 | 12,118,385 | 79,489,443 |
| **Expenditures** | | | | |
| Instructional Services | 28,058,114 | 32,628 | 4,422,970 | 32,513,712 |
| Instructional Support Services | 7,605,709 | 1,312 | 899,198 | 8,506,219 |
| Operation and Maintenance Services | 5,441,204 | 827,073 | 892,463 | 7,160,740 |
| Student Transportation Services | 1,455,641 | - | 158,750 | 1,614,391 |
| Food Services | 2,194 | - | 3,132,572 | 3,134,766 |
| General Administrative Services | 1,662,448 | 3,336 | 29,348 | 1,695,132 |
| Debt Service: | | | | |
| Principal Retirement | 143,709 | - | 939,328 | 1,083,037 |
| Interest and Fiscal Charges | 2,718,434 | - | 93,701 | 2,812,135 |
| Other Debt Service Costs | 1,778,999 | - | - | 1,778,999 |
| Capital Outlay | 165,509 | 4,433,910 | 1,182,170 | 5,781,589 |
| Other | 874,387 | - | 476,228 | 1,350,615 |
| Total Expenditures | 49,906,348 | 5,298,259 | 12,226,728 | 67,431,335 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 14,655,903 | (2,489,452) | (108,343) | 12,058,108 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 111,604 | 7,780,000 | 304,941 | 8,196,545 |
| Transfers Out | (8,084,941) | (44,287) | (67,317) | (8,196,545) |
| Other | 166,329 | 1,233 | 10,870 | 178,432 |
| Total Other Financing Sources (Uses) | (7,807,008) | 7,736,946 | 248,494 | 178,432 |
| Net Change in Fund Balance | 6,848,895 | 5,247,494 | 140,151 | 12,236,540 |
| Fund Balance, Beginning | 22,266,423 | 12,832,580 | 8,509,525 | 43,608,528 |
| Fund Balance, Ending | $ 29,115,318 | $ 18,080,074 | $ 8,649,676 | $ 55,845,068 |

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, 2023

| | | |
|---|---|---|
| Net Change in Fund Balances – Total Governmental Funds | $ | 12,236,540 |
| 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 | | 5,781,589 |
| Depreciation/Amortization is reported in the government-wide statements | | (2,123,542) |
| 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. | | |
| Loss on disposition of capital assets | | (1,367,502) |
| 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. | | |
| Principal repaid | | 1,083,037 |
| 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 | | 29,174 |
| OPEB | | 3,664,386 |
| Pension | | (3,840,036) |
| Change in Net Position of Governmental Activities | $ | 15,463,646 |

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

# Athens City Board of Education
## Statement of Fiduciary Net Position
## September 30, 2023

| | Private-Purpose Trust | Custodial Funds |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | $ - | $ 518,292 |
| Investments | 20,350 | 20,234 |
| Receivables | - | 129 |
| **Total Assets** | 20,350 | 538,655 |
| **Liabilities** | | |
| Accounts Payable | - | 1,385 |
| **Total Liabilities** | - | 1,385 |
| **Net Position – Restricted for:** | | |
| **Individuals, Organizations, & Other Governments** | $ 20,350 | $ 537,270 |

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, 2023

| | Private-Purpose Trust | Custodial Funds |
|---|---|---|
| **Additions** | | |
| Fundraisers | $ - | $ 322,375 |
| Dues & Fees | - | 67,627 |
| Concessions | - | 38,772 |
| Grants & Contributions | - | 59,644 |
| Other | - | 110,401 |
| **Total Additions** | - | 598,819 |
| **Deductions** | | |
| Materials & Supplies | - | 383,669 |
| Transportation & Food | - | 55,292 |
| Other | 56 | 280,813 |
| **Total Deductions** | 56 | 719,774 |
| **Change in Net Position** | (56) | (120,955) |
| **Net Position - Beginning** | 20,406 | 658,225 |
| **Net Position - Ending** | $ 20,350 | $ 537,270 |

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, 2023. 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, 2023 includes all unused personal leave for the period July 1, 2022 through September 30, 2023.

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, 2023 includes all unused personal leave for the period July 1, 2022 through September 30, 2023.

***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 | $ 7,842,596 |
| Construction Work-in-Progress | 956,513 |
| Buildings | 143,671,935 |
| Vehicles | 3,203,759 |
| Equipment | 4,149,005 |
| Less: Accumulated Depreciation | (45,730,649) |
| Combined Adjustment for Capital Assets | $ 114,093,159 |

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 | $ 4,916,921 |
| Net Pension Liability | 55,590,000 |
| Compensated Absences | 235,017 |
| Net OPEB Liability | 6,554,705 |
| Combined Adjustment for Liabilities | $ 67,296,643 |

**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, 2023.

**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 | $ 46,815,612 | $ 48,768,321 | N/A |
| Total Cash & Cash Equivalents | $ 46,815,612 | $ 48,768,321 | |

| | |
|---|---|
| Reconciliation to Financial Statements | |
| Per Statement of Net Position | 46,815,612 |
| Total Cash & Cash Equivalents | $ 46,815,612 |

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

The Board's deposits at September 30, 2023 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, 2023, 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, 2023, 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, 2023, 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 | $ 7,078,873 | $ - | $ - | $ 763,723 | $ 7,842,596 |
| Construction-in-Progress | 18,315,540 | 4,328,137 | (309,297) | (21,377,867) | 956,513 |
| Total | 25,394,413 | 4,328,137 | (309,297) | (20,614,144) | 8,799,109 |
| Depreciable Assets: | | | | | |
| Buildings | 108,226,640 | 218,034 | (1,131,826) | - | 107,312,848 |
| Building Improvements | 15,490,163 | 1,073,020 | (818,240) | 20,614,144 | 36,359,087 |
| Vehicles | 3,065,332 | 138,427 | - | - | 3,203,759 |
| Equipment | 4,009,492 | 333,267 | (193,754) | - | 4,149,005 |
| Total Being Depreciated | 130,791,627 | 1,762,748 | (2,143,820) | 20,614,144 | 151,024,699 |
| Accumulated Depreciation: | | | | | |
| Buildings | 32,658,461 | 1,373,313 | (269,492) | - | 33,762,282 |
| Building Improvements | 6,712,873 | 493,971 | (360,872) | - | 6,845,972 |
| Vehicles | 2,445,738 | 70,965 | - | - | 2,516,703 |
| Equipment | 2,566,353 | 185,293 | (145,954) | - | 2,605,692 |
| Total Accumulated Depreciation | 44,383,425 | 2,123,542 | (776,318) | - | 45,730,649 |
| Total Capital Assets Being Depreciated, Net | 86,408,202 | (360,794) | (1,367,502) | 20,614,144 | 105,294,050 |
| Governmental Activities Capital Assets, Net | $ 111,802,615 | $ 3,967,343 | $ (1,676,799) | $ - | $ 114,093,159 |

Depreciation expenses were charged to functions as follows:

| | |
|---|---|
| General Administration | $ 2,384 |
| Instructional Services | 1,755,641 |
| Instruction Support Services | 11,355 |
| Operation & Maintenance Services | 231,833 |
| Student Transportation Services | 61,227 |
| Food Services | 61,102 |
| Total Depreciation Expense | $ 2,123,542 |

**E. Interfund Receivables/Payables & Transfers**

***Interfund Receivables/Payables***

At September 30, 2023, 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 | $ 7,780,000 | Project Costs |
| General | Nonmajor Special Revenue Funds | 111,604 | Transfer Revenue |
| Total Major Funds | | 7,891,604 | |
| Nonmajor Special Revenue Funds | General | 154,941 | Transfer Revenue |
| Nonmajor Debt Service Funds | General | 150,000 | Debt Service |
| Total Nonmajor Funds | | 304,941 | |
| Total - Fund Financial Statements | | 8,196,545 | |
| Less: Fund Eliminations | | (8,196,545) | |
| 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 | $ 2,299,676 | $ - | $ (147,002) | $ 2,152,674 | $ 148,399 |
| Direct Borrowing | 2,200,282 | - | (936,035) | 1,264,247 | 759,376 |
| Direct Placement Debt | 1,500,000 | - | - | 1,500,000 | - |
| Other Liabilities: | | | | | |
| Compensated Absences | 264,191 | 35,878 | (65,052) | 235,017 | 235,017 |
| Net Pension Liability | 32,644,000 | 22,946,000 | - | 55,590,000 | - |
| Net OPEB Liability | 16,918,265 | - | (10,363,560) | 6,554,705 | - |
| **Total** | $ 55,826,414 | $ 22,981,878 | $ (11,511,649) | $ 67,296,643 | $ 1,142,792 |

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 $2,152,674, shown as follows:

| General Obligation Debt: | Date of Issue | Due Date | Interest Rates | Original Indebtedness | Principal Balance 9/30/2023 |
|---|---|---|---|---|---|
| General Obligation - PSCA | 3/18/2004 | 3/18/2025 | 3.35% | $ 1,277,172 | $ 23,577 |
| General Obligation – PSC 2022-A | 5/26/2022 | 5/1/2042 | 4.25-5.00% | 1,317,803 | 855,624 |
| General Obligation - BRAC | 10/22/2020 | 6/1/2033 | 3.00-5.00% | 1,091,879 | 1,273,473 |
| Total General Obligation Debt | | | | | $ 2,152,674 |

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 $524,206. 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 $124,923. 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 $99,010.

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, 2023, the value of the liability was $597,317. 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.

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

| | Direct Borrowing | | General Obligation | |
|---|---|---|---|---|
| Years | Principal | Interest | Principal | Interest |
| 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 | 60,240 | 1,035 | 135,968 | 58,608 |
| 2029-2033 | – | – | 738,284 | 227,975 |
| 2034-2038 | – | – | 377,699 | 121,886 |
| 2039-2043 | – | – | 361,481 | 38,394 |
| Totals | $ 1,264,247 | $ 30,598 | $ 2,152,674 | $ 719,934 |

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 9/30/2023 |
|---|---|---|---|---|---|
| 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 | $ 159,823,808 |
| Less: Accumulated Depreciation | (45,730,649) |
| Add: PSCA 2022-A Funds | 1,369,518 |
| Less: Related Debt and Payables | (6,286,439) |
| Net Investment in Capital Assets | 109,176,238 |
| | |
| Restricted for: | |
| Special Revenue Funds | 2,719,644 |
| Total Restricted | 2,719,644 |
| | |
| Unrestricted | (4,411,002) |
| | |
| Total Governmental Activities Net Position | $ 107,484,880 |

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

| | General Fund | General Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|---|---|
| Nonspendable | | | | |
| Inventory | $ - | $ - | $ 125,180 | $ 125,180 |
| Restricted | - | - | 8,524,496 | 8,524,496 |
| Assigned to: | | | | |
| Capital Projects | - | 18,080,074 | - | 18,080,074 |
| Unassigned | 29,115,318 | - | - | 29,115,318 |
| Total Fund Balance | $ 29,115,318 | $ 18,080,074 | $ 8,649,676 | $ 55,845,068 |

**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 creditable 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. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were $3,723,549 for the year ended September 30, 2023.

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

At September 30, 2023, the ACBOE reported a liability of $55,590,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the ACBOE's proportion was 0.357705%, which was an increase of 0.011176% from its proportion measured as of September 30, 2021.

For the year ending September 30, 2023, the ACBOE recognized pension expense of $7,564,000. At September 30, 2023 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 | $ 1,222,000 | $ 1,349,000 |
| Changes of assumptions | 2,522,000 | - |
| Net difference between projected & actual earnings on pension plan investments | 11,155,000 | - |
| Changes in proportion & differences between Employer contributions & proportionate share of contributions | 2,036,000 | 213,000 |
| Employer contributions subsequent to the measurement date | 3,723,549 | - |
| | $ 20,658,549 | $ 1,562,000 |

$3,723,549 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, 2024. 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: | |
|---|---|
| 2024 | $ 4,489,000 |
| 2025 | 3,762,000 |
| 2026 | 2,460,000 |
| 2027 | 4,662,000 |
| 2028 | – |
| | $ 15,373,000 |

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of September 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| 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, 2022, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes 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<br>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 | Long-Term 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 | $ 71,931,000 | $ 55,590,000 | $ 41,826,000 |

***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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

**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, 2023, The ACBOE has committed approximately:

- $30,000,000 to a vendor for the construction of a new elementary school. As of September 30, 2023, $0 had been paid with $0 held in retainage.
- $323,577 to a vendor for roof replacement. As of September 30, 2023, $323,577 had been paid with $0 held in retainage.
- $248,000 to a vendor for HVAC replacement. As of September 30, 2023, $247,342 had been paid with $0 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, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

***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, 2023, the ACBOE reported a liability of $6,554,705 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the ACBOE's proportion was 0.37617782%, which was an increase of 0.04873682% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the ACBOE recognized OPEB benefit of $3,124,573, with no special funding situations. At September 30, 2023, 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 | $ 300,625 | $ 13,253,076 |
| Changes of assumptions | 5,316,761 | 9,540,768 |
| Net difference between projected & actual earnings on OPEB plan investments | 824,317 | – |
| Changes in proportion & differences between Employer contributions & proportionate share of contributions | 3,447,559 | 1,899,094 |
| Employer contributions subsequent to the measurement date | 550,423 | – |
| | $ 10,439,685 | $ 24,692,938 |

$550,423 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, 2024.

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

| Year ended September 30: | |
|---|---|
| 2024 | $ (3,789,622) |
| 2025 | (4,021,045) |
| 2026 | (1,800,579) |
| 2027 | (1,615,208) |
| 2028 | (2,262,226) |
| Thereafter | (1,314,996) |
| | $ (14,803,676) |

***Actuarial assumptions***

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, 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 | 4.40% |
| Municipal Bond Index Rate at the Prior Measurement Date | 2.29% |
| Projected Year for Fiduciary Net Position (FNP) to be Depleted | N/A |
| Single Equivalent Interest Rate at the Measurement Date | 7.00% |
| Single Equivalent Interest Rate at the Prior Measurement Date | 3.97% |
| Healthcare Cost Trend Rate | |
| Pre-Medicare Eligible | 6.50% |
| Medicare Eligible | ** |
| Ultimate Trend Rate | |
| Pre-Medicare Eligible | 4.50% in 2031 |
| Medicare Eligible | 4.50% in 2027 |

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

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

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

| Group | Membership Table | Set Forward (+)/ 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<br>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, 2021 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% | |

**Geometric mean, includes 2.50% inflation.*

***Discount Rate***

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly 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, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% 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 2027. 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. Projected future benefit payments for all current plan members are projected through 2120.

***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 | $ 4,970,446 | $ 6,554,705 | $ 8,497,650 |

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

***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 (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net OPEB Liability | $ 8,103,925 | $ 6,554,705 | $ 5,254,181 |

**OPEB plan fiduciary net position**

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

**E. Related Parties**

During the year ended September 30, 2023, the City paid $7,476,937 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 $188,109 for 2023.

## Athens City Board of Education
## Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual
## For the Year Ended September 30, 2023

| | Budgeted Amounts | | Actual | Variance With |
|---|---|---|---|---|
| | Original | Final | Budgetary | Final Budget |
| **Revenues** | | | | |
| State Sources | $ 33,887,313 | $ 33,229,388 | $ 35,893,742 | $ 2,664,354 |
| Federal Sources | 1,000 | 1,000 | 860 | (140) |
| Local Sources | 23,653,278 | 24,934,529 | 28,523,184 | 3,588,655 |
| Other Sources | 58,000 | 91,700 | 144,465 | 52,765 |
| Total Revenues | 57,599,591 | 58,256,617 | 64,562,251 | 6,305,634 |
| **Expenditures** | | | | |
| Instructional Services | 28,263,800 | 28,593,287 | 27,794,652 | (798,635) |
| Instructional Support Services | 7,691,528 | 7,745,293 | 7,602,097 | (143,196) |
| Operation & Maintenance Services | 6,009,037 | 6,362,124 | 5,453,860 | (908,264) |
| Student Transportation Services | 1,475,128 | 1,508,727 | 1,442,121 | (66,606) |
| Food Services | 4,500 | 4,500 | 2,194 | (2,306) |
| General Administrative Services | 1,919,457 | 1,955,552 | 1,664,898 | (290,654) |
| Debt Service | | | | |
| Principal Retirement | 2,072,708 | 2,072,708 | 143,709 | (1,928,999) |
| Interest & Fiscal Charges | 2,718,434 | 2,718,434 | 2,718,434 | - |
| Other Debt Service Costs | - | - | 1,778,999 | 1,778,999 |
| Capital Outlay | 186,000 | 120,150 | 165,509 | 45,359 |
| Other Expenditures | 1,826,357 | 897,697 | 882,622 | (15,075) |
| Total Expenditures | 52,166,949 | 51,978,472 | 49,649,095 | (2,329,377) |
| Excess of Revenues Over Expenditures | 5,432,642 | 6,278,145 | 14,913,156 | 8,635,011 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 105,511 | 117,386 | 111,604 | (5,782) |
| Transfers Out | (4,874,455) | (4,753,374) | (8,084,941) | (3,331,567) |
| Other Sources (Uses) | 172,306 | 173,097 | 166,329 | (6,768) |
| Total Other Financing Sources (Uses) | (4,596,638) | (4,462,891) | (7,807,008) | (3,344,117) |
| Excess of Revenues & Other Sources Over Expenditures & Other Uses | 836,004 | 1,815,254 | 7,106,148 | 5,290,894 |
| Fund Balance, Beginning | 17,991,095 | 25,952,737 | 25,952,737 | - |
| Fund Balance, Ending | $ 18,827,099 | $ 27,767,991 | $ 33,058,885 | $ 5,290,894 |

## 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, 2023

| | General Fund |
|---|---|
| **Uses/outflows of resources** | |
| Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule | $ 49,649,095 |
| 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. | 257,253 |
| Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds. | $ 49,906,348 |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| ACBOE's proportion of the net OPEB liability | 0.376178% | 0.327441% | 0.328817% | 0.371037% | 0.361014% | 0.350300% |
| ACBOE's proportionate share of the net OPEB liability | $ 6,554,705 | $ 16,918,265 | $ 21,339,766 | $ 13,998,365 | $ 29,670,753 | $ 26,018,283 |
| ACBOE's covered-employee payroll | $ 27,821,542 | $ 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 | 23.56% | 66.99% | 84.64% | 61.21% | 130.43% | 127.92% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 48.39% | 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:

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 550,423 | $ 729,519 | $ 566,649 | $ 651,104 | $ 1,059,768 | $ 850,316 |
| Contributions in relation to the contractually required | (550,423) | (729,519) | (566,649) | (651,104) | (1,059,768) | (850,377) |
| Contribution deficiency (excess) | $ – | $ – | $ – | $ – | $ – | $ (61) |
| | | | | | | |
| ACBOE's covered-employee payroll | $ 30,638,194 | $ 27,821,542 | $ 25,254,297 | $ 25,211,779 | $ 22,870,980 | $ 22,749,216 |
| Contributions as a percentage of covered-employee payroll | 1.80% | 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, 2020, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

## 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, closed |
| Remaining amortization period | 22 years |
| Asset valuation method | Market Value of Assets |
| Inflation | 2.75% |
| Healthcare Cost Trend Rate: | |
| Pre-Medicare Eligible | 6.75% |
| Medicare Eligible | Initial Medicare claims are set based on scheduled increases through plan year 2022. |
| Ultimate Trend Rate: | |
| Pre-Medicare Eligible | 4.75% |
| Medicare Eligible | 4.75% |
| Years of Ultimate Trend Rate | 2027 for Pre-Medicare Eligible<br>2024 for Medicare Eligible |
| Investment Rate of Return | 5.00%, including inflation |

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| System's Proportion of the Net Pension | 0.357705% | 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 | $ 55,590,000 | $ 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] | $ 27,821,542 | $ 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 | 199.81% | 129.26% | 167.66% | 156.69% | 145.91% | 158.07% | 179.81% | 166.84% | 163.34% |
| Plan Fiduciary Net Position as a of the Total Pension Liability | 62.21% | 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 2023 the measurement period is October 1, 2021 - September 30, 2022.*

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

This schedule presents only nine years of information, rather than ten years, as only nine years of trend information are available at September 30, 2023.

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution[1] | $ 3,723,549 | $ 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 | (3,723,549) | (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] | $ 30,638,194 | $ 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 | 12.15% | 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 2023 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 nine years of information, rather than ten years, as only nine years of trend information are available at September 30, 2023.

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 2023 were based on the September 30, 2020 actuarial valuation date.

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 23.9 years |
| Asset valuation method | Five-year smoothed market |
| Inflation | 3.00% |
| Salary increases | 3.25 – 5.00%, including inflation |
| Investment rate of return | 7.70%* |

**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, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon March 29, 2024.

**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 Board's internal control.

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

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

**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*.

**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 29, 2024
Athens, Alabama

# Athens City Board of Education
## Schedule of Findings and Responses
## As of and for the Year Ended September 30, 2023

**Section I – Summary of Auditor's Results**

**Financial Statements**

| | | |
|---|---|---|
| Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ____ yes | __x__ no |
| Significant deficiency(ies) identified? | ____ yes | __x__ none reported |
| Noncompliance material to financial statements noted? | ____ yes | __x__ no |

**Section II – Financial Statement Findings**

No findings for the year ended September 30, 2023.

# Athens City Board of Education
## Schedule of Prior Audit Findings
## For the Year Ended September 30, 2023

**Finding 2022-001**

**Type:**
Financial Statement Finding

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

**Status of Finding:**
Resolved