



ATHENS CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

**ATHENS CITY BOARD OF EDUCATION
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SEPTEMBER 30, 2025**

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INTRODUCTORY SECTION

**ATHENS CITY BOARD OF EDUCATION
LIST OF PRINCIPAL OFFICERS
SEPTEMBER 30, 2025**

MEMBERS OF THE SCHOOL BOARD



Beverly Malone
President



Shannon Hutton
Vice President



Anthony Townsend
Board Member



Toby Harrison
Board Member



Karen Clem
Board Member

SUPERINTENDENT

Beth Patton

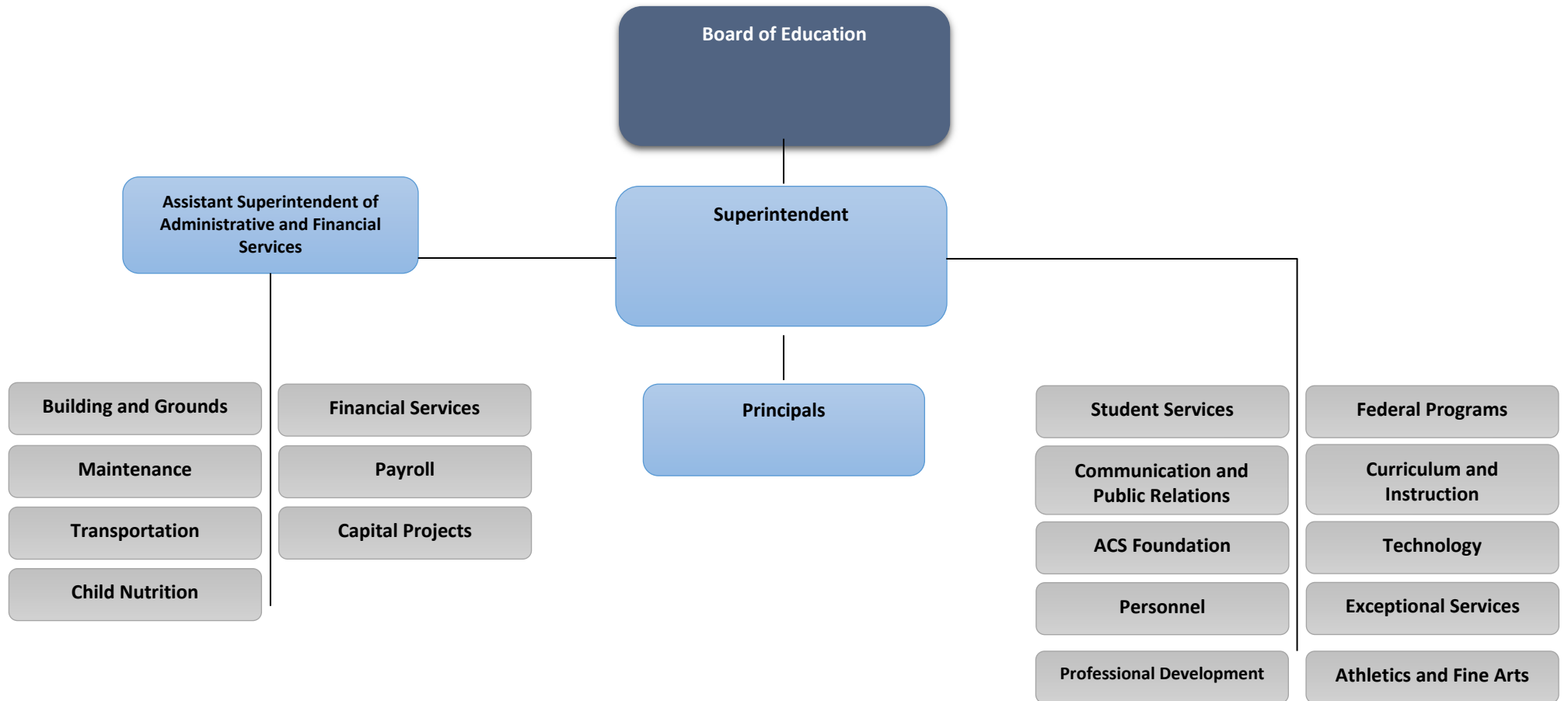
Superintendent

DIRECTORS

Garner Ezell
Serena Owsley

Executive Director of Curriculum and Instruction
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, 2025



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Athens City Board of Education** (the Board), a component unit of the City of Athens, Alabama (the City), as of and for the year ended September 30, 2025, 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

Emphasis of Matter

As discussed in Note 1, the financial statements of Athens City Board of Education are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the Board that is attributable to the transactions of Athens City Board of Education. They do not purport to, and do not, present fairly the financial position of the City of Athens, Alabama, as of September 30, 2025, and the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balances – 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.

Supplementary Information

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

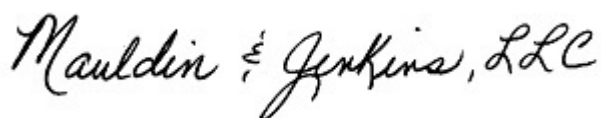
Other Information

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 opinion on the basic financial statements does 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 20, 2026, 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, 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.



March 20, 2026
Athens, Alabama

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

This report consists of three parts: management's discussion and analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Our discussion and analysis of the Board's financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2025. This information should be used in conjunction with the Independent Auditors' Report and the Board's audited financial statements.

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 Board 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, 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.

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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 generally accepted accounting principles (GAAP) basis of reporting. RSI also includes certain pension and OPEB schedules presented in accordance with professional standards.

ATHENS CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2025

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			
	2025	Percent of Total	2024	Percent of Total
<u>Assets</u>				
Current and Other Assets	\$ 82,910,174	29.83%	\$ 60,882,738	26.16%
Capital Assets, net	155,036,161	55.77%	145,505,111	62.52%
Total Assets	237,946,335	85.60%	206,387,849	88.69%
<u>Deferred Outflows of Resources</u>				
Employers Pension Contribution	4,416,053	1.59%	3,814,817	1.64%
Deferred Outflows Related to Pensions	6,742,000	2.43%	13,330,000	5.73%
Employer OPEB Contribution	1,239,016	0.45%	495,903	0.21%
Deferred Outflows Related to OPEB	27,646,204	9.95%	8,690,174	3.73%
Total Deferred Outflows of Resources	40,043,273	14.41%	26,330,894	11.31%
<u>Total Assets and Deferred Outflows of Resources</u>	277,989,608	100.00%	232,718,743	100.00%
<u>Liabilities</u>				
Current and Other Liabilities	6,943,940	6.19%	7,284,646	7.48%
Long-term Liabilities	82,308,785	73.38%	69,268,874	71.17%
Total Liabilities	89,252,725	79.57%	76,553,520	78.65%
<u>Deferred Inflows of Resources</u>				
Deferred Inflows Related to Pensions	8,663,000	7.72%	811,000	0.83%
Deferred Inflows Related to OPEB	14,255,199	12.71%	19,968,611	20.52%
Total Deferred Inflows of Resources	22,918,199	20.43%	20,779,611	21.35%
<u>Total Liabilities and Deferred Inflows of Resources</u>	112,170,924	100.00%	97,333,131	100.00%
<u>Net Position</u>				
Net Investment in Capital Assets	152,727,833	92.11%	130,744,200	96.57%
Restricted	3,305,718	1.99%	2,850,780	2.11%
Unrestricted	9,785,133	5.90%	1,790,632	1.32%
Total Net Position	\$ 165,818,684	100.00%	\$ 135,385,612	100.00%

The Board's assets and deferred outflows exceeded liabilities and deferred inflows by \$165,818,681 at the close of the fiscal year 2025 and \$135,385,612 at the close of fiscal year 2024, an increase of \$30,433,072. 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 \$9,785,133 at the end of fiscal year 2025 and \$1,790,632 at the end of fiscal year 2024, an increase of \$7,994,501.

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

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Revenues	Governmental Activities			
	2025	Percent of Total	2024	Percent of Total
Program Revenues:				
Charges for Services	\$ 2,020,969	1.99%	\$ 4,784,898	4.98%
Operating Grants and Contributions	44,874,887	44.21%	46,584,601	48.45%
Capital Grants and Contributions	14,229,733	14.02%	5,216,327	5.43%
Total Program Revenues	61,125,589	60.22%	56,585,826	58.86%
General Revenues:				
Property Tax	6,346,712	6.25%	5,681,370	5.91%
Sales Tax	18,051,176	17.78%	16,178,190	16.83%
Other Taxes	1,377,442	1.36%	445,344	0.46%
Intergovernmental Revenues - Not Restricted	10,599,561	10.44%	-	0.00%
Grants and Contributions Not Restricted		0.00%	7,821,613	8.14%
Investment Earnings	3,215,239	3.17%	2,587,033	2.69%
Miscellaneous	787,884	0.78%	6,842,634	7.12%
Total General Revenues	40,378,014	39.78%	39,556,184	41.14%
Total Revenues	101,503,603	100.00%	96,142,010	100.00%
Expenses				
Instructional Services	40,324,783	56.74%	37,843,216	55.46%
Instructional Support Services	10,363,608	14.58%	10,013,881	14.67%
Operation & Maintenance Services	6,372,148	8.97%	7,478,685	10.96%
Student Transportation Services	1,147,532	1.62%	1,679,466	2.46%
Food Services	3,497,357	4.92%	3,070,744	4.50%
General Administrative Services	2,673,686	3.76%	2,194,742	3.22%
Intergovernmental	6,598,745			
Interest and Finance Charges	92,672	0.13%	4,584,490	6.72%
Other Expenses	-	0.00%	1,376,054	2.02%
Total Expenses	71,070,531	90.72%	68,241,278	100.00%
Change in Net Position	30,433,072		27,900,732	
Net Position, Beginning (Restated)	135,385,612		107,484,880	
Net Position, Ending	\$ 165,818,684		\$ 135,385,612	

During the current fiscal year, the Board's net position increased by \$30,433,072 due to tax increases of \$3,166,534, funding from ARPA, and appropriations from the City for construction activities. Expenses increased by \$2,829,253. The reason for the expense increase was because of an increase in instructional services, and general administrative services, brought about from system growth. Program revenues are 60.22% of total revenues while general revenues comprise 39.78% of total revenues.

There was an increase in net investment in capital assets of \$21,983,633. The increase can be attributed to an increase in construction work-in-progress from various construction projects for various schools. The Board'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 44.21% 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.

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board at 58.25%. Instructional support services comprise 14.58% of the total expenses.

- Instructional services include 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 include 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 include bus driver salaries and benefits, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and fleet insurance.
- Food services include 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 include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, and 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.

	2025		2024	
	Total Cost	Net Cost	Total Cost	Net Cost
Instructional Services	40,324,783	\$3,713,046	37,843,216	\$2,509,948
Instructional Support Services	10,363,608	2,323,641	10,013,881	1,754,200
Operation and Maintenance	6,372,148	2,281,268	7,478,685	788,985
Student Transportation	1,147,532	400,349	1,679,466	104,340
Food Services	3,497,357	-114,085	3,070,744	166,085
General and Administrative	2,673,686	1,265,165	2,194,742	1,452,410
Intergovernmental	6,598,745		1,376,054	92,218
Interest and Fiscal Charges	92,672	5,643,950	4,584,490	4,584,490
	\$71,070,531	\$15,513,334	68,241,278	\$11,452,676

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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 2025 the Board's governmental funds reported combined ending fund balances of \$76,690,323 as compared to a combined ending fund balance at the end of fiscal year 2023 of \$65,043,861. This results in a \$11,646,462 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 Athens City Schools (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 \$2,116,871. The transfers out from general fund to capital projects fund were \$8,350,000. This money is set aside to pay for maintenance and small capital projects. The capital projects fund is to account for major construction activities. The capital projects fund increased by \$9,057,655. The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue fund increased by \$321,936.

Other Governmental Funds – Other governmental funds include debt service funds which increased by \$150,000.

General Fund Budgetary Highlights

The original 2025 fiscal year budget, adopted in September 2024 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.

- State and Federal source revenues were approximately \$6.6 million more than originally budgeted.
- Expenditures were approximately \$2.8 million less than originally budgeted due to decreases in capital projects expenditures.

Capital Assets

At September 30, 2025, the Board had \$155,036,161 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,	
	2025	2024
Land and Land Improvements, Net	\$ 8,732,733	\$ 8,456,397
Construction Work-in-Progress	-	19,535,243
Buildings, Net	143,759,858	104,339,397
Vehicles, Net	944,962	655,365
Equipment, Net	1,598,607	1,730,295
	<u>\$ 155,036,161</u>	<u>\$ 134,716,697</u>

**ATHENS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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 \$2,094,151. 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 a new Julian Newman Elementary school during fiscal year 2025, along with the completion of the APAC at Athens High School, stadium and athletic facility, and the new band tower. 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.

FINANCIAL STATEMENTS

ATHENS CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION SEPTEMBER 30, 2025

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 79,359,216
Receivables - Other	3,400,001
Inventories	150,957
Capital and Leased Assets	
Capital Assets, nondepreciable	8,732,733
Capital Assets, net of accumulated depreciation	146,303,428
Total Assets	<u>237,946,335</u>
Deferred Outflows	
Pension Related Amounts	11,158,053
OPEB Related Amounts	28,885,220
Total Deferred Outflows	<u>40,043,273</u>
Total Assets and Deferred Outflows	<u>\$ 277,989,608</u>
Liabilities	
Accounts Payable & Accrued Liabilities	\$ 475,640
Accounts Payable - Construction	276,211
Other Liabilities	5,488,797
Noncurrent Liabilities	
Due Within One Year	703,292
Due in More Than One Year	82,308,785
Total Liabilities	<u>89,252,725</u>
Deferred Inflows	
Pension Related Amounts	8,663,000
OPEB Related Amounts	14,255,199
Total Deferred Outflows	<u>22,918,199</u>
Net Position	
Net Investment in Capital Assets	152,727,833
Restricted	3,305,718
Unrestricted	9,785,133
Total Net Position	<u>165,818,684</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 277,989,608</u>

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

ATHENS CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues & Changes in Net Position
		Services	Grants & Contributions	Grants & Contributions	Governmental Activities
Governmental Activities					
Instructional Services	\$ 41,397,586	\$ 489,478	\$ 30,244,267	\$ 10,955,223	\$ 291,382
Instructional Support Services	10,363,608	50,092	7,565,018	-	(2,748,498)
Operation & Maintenance Services	6,372,148	53,865	3,509,976	3,133,980	325,673
Student Transportation Services	74,729	81,599	1,143,301	124,389	1,274,560
Food Services	3,497,357	1,256,519	423,411	-	(1,817,427)
General Administrative Services	2,673,686	2,855	760,443	16,141	(1,894,247)
Intergovernmental	6,598,745	86,561	1,228,471	-	(5,283,713)
Interest & Fiscal Charges	92,672	-	-	-	(92,672)
Total Governmental Activities	<u>\$ 71,070,531</u>	<u>\$ 2,020,969</u>	<u>\$ 44,874,887</u>	<u>\$ 14,229,733</u>	<u>(9,944,942)</u>
General Revenues					
Taxes					
Sales and					18,051,176
Ad Valorem					6,346,712
Other Taxes					1,377,442
Intergovernmental Revenues - Not Restricted					10,599,561
Investment Income					3,215,239
Miscellaneous					787,884
Total General Revenues & Transfers					<u>40,378,014</u>
Change in Net Position					30,433,072
Net Position - Beginning of fiscal year					135,588,388
Restatement - change in accounting principle					<u>(202,776)</u>
Net Position - Beginning, restated					135,385,612
Net Position - Ending					<u>\$ 165,818,684</u>

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

Athens City Board of Education
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Special Revenue Fund	General Capital Projects	Nonmajor Governmental Funds	Totals
Assets					
Cash and Cash Equivalents	\$ 40,841,157	\$ 2,533,153	\$ 34,784,906	\$ 1,200,000	\$ 79,359,216
Accounts Receivable	7,663	-	-	-	7,663
Due from Other Governmental Units	3,057,789	334,549	-	-	3,392,338
Inventories	-	150,957	-	-	150,957
Total Assets	\$ 43,906,609	\$ 3,018,659	\$ 34,784,906	\$ 1,200,000	\$ 82,910,174
Liabilities					
Accounts Payable	\$ 126,675	\$ 281,213	\$ 9,499	\$ -	\$ 417,387
Accounts Payable - Construction	-	-	276,211	-	276,211
Accrued Interest Payable	-	-	-	-	-
Unearned Revenue	-	58,253	-	-	58,253
Salaries and Benefits Payable	5,045,482	422,518	-	-	5,468,000
Total Liabilities	5,172,157	761,984	285,710	-	6,219,851
Fund Balance					
Nonspendable	-	150,957	-	-	150,957
Restricted	-	2,105,718	-	1,200,000	3,305,718
Assigned to Capital Projects	-	-	33,129,829	-	33,129,829
Unassigned	38,734,452	-	1,369,367	-	40,103,819
Total Fund Balance	38,734,452	2,256,675	34,499,196	1,200,000	76,690,323
Total Liabilities & Fund Balance	\$ 43,906,609	\$ 3,018,659	\$ 34,784,906	\$ 1,200,000	\$ 82,910,174

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
SEPTEMBER 30, 2025

Total Fund Balances, Governmental Funds	\$ 76,690,323
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Amounts reported for *governmental activities* in the statement of net position are different because of the following:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Capital assets	204,684,937
Accumulated depreciation	(49,648,776)

Deferred outflows (inflows) resulting from the recognition of the employer's share of the state's net pension and OPEB liabilities are not current financial resources; therefore, they are not reported on the fund financial statements.

Deferred outflows of resources related to pensions	11,158,053
Deferred outflows of resources related to OPEB	28,885,220
Deferred inflows of resources related to pensions	(8,663,000)
Deferred inflows of resources related to OPEB	(14,255,199)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Bonds payable	(1,875,164)
Notes payable	(1,802,531)
Accrued interest payable	(20,797)
Compensated absences	(404,684)
Net pension liability	(47,261,183)
Net OPEB liability	(31,668,515)

Total Net Position, Governmental Activities	<u>\$ 165,818,684</u>
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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
AS OF SEPTEMBER 30, 2025

	General Fund	Special Revenue Fund	General Capital Projects	Nonmajor Governmental Funds	Totals
Revenues					
State Sources	\$ 38,590,229	\$ 3,702	\$ 8,630,289	\$ 166,782	\$ 47,391,002
Federal Sources	800	5,685,578	-	-	5,686,378
Local Sources	34,507,900	2,256,395	10,987,544	-	47,751,839
Other Sources	619,305	45,239	-	-	664,544
Total Revenues	<u>73,718,234</u>	<u>7,990,914</u>	<u>19,617,833</u>	<u>166,782</u>	<u>101,493,763</u>
Expenditures					
Instructional Services	33,320,427	3,269,616	-	-	36,590,043
Instructional Support Services	9,626,425	391,444	-	-	10,017,869
Operation and Maintenance Services	5,862,936	86,556	-	-	5,949,492
Student Transportation Services	1,600,096	129,751	-	-	1,729,847
Food Services	-	3,437,096	-	-	3,437,096
General Administrative Services	2,521,629	151,395	-	-	2,673,024
Capital Outlay	3,664,984	119,081	18,710,282	-	22,494,347
Intergovernmental	6,598,745				6,598,745
Debt Service:					
Principal Retirement	-	-	129,113	165,691	294,804
Interest and Fiscal Charges	-	-	70,783	1,091	71,874
Total Expenditures	<u>63,195,242</u>	<u>7,584,939</u>	<u>18,910,178</u>	<u>166,782</u>	<u>89,857,141</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,522,992</u>	<u>405,975</u>	<u>707,655</u>	<u>-</u>	<u>11,636,622</u>
Other Financing Sources (Uses)					
Long-Term Debt Issued	-	-	-	-	-
Investment Income	-	-	-	-	-
Other Sources (Uses)	9,603	237	-	-	9,840
Total Other Financing Sources (Uses)	<u>(8,406,121)</u>	<u>(84,039)</u>	<u>8,350,000</u>	<u>150,000</u>	<u>9,840</u>
Net Change in Fund Balance	2,116,871	321,936	9,057,655	150,000	11,646,462
Fund Balance, Beginning	<u>36,617,581</u>	<u>1,934,739</u>	<u>25,441,541</u>	<u>1,050,000</u>	<u>65,043,861</u>
Fund Balance, Ending	<u>\$ 38,734,452</u>	<u>\$ 2,256,675</u>	<u>\$ 34,499,196</u>	<u>\$ 1,200,000</u>	<u>\$ 76,690,323</u>

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, 2025

Net Changes in Fund Balances, Total Governmental Funds \$ 11,646,462

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period.

Capital Outlays	22,418,982	
Depreciation Expense	<u>(2,094,151)</u>	20,324,831

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		294,804
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The net effect of various miscellaneous transactions (i.e., sales) is to decrease net position.		(5,367)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension Expense, Current Year Increase/(Decrease)	(2,246,947)	
OPEB Expense, Current Year Increase/(Decrease)	482,395	
Change in Compensated Absences	(42,309)	
Change in Accrued Interest	<u>(20,797)</u>	<u>(1,827,658)</u>

Change in Net Position of Governmental Activities		<u>\$ 30,433,072</u>
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The accompanying notes are an integral part of these financial statements.

ATHENS CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2025

	Custodial Funds
Assets	
Cash and Cash Equivalents	\$ 539,987
Investments	28,748
Receivables	<u>129</u>
Total Assets	<u><u>\$ 568,864</u></u>
Liabilities	
Accounts Payable	\$ 3,384
Salaries and Benefits Payable	<u>14,897</u>
Total Liabilities	<u>18,281</u>
Net Position	<u><u>\$ 550,583</u></u>

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

ATHENS CITY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Custodial Funds
Additions:	
Earnings on Investments	\$ 958
Other Sources	810,128
Total Additions	<u>811,086</u>
Deductions:	
Instructional	349,587
Instructional Support	20,373
Operation and Maintenance	8,950
Auxiliary Services:	
Student Transportation	11,010
Food Service	80,703
General Administrative	-
Capital Outlay	-
Debt Service	-
Other	174,812
Other Uses	135,390
Total Deductions	<u>780,825</u>
Changes in Net Assets	30,261
Net Position - Beginning of Year	<u>520,324</u>
Net Position - End of Year	<u><u>\$ 550,585</u></u>

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

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1. 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 Board's accounting policies are described below.

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, 2025. Separately issued financial statements of the Athens City Board of Education may be obtained from the ACBOE's office.

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Statements (continued)

Fund Financial Statements (continued)

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.

Special Revenue Fund – accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funds that received for Education Stabilization, Special Education, Title I, and the Child Nutrition Program, in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants.

Capital Projects Fund – accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including acquisition or construction of capital facilities and other capital assets. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

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

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.

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Receivables

1. Due from Other Governmental Units

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

2. 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.

3. 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".

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity (continued)

Receivables (continued)

3. Due To/From Advances (continued)

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”.

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 is 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.

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.

Capital Assets

1. 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
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 acquisition value at the date of donation.

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity (continued)

Capital Assets (continued)

1. Government-Wide Financial Statements (continued)

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.

2. 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.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets/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.

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. In accordance with GASB Statement No. 101, the Board recognizes a liability for accrued sick leave based on the portion deemed more likely than not to be paid out or settled. Although employees do not receive direct compensation for unused sick leave at termination, historical evaluations of sick leave usage and conversion patterns indicate that a small portion of the accumulated balance meets the criteria for recognition.

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 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 \$110 a day, and support personnel \$70-75 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, 2025, includes all unused personal leave for the period October 1, 2024 through September 30, 2025.

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, 2025, includes all unused personal leave for the period October 1, 2024 through September 30, 2025.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity (continued)

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.

Deferred Inflows of Resources

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

Equity Classifications

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity (continued)

Equity Classifications (continued)

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 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

Excess Expenditures and Other Financing Uses Over Appropriations

General Fund expenditures exceeded appropriations in the instructional support services department by \$215,067, capital outlays by \$712,993, and transfers out were \$7,154,981 more than appropriations.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS

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	\$ 79,359,220	\$ 79,359,220	N/A
Total Cash and Cash Equivalents	<u>\$ 79,359,220</u>	<u>\$ 79,359,220</u>	
Reconciliation to Financial Statements			
Per Statement of Net Position	<u>\$ 79,359,220</u>		
Total Cash and Cash Equivalents	<u>\$ 79,359,220</u>		

The Board's deposits at September 30, 2025 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.

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, 2025, the Board's only investments were held in fiduciary funds.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Custodial Credit Risk (continued)

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, 2025, 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 or 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.

Receivables

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

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.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciable Assets:					
Land	\$ 8,456,397	\$ 276,336	\$ -	\$ -	\$ 8,732,733
Construction-in-Progress	19,535,243	20,545,116	-	(40,080,359)	-
Total	<u>27,991,640</u>	<u>20,821,452</u>	<u>-</u>	<u>(40,080,359)</u>	<u>8,732,733</u>
Depreciable Assets:					
Buildings	107,710,573	-	-	29,015,852	136,726,425
Building Improvements	39,010,586	1,122,804	-	11,064,507	51,197,897
Vehicles	3,239,349	380,821	-	-	3,620,170
Equipment	4,537,376	93,902	(223,569)	-	4,407,709
Total Being Depreciated	<u>154,497,884</u>	<u>1,597,527</u>	<u>(223,569)</u>	<u>40,080,359</u>	<u>195,952,201</u>
Accumulated Depreciation:					
Buildings	35,023,479	1,264,379	-	-	36,287,858
Building Improvements	7,358,283	518,326	-	-	7,876,609
Vehicles	2,583,984	91,224	-	-	2,675,208
Equipment	2,807,081	220,222	(218,202)	-	2,809,101
Total Accumulated Depreciation	<u>47,772,827</u>	<u>2,094,151</u>	<u>(218,202)</u>	<u>-</u>	<u>49,648,776</u>
Total Capital Assets Being Depreciated, Net	<u>106,725,057</u>	<u>(496,624)</u>	<u>(5,367)</u>	<u>40,080,359</u>	<u>146,303,425</u>
Governmental Activities Capital Assets, Net	<u>\$ 134,716,697</u>	<u>\$ 20,324,828</u>	<u>\$ (5,367)</u>	<u>\$ -</u>	<u>\$ 155,036,158</u>

Depreciation expenses were charged to functions as follows:

General Administration	\$ 662
Instructional Services	1,726,189
Instruction Support Services	9,401
Operation and Maintenance Services	222,909
Student Transportation Services	74,729
Food Services	60,261
Total Depreciation Expense	<u>\$ 2,094,151</u>

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables/Payables

At September 30, 2025, there were no interfund receivables and payables in the balance sheet.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	Special Revenue	\$ 352,959	Transfer Revenue
Special Revenue	General	17,949	Transfer Revenue
Capital Projects	General	8,350,000	Capital Projects
Total Major Funds		<u>8,720,908</u>	
Nonmajor Debt Service	General	150,000	Transfer Revenue
Total Nonmajor Funds		<u>150,000</u>	
Total Fund Financial Statements		8,870,908	
Less: Fund Eliminations		<u>(8,870,908)</u>	
Total		<u>\$ -</u>	

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.

Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Debt	\$ 2,004,277	\$ -	\$ (129,113)	\$ 1,875,164	\$ 129,204
Direct Borrowing	468,221	-	(165,691)	302,530	169,404
Direct Placement Debt	1,500,000	-	-	1,500,000	-
Other Liabilities:					
Compensated Absences	362,376 *	42,308 **	-	404,684	404,684
Net Pension Liability	58,853,000	6,663,000	(18,254,817)	47,261,183	-
Net OPEB Liability	6,738,355	26,747,840	(1,817,680)	31,668,515	-
Total	<u>\$ 69,926,229</u>	<u>\$ 33,453,148</u>	<u>\$ (20,367,301)</u>	<u>\$ 83,012,076</u>	<u>\$ 703,292</u>

* Prior Period, as restated

** Current year net activity

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Obligations (continued)

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 \$2,004,277, as follows:

	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Principal Balance 9/30/2024
General Obligation Debt:					
General Obligation, PSC 2022-A	5/26/2022	5/1/2042	4.25-5.00%	\$ 1,317,803	\$ 1,186,438
General Obligation, BRAC	10/22/2020	6/1/2033	3.00-5.00%	1,091,879	688,726
Total General Obligation Debt					<u>\$ 1,875,164</u>

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, 2025, the liability was \$217,852. 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 \$1,480,139.

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, 2025, the value of the liability was \$84,678. 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 \$117,346.

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

Years	Direct Borrowing		General Obligation	
	Principal	Interest	Principal	Interest
2026	\$ 169,404	\$ 5,517	\$ 129,204	\$ 65,490
2027	109,536	1,953	132,528	62,196
2028	21,898	785	135,968	58,608
2029	1,692	250	140,057	54,600
2030	-	-	142,355	50,349
2030-2034	-	-	597,689	181,016
2035-2039	-	-	409,414	90,344
2040-2043	-	-	187,949	11,947
Totals	<u>\$ 302,530</u>	<u>\$ 8,505</u>	<u>\$ 1,875,164</u>	<u>\$ 574,549</u>

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Obligations (continued)

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 August 31, 2028. Total principal remaining to be paid on the bonds is \$1,500,000, shown as follows:

	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Principal Balance 9/30/2025
Direct Placement Debt:					
Qualified Zone Academy Bond	9/30/2018	8/31/2028	0.00%	\$ 1,500,000	\$ 1,500,000
Total Direct Placement Debt:					<u>\$ 1,500,000</u>

Other Debt Information

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

Governmental Activities Net Position

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

Net Investment in Capital Assets	
Capital Assets	\$ 204,684,938
Less: Accumulated Depreciation	(49,648,777)
Add: PSCA 2022-A Funds	1,369,366
Less: Related Debt and Payables	(3,677,694)
Net Investment in Capital Assets	<u>152,727,833</u>
Restricted for:	
Special Revenue Funds	2,105,718
Debt Service Funds	<u>1,200,000</u>
Total Restricted	<u>3,305,718</u>
Unrestricted	<u>9,785,130</u>
Total Governmental Activities Net Position	<u>\$ 165,818,681</u>

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

Governmental Fund Balance

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Nonmajor Governmental Funds	Totals
Nonspendable:					
Inventory	\$ -	\$ 150,957	\$ -	\$ -	\$ 150,957
Restricted -Special Revenue	-	2,105,718	-	-	2,105,718
Restricted -Capital Projects	-	-	1,369,367	-	1,369,367
Restricted -Debt Service	-	-	-	1,200,000	1,200,000
Assigned	-	-	33,129,829	-	34,499,196
Unassigned	38,734,452	-	-	-	38,734,452
 Total Fund Balance	 \$ 38,734,452	 \$ 2,256,675	 \$ 34,499,196	 \$ 1,200,000	 \$ 76,690,323

NOTE 4. OTHER INFORMATION

Teachers' Retirement System – Pensions

Summary of Significant Accounting Policies

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Teachers' Retirement System – Pensions (continued)

Benefits Provided

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

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

Contributions

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.

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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Teachers' Retirement System – Pensions (continued)

Contributions (continued)

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 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 Board were \$4,416,053 for the year ended September 30, 2025.

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

At September 30, 2025, the ACBOE reported a liability of \$47,261,183 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2024, the ACBOE's proportion was 0.363315%, which was an decrease of 0.05490% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the ACBOE recognized pension expense of \$6,663,000. At September 30, 2025, 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 and actual experience	\$ 4,700,000	\$ 341,000
Changes of assumptions	725,000	-
Net difference between projected and actual earnings on pension plan investments	-	7,750,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,317,000	572,000
Employer contributions subsequent to the measurement date	4,416,053	-
	<u>\$ 11,158,053</u>	<u>\$ 8,663,000</u>

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Teachers' Retirement System – Pensions (continued)

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

\$4,416,053 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 ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2026	\$ 385,000
2027	2,625,000
2028	(2,400,000)
2029	(2,531,000)
	<u>\$ (1,921,000)</u>

Actuarial Assumptions

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

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

**Net of pension plan investment expense*

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020, and a discount rate of 7.45%, as adopted by the Board of Trustees on September 13, 2021.

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

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

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Teachers' Retirement System – Pensions (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a long-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 weighing 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%	1.50%
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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents ACBOE's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what 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	\$ 65,712,000	\$ 47,261,000	\$ 31,730,000

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Teachers' Retirement System – Pensions (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of GASB 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 Board 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, 2025, The Board has committed approximately:

- \$6,814,200 to a vendor for various renovations at Athens Intermediate School. As of September 30, 2025, \$6,360,552 had been paid with \$125,000 held in retainage.
- \$26,514,495 to a vendor for renovations and HVAC at Julian Newman. As of September 30, 2025, \$29,015,852 (including change orders) had been paid with \$151,210 held in retainage.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment 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.

Plan Description

The Trust is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance (PEEHIP) Board (PEEHIP 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 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 PEEHIP Board. The PEEHIP 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 PEEHIP 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.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

Benefits Provided (continued)

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

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

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug (MAPD) 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 PEEHIP 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 PEEHIP 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 PEEHIP Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIP 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.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

Contributions (continued)

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIP 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 PEEHIP 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 PEEHIP 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 PEEHIP Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2025, ACBOE reported a liability of \$31,668,515 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. ACBOE's proportion of the net OPEB liability was based on a projection of ACBOE's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the ACBOE's proportion was 0.34446729%, which was a decrease of (0.00609605)% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, ACBOE recognized OPEB expense of \$754,292, with no special funding situations. At September 30, 2025 the ACBOE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,768,900	\$ 6,834,936
Changes of Assumptions	10,906,406	4,480,583
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	781,315
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,970,898	2,158,365
Employer Contributions Subsequent to the Measurement Date	1,239,016	-
	<u>\$ 28,885,220</u>	<u>\$ 14,255,199</u>

\$1,239,016 reported as deferred outflows of resources related to OPEB resulting from 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, 2026.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

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

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

Year ended September 30:		
2026	\$	1,928,724
2027		2,115,843
2028		1,547,372
2029		2,495,268
2030		4,008,716
Thereafter		1,295,082
	\$	<u>13,391,005</u>

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Long-Term Investment Rate of Return	7.25%*
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	4.52 %
Single Equivalent Interest Rate at the Prior Measurement Date	7.25%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2028

****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 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

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

Actuarial Assumptions (continued)

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Alabama Teachers' Retirement System. 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	28.20%	4.40%
U.S. Domestic Stocks	55.20%	8.70%
International Developed Market Stocks	10.80%	9.80%
Cash	5.80%	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 4.52%, which is a change from the previous rate of 7.25%. The projections of cash flows used to determine the discount rate assumed that as a base, plan contributions will be equal to the lesser of the largest five-year average of the plan contributions since the implementation of GASB 74, indexed with inflation, or actual benefit payments plus expenses. Also, due to a Board decision on September 16, 2020 an additional 1.2 million per year will be contributed on top of the base contribution. The discount rate determination will use a municipal bond rate to the extend the trust of projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate, the Fidelity General Obligation AA 20-year Municipal Bond Index Rate, and the S&P High Grade 20-year Municipal Bond Index. Projected future benefit payments for all current plan members were projected through the year 2123.

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

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

The following table presents 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 (5.75%)¹	Current Healthcare Trend Rate (6.75%)²	1% Increase (7.75%)³
Net OPEB Liability	\$ 25,474,642	\$ 31,668,515	\$ 39,655,521

The following table presents ACBOE's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.52%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.52%)	Current Discount Rate (4.52%)	1% Increase (5.52%)
Net OPEB Liability	\$ 38,469,936	\$ 31,668,515	\$ 26,233,435

¹5.75% decreasing to 3.50% for Pre-Medicare, Known decreasing to 3.50% for Medicare Eligible

²6.75% decreasing to 4.50% for Pre-Medicare, Known decreasing to 4.50% for Medicare Eligible

³7.75% decreasing to 5.50% for Pre-Medicare, Known decreasing to 5.50% for Medicare Eligible

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

Related Parties

During the year ended September 30, 2025, the City paid \$8,911,902 in sales tax revenue to the ACBOE.

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 \$148,462 for 2025.

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.

Restatement – Change in Accounting Principles

During the year ended September 30, 2025, the District implemented GASB 101 related to compensated absences resulting in a prior period adjustment of beginning net position. Beginning net position was decreased \$202,677 to accrue additional compensated absences for the year ended September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

ATHENS CITY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues				
State Sources	\$ 37,351,112	\$ 37,546,007	\$ 38,634,077	\$ 1,088,070
Federal Sources	450	450	800	350
Local Sources	27,752,089	30,257,252	34,900,934	4,643,682
Other Sources	125,800	151,329	182,423	31,094
Total Revenues	65,229,451	67,955,038	73,718,234	5,763,196
Expenditures				
Instructional Services	33,101,353	34,887,003	33,035,660	1,851,343
Instructional Support Services	8,816,476	9,280,326	9,495,393	(215,067)
Operation and Maintenance Services	7,347,603	7,855,911	6,115,767	1,740,144
Student Transportation Services	1,682,704	2,036,081	1,581,282	454,799
Food Services	6,452	5,200	3,350	1,850
General Administrative Services	2,126,505	2,185,645	1,884,906	300,739
Intergovernmental	6,567,165	6,567,165	6,553,705	13,460
Capital Outlay	4,520,806	3,138,067	3,851,060	(712,993)
Total Expenditures	64,169,064	65,955,398	62,521,123	3,434,275
Excess (Deficiency) of Revenues Over Expenditures	1,060,387	1,999,640	11,197,111	9,197,471
Other Financing Sources (Uses)				
Transfers In	143,226	182,407	233,249	50,842
Transfers Out	(343,694)	(1,493,992)	(8,648,973)	(7,154,981)
Other Sources (Uses)	187,275	181,312	9,603	(171,709)
Total Other Financing Sources (Uses)	(13,193)	(1,130,273)	(8,406,121)	(7,275,848)
Change in Fund Balance	1,047,194	869,367	2,790,990	1,921,623
Fund Balance, Beginning	32,930,267	40,988,945	40,988,945	
Fund Balance, Ending	\$ 33,977,461	\$ 41,858,312	\$ 43,779,935	\$ 1,921,623

ATHENS CITY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) available for expenditures shown as total expenditures on the budgetary comparison schedule	\$ 62,521,123
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.	<u>674,119</u>
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances, governmental funds.	<u><u>\$ 63,195,242</u></u>

ATHENS CITY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE MEASUREMENT PERIOD ENDED SEPTEMBER 30:

	2024	2023	2022	2021	2020	2019	2018	2017
System's Proportion of the Net OPEB Liability	0.344467%	0.350563%	0.376178%	0.327441%	0.328817%	0.371037%	0.361014%	0.350300%
System's Proportionate Share of the Net OPEB Liability	\$ 31,668,515	\$ 6,738,355	\$ 6,554,705	\$ 16,918,265	\$ 21,339,766	\$ 13,998,365	\$ 29,670,753	\$ 26,018,283
System's Covered Employee Payroll During the Measurement Period	\$ 31,919,283	\$ 30,638,194	\$ 27,821,542	\$ 25,254,267	\$ 25,211,779	\$ 22,870,980	\$ 22,749,216	\$ 20,339,904
System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	99.21%	21.99%	23.56%	66.99%	84.64%	61.21%	130.43%	127.92%
Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability	20.41%	49.42%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 1,239,016	\$ 495,903	\$ 550,423	\$ 729,519	\$ 566,649	\$ 651,104	\$ 1,059,768	\$ 850,316
Contributions in Relation to the Contractually Required Contribution	<u>(1,239,016)</u>	<u>(495,903)</u>	<u>(550,423)</u>	<u>(729,519)</u>	<u>(566,649)</u>	<u>(651,104)</u>	<u>(1,059,768)</u>	<u>(850,316)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Systems' Covered Employee Payroll	\$ 33,850,653	\$ 31,919,283	\$ 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	3.66%	1.55%	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 Affordable Care Act (ACA) health insurer fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

**ATHENS CITY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30:**

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, 2022, 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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	21 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
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 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

ATHENS CITY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
System's Proportion of the Collective Net Pension Liability	0.363315%	0.368805%	0.357705%	0.346529%	0.341718%	0.324114%	0.333860%	0.327131%	0.315628%	0.296635%
System's Proportionate Share of the Collective Net Pension Liability	\$ 47,261,183	\$ 58,853,000	\$ 55,590,000	\$ 32,644,000	\$ 42,269,000	\$ 35,837,000	\$ 33,194,000	\$ 32,152,000	\$ 34,170,000	\$ 31,045,000
System's Covered Payroll during the Measurement Period	\$ 31,919,283	\$ 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
System's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll ¹	148.06%	192.09%	199.81%	129.26%	167.66%	156.69%	145.91%	158.07%	179.81%	166.83%
Plan fiduciary net position as a percentage of the total Collective Pension Liability	71.41%	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

¹ System's Covered Payroll during the measurement period is the total covered payroll. For fiscal year 2024 the measurement period is October 1, 2023 - September 30, 2024.

ATHENS CITY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30:

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution ¹	\$ 4,416,053	\$ 3,874,817	\$ 3,723,549	\$ 3,338,585	\$ 3,031,760	\$ 2,947,000	\$ 1,083,782	\$ 1,022,772	\$ 1,053,760	\$ 1,060,244
Contributions in Relation to the Actuarially Required Contribution	(4,416,053)	(3,874,817)	(3,723,549)	(3,338,585)	(3,031,760)	(2,947,000)	(1,083,782)	(1,022,772)	(1,053,760)	(1,060,244)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ²	\$ 33,850,653	\$ 31,919,283	\$ 30,638,194	\$ 27,821,542	\$ 25,254,267	\$ 25,211,779	\$ 22,870,980	\$ 22,749,216	\$ 20,339,904	\$ 19,003,805
Contributions as a Percentage of Covered Payroll	13.05%	12.14%	12.15%	12.00%	12.00%	11.69%	4.74%	4.50%	5.18%	5.58%

¹ The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds of 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 the fiscal year 2025 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to the Schedule of Employer Contributions

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 2025 were based on the September 30, 2024, actuarial valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percent closed
Remaining Amortization Period	24.9 years
Asset Valuation Method	Five-year smoothed market
Inflation	3.00%
Salary Increases	3.25% – 5.00%, including inflation
Investment Rate of Return	7.45%*

*Net of pension plan investment expense, including inflation.

**ATHENS CITY BOARD OF EDUCATION
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2025**



ATHENS CITY BOARD OF EDUCATION

SINGLE AUDIT REPORTS
SEPTEMBER 30, 2025

Athens City Board of Education
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**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, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon March 20, 2026.

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 Standard*.

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.

March 20, 2026
Athens, Alabama

Mauldin & Jenkins, LLC



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Athens City Board of Education's (the Board), a component unit of the City of Athens, Alabama, compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Board's major federal program for the year ended September 30, 2025. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated March 20, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Athens, Alabama

May 6, 2026, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 20, 2026.

**ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
<u>U.S. Department of Education</u>					
<u>Passed through Alabama State Department of Education</u>					
<u>Special Education Cluster</u>					
Special Education Grants to States - IDEA, Part B	84.027	159	10/1/24-9/30/25	\$ -	\$ 1,114,046
Special Education - Preschool Grants - IDEA Preschool	84.173	159	10/1/24-9/30/25	-	16,160
<i>Total Special Education Cluster</i>				-	1,130,206
<u>U.S. Department of Agriculture</u>					
<u>Passed through Alabama State Department of Education</u>					
<u>Child Nutrition Cluster</u>					
National School Breakfast Program	10.553	159	10/1/24-9/30/25	-	841,893
National School Lunch Program	10.555	159	10/1/24-9/30/25	-	1,565,858
National School Lunch Program (non-cash)	10.555	159	10/1/24-9/30/25	-	160,090
National School Snack Program	10.555	159	10/1/24-9/30/25	-	67,782
<i>Total Child Nutrition Cluster</i>				-	2,635,623
Title I Grants to Local Education Agencies	84.010	159	10/1/24-9/30/25	-	723,367
Career and Technical Education - Basic Grants to States	84.048	159	10/1/24-9/30/25	-	68,643
Supporting Effective Instruction State Grants	84.367	159	10/1/24-9/30/25	-	162,924
English Language Acquisition State Grants	84.365	159	10/1/24-9/30/25	-	58,889
Student Support and Academic Enrichment Grant	84.424	159	10/1/24-9/30/25	-	52,269
Total U.S. Department of Education				-	4,831,921
Total Federal Awards				\$ -	\$ 4,831,921

ATHENS CITY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Athens City Board of Education (the Board) under programs of the federal government for the year ended September 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position or cash flows of the Board.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 15-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

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

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

Special Education Programs
Child Nutrition Cluster

Federal Assistance Listing Numbers

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

**ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with Generally Accepted Accounting Principles (GAAP):

Unmodified

Internal Control Over Financial Reporting:

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

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major programs	Unmodified	

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR200.516(a)?	☐ Yes	☒ No
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Identification of major programs:

Federal Assistance Listing Number	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,000,000
Auditee qualified as low-risk auditee?	☒ Yes ☐ No

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

**ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

None