

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**ATHENS CITY BOARD OF EDUCATION
ATHENS, ALABAMA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board Members
Athens City Board of Education
Athens, Alabama

Report on the Financial Statements

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, a component unit of the City of Athens, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens City Board of Education, as of September 30, 2018, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 42–44 and the pension and OPEB schedules on pages 45–49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Athens City Board of Education's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the Athens City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athens City Board of Education's internal control over financial reporting and compliance.

Johnson, Feigley, Newton & Brand, LLP

March 22, 2019

Athens City Board of Education

Management's Discussion and Analysis (MD&A)

September 30, 2018

The Management's Discussion and Analysis (MD&A) of the Athens City Board of Education's (the "Board's") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2018. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. The MD&A should be read in conjunction with the Board's financial statements and notes to the financial statements to enhance an understanding of the Board's financial performance.

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund

accounting to ensure and demonstrate fiscal accountability. Two kinds of funds — governmental funds and fiduciary funds — are presented in the fund financial statements.

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

Fiduciary funds - Fiduciary funds are used to account for assets held by the Board in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Board cannot use these assets for its operations. Fiduciary funds of the Board, consisting of agency funds, are reported in the *Statement of Fiduciary Net Assets* using an accrual basis of accounting. Agency funds held by the Board involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity (assets equal liabilities). The agency fund reported by the Board is a payroll clearing account and an accounts payable clearing account.

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 each major special revenue fund that has legally adopted an annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting. RSI also includes certain pension and OPEB schedules presented in accordance with professional standards.

Financial Analysis of the Board as a Whole

As noted earlier, the Athens City Board of Education has no business-type activities. Consequently, all of the Board's net positions are reported as Governmental Activities.

Table 1
Summary of Net Position
Governmental Activities

	2018	Percent of Total	2017	Percent of Total
<u>Assets</u>				
Current and Other assets	\$ 18,549,268	16.74%	\$ 14,499,088	17.94%
Capital Assets, net	92,239,195	83.26%	66,327,635	82.06%
Total Assets	\$ 110,788,463	100.00%	\$ 80,826,723	100.00%
<u>Deferred Outflows of Resources</u>				
Employers Pension Contribution	\$ 2,679,238		\$ 2,559,965	
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	4,429,000		5,057,000	
Employer OPEB Contribution	892,738		-	
Total Deferred Outflows of Resources	8,000,976		7,616,965	
<u>Liabilities</u>				
Current and other liabilities	4,220,297	6.10%	7,664,831	16.36%
Long-term liabilities	64,968,338	93.90%	39,172,694	83.64%
Total Liabilities	\$ 69,188,635	100.00%	\$ 46,837,525	100.00%
<u>Deferred Inflows of Resources</u>				
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	\$ 3,300,000		\$ 880,000	
Proportionate Share of Collective Deferred inflows Related to Net OPEB Liability	3,173,859		-	
Total Deferred Inflows of Resources	\$6,473,859		\$ 880,000	
<u>Net Position</u>				
Invested in capital assets net of related debt	85,669,290	198.65%	61,553,198	151.14%
Restricted for:				
Debt Service	4,931,058	11.43%	4,200,991	10.32%
School Improvement	-	0.00%	-	0.00%
Unrestricted	(47,473,403)	-110.08%	(25,028,026)	-61.45%
Total Net Position	\$ 43,126,945	100.00%	\$ 40,726,163	100.00%

The Board's assets exceeded liabilities by \$43,126,945 at the close of the fiscal year 2018 and \$40,726,163 at the close of fiscal year 2017 an increase of \$2,400,782. 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 — total (\$47,473,403) at the end of fiscal year 2018 and (\$25,028,026) at the end of fiscal year 2017 an increase of \$22,445,377. The reporting of net pension and OPEB liabilities, together with their related deferred inflows and outflows of resources have had a significant negative impact on unrestricted net position of approximately \$60.2 million as of September 30, 2018.

The Board's total revenues and expenditures are reflected in the following chart:

Table 2
Summary of Changes in Net Position

	Governmental Activities			
	2018	Percent of Total	2017	Percent of Total
Revenues				
Program Revenues:				
Charges for services	\$ 3,294,516	4.25%	\$ 3,438,020	4.87%
Operating Grants and Contributions	29,043,068	37.45%	24,793,800	35.10%
Capital Grants and Contributions	1,494,519	1.93%	1,052,120	1.49%
Total Program Revenues	\$ 33,832,102		\$ 29,283,940	
General Revenues:				
Property Taxes	2,685,628	3.46%	2,463,876	3.49%
Sales Tax	9,627,679	12.41%	10,753,137	15.22%
Alcohol Beverage Tax	348,408	0.45%	349,655	0.49%
Other Taxes	35,438	0.05%	35,258	0.05%
Gain on Disposition of Capital Assets	290,260	0.37%	98,968	0.14%
Grants and Contributions Not Restricted	26,145,099	33.70%	22,270,827	31.53%
Investment Earning	71,757	0.09%	50,579	0.07%
Miscellaneous	4,542,037	5.85%	5,333,943	7.55%
Total General Revenues	43,746,305		41,356,242	
Total Revenues	\$ 77,578,408	100.00%	\$ 70,640,182	100.00%
Expenses				
Instructional Services	\$ 26,098,699	54.72%	\$ 27,968,921	57.21%
Instructional Support Services	6,927,771	14.53%	6,605,431	13.51%
Operation & Maintenance Services	4,192,037	8.79%	3,843,264	7.86%
Student Transportation Services	1,498,198	3.14%	1,350,087	2.76%
Food Services	2,272,335	4.76%	2,658,291	5.44%
General Administrative Services	1,560,886	3.27%	1,583,274	3.24%
Interest and Finance Charges	4,171,262	8.75%	3,931,138	8.04%
Other Expenses	972,131	2.04%	946,232	1.94%
Total Expenses	\$ 47,693,320	100.00%	\$ 48,886,637	100.00%
Change in Net Position	29,885,087		21,753,545	
Net Position, Beginning	13,241,858		18,972,622	
Net Position, Ending	\$ 43,126,945		\$ 40,726,166	

During the current fiscal year, the Board's net position increased by \$2,400,872 after a restatement of Net Position in accordance with GASB Statement No.75 in the amount of (\$27,484,308) which is more fully discussed in the notes to the financial statements. The increase also was from money recorded as grants and contributions in the amount of \$26,145,099 received from the city bond money the Athens City Schools requested from Athens City to pay the contractors each month on the new high school being built.

The increase can also be attributed to an overall increase in fixed assets. The school system's depreciation expense and asset disposals exceeded the asset additions by \$25,911,559. We expect this trend to continue as we complete our Capital Plan.

Program Revenues are 43.61% of total revenues while general revenues comprise 56.39% of total revenues.

- Operating grants and contributions contribute 85.84% of program revenues and 37.44% 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, primarily property taxes and sales taxes, are used to provide for the remaining expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board at 54.72%. Instructional support services make up 14.53% of the total expenses.

- Instructional services includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Student transportation services includes bus driver salaries and benefits, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- The Statement of Activities reports the cost of program services and the charges and grants offsetting those services. Table 3 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.

	2018		2017	
	Total Cost	Net Cost	Total Cost	Net Cost
Instructional Services	\$ 26,098,699	\$ 3,766,327	\$ 27,968,921	\$ 8,299,332
Instructional Support Services	6,927,771	1,269,474	6,605,431	2,189,392
Operation and Maintenance	4,192,037	2,385,626	3,843,264	2,459,049
Student Transportation	1,498,198	342,914	1,350,088	328,182
Food Services	2,272,335	399,738	2,658,291	561,068
General and Administrative	1,560,886	1,253,908	1,583,274	1,576,264
Interest and Fiscal Charges	4,171,262	4,171,262	3,931,138	3,931,138
Other Expenses	972,131	271,969	946,232	258,274
	<u>\$ 47,693,320</u>	<u>\$ 13,861,218</u>	<u>\$ 48,886,639</u>	<u>\$ 19,602,699</u>

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. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year 2018, the Board's governmental funds reported combined ending fund balances of \$14,328,971 as compared to a combined ending fund balance at the end of fiscal year 2017 of \$6,834,259. This results in a \$7,494,712 increase in the combined ending fund balances for the Board's governmental funds.

General Fund - The general fund is the primary operating fund of the Board. The general fund increased by \$1,508,106. The transfers out from general fund contributed to a lesser increase in the general fund for fiscal year 2018.

Other Governmental Funds – This is a combined total of several funds, none of which are considered major funds. This includes debt service funds, and special revenue funds, such as the child nutrition fund and the local school funds.

General Fund Budgetary Highlights

The original 2018 fiscal year budget, adopted on August 17, 2017, 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 were compiled for expenditures when a major program within a fund source exceeded 10% of the original budget amount. Over the course of the year, the Board revised the annual operating budget once on June 4, 2018. The amendments are summarized below.

- The budget amendment was necessary to reflect changes in beginning fund balances, adjustments to state revenues, adjusted budgets for federal funds to match program applications, adjustments to reflect Board approved expenditures that were not reflected in the original budget, changes to local school budgets, adjustments in substitute teacher cost, adjustments in payroll expenditures and additional Board approved personnel units, adjustments to CNP.

The comparison of the general fund original budget to the final amended budget is included in this report. The differences between the original budget and the final amended budget of the Board

were as follows. Revenue appropriations decreased by \$932,830 while corresponding expenditures decreased by \$794,688. Actual revenues were more than budgetary estimates by \$70,462.

As noted previously, a reconciliation is also included explaining the differences between actual amounts as reported on the budgetary basis and the GAAP basis.

Capital Assets

At September 30, 2018, the Board had \$92,239,195 invested in capital assets, net of accumulated depreciation. 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	
	2018	2017
Land and Land Improvements	\$ 5,260,938	\$ 4,755,422
Construction In Progress	53,135,750	26,688,829
Buildings & Improvements	31,077,316	31,884,871
Vehicles	1,312,149	1,613,992
Equipment	1,453,041	1,384,521
	<u>\$ 92,239,195</u>	<u>\$ 66,327,635</u>

Net capital assets increased by \$25,911,560 for the 2018 fiscal year. The increase is attributable to current year re-classifications and depreciation exceeded current year asset additions. Depreciation expense and asset re-classifications decrease the net position while asset additions increase the net position. Current year depreciation expense and assets were \$(1,460,083) and current year asset additions were \$27,371,643. The result of these two items is an increase of \$25,911,560.

The Board expended available resources to acquire \$28,246,267 in capital asset additions during the year. These additions are reduced by the current year's depreciation expense of \$1,460,083. The Board had an addition of \$26,446,921 in CIP for the new Athens High School in 2018. Also the purchase of land for \$1,300,000. The \$1,500,000 QZAB was included in bonds additions. The other additions were not significant in dollar amounts and were spread evenly throughout the system.

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:

Estimated Capital Needs – The Board implemented a major capital plan which is the new high school during 2016. The project will be funded by the bond money received from the sale of warrants. Old Athens High School had an HVAC project this year at a cost of \$244,144 and also a renovation to prepare for conversion to Athens Middle School at a cost of \$145,321.

The school system implemented the capital plan in fiscal year 2016 which is the addition of the new High School. The Athens City Council approved a resolution supporting the sale of general obligation warrants for the purpose of building a new High School. These warrants were sold and generated \$55,003,448 in funds for the construction of a new High School which began in June 2016. As of September 30, 2018, the amount of \$48,756,408 has been paid out for construction of

the new high school. 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 W. L. Holladay, III, Superintendent of Schools, 455 US Highway 31 North Athens, AL 35611, by phone (256)233-6600, or by email at Trey.Holladay@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
AND
NOTES**

**ATHENS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 15,212,046
Due from other governments	3,270,967
Inventories	66,255
Capital assets - depreciable, net	33,842,506
Capital assets - non depreciable	<u>58,396,688</u>
TOTAL ASSETS	110,788,462
Deferred outflows of resources	
Employer pension contribution	2,679,238
Proportionate share of collective deferred outflows related to net pension liability	4,429,000
Proportionate share of collective deferred outflows related to net OPEB liability	<u>892,738</u>
Total deferred outflows of resources	8,000,976
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 4,183,575
Deferred revenue	36,722
Long-term liabilities	
Current portion of long-term obligations	719,411
Noncurrent portion of long-term obligations	<u>64,248,926</u>
TOTAL LIABILITIES	69,188,634
Deferred inflows of resources	
Proportionate share of collective deferred inflows related to net pension liability	3,300,000
Proportionate share of collective deferred inflows related to net OPEB liability	<u>3,173,859</u>
Total deferred inflows of resources	6,473,859
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	85,669,290
Unrestricted	<u>(42,542,345)</u>
TOTAL NET POSITION	<u>\$ 43,126,945</u>

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

ATHENS CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for	Operating	Capital	Revenues
		Services	Grants and	Grants and	and Changes
			Contributions	Contributions	in Net Assets
					Governmental
					Activities
Instructional services	\$26,098,699	\$ 869,456	\$20,367,457	\$ 1,095,459	\$ (3,766,327)
Instruction support services	6,927,771	59,134	5,599,163	-	(1,269,474)
Operation and maintenance services	4,192,038	203,851	1,324,028	278,532	(2,385,627)
Student transportation services	1,498,198	124,595	910,161	120,528	(342,914)
Food services	2,272,335	1,760,105	112,493	-	(399,737)
General administrative services	1,560,886	7,748	299,229	-	(1,253,909)
Interest and fiscal charges	4,171,262	-	-	-	(4,171,262)
Other expenses	972,131	269,626	430,536	-	(271,969)
Total	<u>\$47,693,320</u>	<u>\$3,294,515</u>	<u>\$29,043,067</u>	<u>\$ 1,494,519</u>	<u>(13,861,219)</u>

GENERAL REVENUES:

Taxes:

Property taxes for general purpose	2,685,628
Local sales tax	9,627,679
Alcohol beverage tax	348,408
Other taxes	35,438
Investment earnings	71,757
Grants and contributions not for specific programs	26,145,099
Gain on disposition of capital assets	290,260
Miscellaneous	4,542,037
Total general revenues	<u>43,746,306</u>

CHANGE IN NET POSITION	29,885,087
NET POSITION - BEGINNING OF YEAR	40,726,164
Prior period adjustment for OPEB	<u>(27,484,306)</u>
NET POSITION - END OF YEAR	<u>\$ 43,126,945</u>

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

**ATHENS CITY BOARD OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General Fund	Special Revenue CNP	Other Governmental Funds	Capital Projects-New High School	Capital Projects - Local/CO	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$5,263,858	\$289,924	\$ 2,813,699	\$ 56,156	\$6,788,409	\$15,212,046
Due from other governments	1,009,088	192,250	100,675	1,968,954	-	3,270,967
Due from other funds	-	-	-	-	-	-
Inventories	-	66,255	-	-	-	66,255
TOTAL ASSETS	<u>\$6,272,946</u>	<u>\$548,429</u>	<u>\$ 2,914,374</u>	<u>\$2,025,110</u>	<u>\$6,788,409</u>	<u>\$18,549,268</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 484,991	\$ 5,681	\$ 244,246	\$1,981,076	\$ -	\$ 2,715,994
Deferred revenues	-	36,722	-	-	-	36,722
Salaries and benefits payable	1,315,884	49,790	101,907	-	-	1,467,581
TOTAL LIABILITIES	<u>1,800,875</u>	<u>92,193</u>	<u>346,153</u>	<u>1,981,076</u>	<u>-</u>	<u>4,220,297</u>
FUND BALANCES						
Reserved for:						
Nonspendable	-	66,255	-	-	-	66,255
Restricted	-	-	-	-	-	-
Unassigned	4,472,071	389,981	2,568,221	44,034	6,788,409	14,262,716
TOTAL FUND BALANCES	<u>4,472,071</u>	<u>456,236</u>	<u>2,568,221</u>	<u>44,034</u>	<u>6,788,409</u>	<u>14,328,971</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$6,272,946</u>	<u>\$548,429</u>	<u>\$ 2,914,374</u>	<u>\$2,025,110</u>	<u>\$6,788,409</u>	<u>\$18,549,268</u>

The notes to financial statements 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, 2018**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 14,328,971
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Amounts reported for governmental activities in the statement of net position are different because:

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

The cost of capital assets	131,350,833	
Accumulated depreciation	<u>(39,111,638)</u>	
		92,239,195

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		1,527,116
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Current portion of long-term debt	719,411	
Non-current portion of long-term debt	<u>64,248,926</u>	
		<u>(64,968,337)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>43,126,945</u>
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The notes to financial statements are an integral part of these financial statements.

ATHENS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended SEPTEMBER 30, 2018

	General Fund	Special Revenue Fund CNP	Other Governmental Funds	Capital Projects - New High School	Capital Projects Local/CO	Total Governmental Funds
REVENUES						
State sources	\$ 26,301,421	\$ -	\$ 1,491,226	\$ -	\$ -	\$27,792,647
Federal sources	1,760	1,447,836	2,221,793	-	-	3,671,389
Local sources	17,613,285	458,304	1,438,535	26,145,099	7,202	45,662,425
Other sources	98,271	62,683	-	-	-	160,954
TOTAL REVENUES	<u>44,014,737</u>	<u>1,968,823</u>	<u>5,151,554</u>	<u>26,145,099</u>	<u>7,202</u>	<u>77,287,415</u>
EXPENDITURES						
Instructional services	21,895,183	-	2,360,330	-	-	24,255,513
Instructional support services	6,361,183	-	298,797	-	-	6,659,980
Operation and maintenance services	3,398,807	110,008	391,284	-	36,066	3,936,165
Student transportation services	1,044,805	-	102,710	-	-	1,147,515
Food services	3,567	2,201,237	27,453	-	-	2,232,257
General administrative services	1,396,712	-	122,151	-	-	1,518,863
Capital outlay	117,088	-	619,469	26,145,099	1,329,542	28,211,198
Debt service:						
Principal retirement	728,818	-	275,714	-	-	1,004,532
Interest and fiscal charges	2,686,791	-	102,817	-	-	2,789,608
Debt issuance costs/other debt serv.	1,362,654	-	-	-	19,000	1,381,654
Other expenditures	412,400	15,433	514,135	-	-	941,968
TOTAL EXPENDITURES	<u>39,408,008</u>	<u>2,326,678</u>	<u>4,814,860</u>	<u>26,145,099</u>	<u>1,384,608</u>	<u>74,079,253</u>
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	<u>4,606,729</u>	<u>(357,855)</u>	<u>336,694</u>	<u>-</u>	<u>(1,377,406)</u>	<u>3,208,162</u>
OTHER FINANCING SOURCES (USES)						
Indirect costs	120,935	-	-	-	-	120,935
Long-term debt issued	-	-	1,500,000	-	1,300,000	2,800,000
Transfers in	370,823	711,166	404,932	-	2,605,000	4,091,921
Sale of capital assets	-	-	-	-	1,164,885	1,164,885
Transfers out	(3,591,111)	-	(200,810)	-	(300,000)	(4,091,921)
Other financing sources	731	-	-	-	-	731
TOTAL OTHER						
FINANCING SOURCES (USES)	<u>(3,098,622)</u>	<u>711,166</u>	<u>1,704,122</u>	<u>-</u>	<u>4,769,885</u>	<u>4,086,551</u>
CHANGE IN FUND BALANCES	<u>1,508,107</u>	<u>353,311</u>	<u>2,040,816</u>	<u>-</u>	<u>3,392,479</u>	<u>7,294,713</u>
BALANCE - BEG. OF YEAR	<u>2,963,964</u>	<u>102,925</u>	<u>527,405</u>	<u>44,034</u>	<u>3,395,930</u>	<u>7,034,258</u>
BALANCE - END OF YEAR	<u>\$ 4,472,071</u>	<u>\$ 456,236</u>	<u>\$ 2,568,221</u>	<u>\$ 44,034</u>	<u>\$ 6,788,409</u>	<u>\$14,328,971</u>

The notes to financial statements 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, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 7,294,713**

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

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

Capital outlays	28,246,268	
Depreciation expense	<u>(1,460,083)</u>	26,786,185

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 1,004,532

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances.

Preceeds from sale of capital assets	(1,164,885)	
Gain on disposition of assets	<u>290,260</u>	(874,625)

Preceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (2,800,000)

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 and OPEB expense, current year increase/(decrease)	1,525,825	
Compensated absences, current year increase/(decrease) in noncurrent portion	<u>(107)</u>	(1,525,718)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 29,885,087**

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

**ATHENS CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
SEPTEMBER 30, 2018**

	<u>Private-purpose Trust</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$496,517
Investments	21,186	19,615
Receivables	<u>-</u>	<u>129</u>
TOTAL ASSETS	<u>\$ 21,186</u>	<u>\$516,261</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 14,366
Salaries and benefits payable	-	-
Due to external organizations	<u>-</u>	<u>501,895</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$516,261</u>
NET ASSETS	<u>\$ 21,186</u>	

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

ATHENS CITY BOARD OF EDUCATION
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
For the Year Ended SEPTEMBER 30, 2018

	Private-purpose Trust
ADDITIONS:	
Earnings on investments	\$ -
TOTAL ADDITIONS	<u>-</u>
DEDUCTIONS	
Loss on investments	1,407
Scholarshipts granted	<u>-</u>
TOTAL DEDUCTIONS	<u>1,407</u>
CHANGE IN NET ASSETS	(1,407)
NET ASSETS - BEGINNING	<u>22,593</u>
NET ASSETS - ENDING	<u><u>\$ 21,186</u></u>

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

**ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

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

1. THE REPORTING ENTITY

Statements No. 14, 39 and 61 of the Governmental Accounting Standard Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Athens City Board of Education.

The Athens City Board of Education (the Board) is a legally separate agency of the State of Alabama. However, for financial reporting, the Board is considered a component unit of the City of Athens, Alabama (the City) due to the following reasons:

- 1) The City appoints the seven members of the governing body of the Board.
- 2) The City issued bonds for the construction of facilities for the Board and the City is obligated for the debt.
- 3) The City levies sales tax specifically for the operations of the Board.

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

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

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued -

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - Continued

Basis of Presentation – Continued

The Board reports the following major governmental funds:

General Fund – This is the Board’s primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board’s General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

Special Revenue Funds, Child Nutrition Program- This fund accounts for all Child Nutrition Program funds.

Public School Capital Projects Fund – This fund accounts for the capital funded from appropriations by the Alabama Legislature.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

The Board reports the following governmental fund types in the “Other Governmental Funds” column:

Debt Service Funds account for the accumulation of resources for and the payment of, the Board’s principal and interest payments on long-term debt. Debt service funds consist of capital leases and compensated absences.

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of all Federal fund sources.

Local School Fund – This fund accounts for all the public financial resources received by each local school.

PSCA Capital Projects Fund – This fund accounts for capital projects funded by a loan from the Alabama Public School and College Authority leveraged funds.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Board’s programs. The Board reports the following fiduciary funds:

Agency Funds generally account for assets held by the Board in a purely custodial capacity. Agency funds consist of all non-public revenue sources of the local schools.

Private-purpose Trust Funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. These funds are used to report trust agreements under which principal and income provide specific benefits to specific individuals, organizations, or governments. Three charitable trusts have been established at three of the local schools in the City of Athens. At the discretion of the trustees, the trust funds and income earned on the trust funds may be used to promote the education of students. Upon dissolution of a trust, the principal, interest, and assets of the trust fund belong to the Athens City Board of Education to be used for general education purposes. The total asset value of these trusts as of September 30, 2018 is \$21,186.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued –

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - Continued

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the inter-fund balances and transfers have been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements. Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after the year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the year.

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.

3. ASSETS, LIABILITIES, AND NET POSITION

DEPOSITS AND INVESTMENTS – Cash and cash equivalents includes cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board. 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.

RECEIVABLES – Receivables are reported as *Receivables* and *Due from governments* in the government-wide financial statements and as *Receivables*, *Due from other funds* and *Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

PROPERTY TAX CALENDAR – The Limestone County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

INVENTORIES AND PREPAID ITEMS – Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The cost of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government that are expensed when consumed. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items such as insurance premiums and rent are recorded as expenditures in governmental

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued –

3. ASSETS, LIABILITIES, AND NET POSITION - Continued

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. Prepaid items on the statement of net position are included in *Other assets*.

CAPITAL ASSETS – Purchased or constructed capital assets are reported at cost, estimated historical costs or insured value in the statement of net position. Donated assets are recorded at their estimated fair value in the statement of net position. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

Depreciation of capital assets is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. 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:

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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
Equipment Under Capital Lease	\$ 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.)

LONG-TERM OBLIGATIONS – In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities.

In the fund financial statements, expenditures for debt principal, interest and related costs are reported in the fiscal year payments are made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

COMPENSATED ABSENCES – For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees, if both of these conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued –

3. ASSETS, LIABILITIES, AND NET POSITION - Continued

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 225 sick leave days. Employees may use up to 225 days of their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination no liability is recorded on the financial statements. Professional and support personnel with up to four years of service are provided three days of personal leave per year with pay. Employees with four years to ten years of service receive four days and employees with ten years or more; receive five days of personal leave with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. As of June 30, professional personnel are paid \$50 a day and support personnel \$35 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, 2018 includes all unused personal leave for the period July 1, 2017 through September 30, 2018.

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, 2018 includes all unused personal leave for the period July 1, 2017 through September 30, 2018.

FUND BALANCES – Beginning with the fiscal year 2011, the Board implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts that are intended for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported in the general fund.

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

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued –

The Board of Education, along with the Superintendent and Chief School Finance Officer will periodically review all restricted, committed, and assigned fund balances. The Chief School Finance Officer will prepare and submit an annual report of all restricted, committed and assigned funds for the Board of Education.

ESTIMATES – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

NOTE B – RECONCILIATION OF FINANCIAL STATEMENTS –

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY –

BUDGETS – 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. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2017-2018 fiscal year was September 15, 2017. The Board approved its original 2017-2018 annual budget on August 17, 2017, and submitted the budget on September 8, 2017.

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 OF EXPENDITURES OVER APPROPRIATION – There were no funds whose expenditures exceeded appropriations by more than 10% for the year ended September 30, 2018.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE D – DEPOSITS AND INVESTMENTS –

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

NOTE E – RECEIVABLES AND PAYABLES –

Receivables and payables (accounts payable and accrued liabilities) balances reported on the statement of net position and the balance sheet are aggregations of the different components. Details of these balances at September 30, 2018 consist of the following:

STATEMENT OF NET POSITION and BALANCE SHEET

Receivables:

Due from other governments	\$ <u>3,270,967</u>
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Payables:

Salaries and employee benefits payable	\$ 1,467,581
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Accounts payable	<u>2,715,994</u>
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Total accounts payable and accrued liabilities	\$ <u>4,183,575</u>
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ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE F – FIXED ASSETS –

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,755,422	\$ 1,380,141	\$ 874,625	\$ 5,260,938
Construction on progress	<u>26,688,830</u>	<u>26,446,920</u>	<u>-</u>	<u>53,135,750</u>
Total capital assets not being depreciated	<u>31,444,252</u>	<u>27,827,061</u>	<u>874,625</u>	<u>58,396,688</u>
Other capital assets:				
Buildings	53,281,231	154,349	-	53,435,580
Building improvements	13,640,563	-	-	13,640,563
Vehicles	2,623,487	-	-	2,623,487
Equipment	<u>2,989,657</u>	<u>264,858</u>	<u>-</u>	<u>3,254,515</u>
Total other capital outlay at historical cost	<u>72,534,938</u>	<u>419,207</u>	<u>-</u>	<u>72,954,145</u>
Less accumulated depreciation for:				
Buildings	30,670,757	534,317	-	31,205,074
Building improvements	4,366,166	427,586	-	4,793,752
Vehicles	1,009,497	301,843	-	1,311,340
Equipment	<u>1,605,135</u>	<u>196,337</u>	<u>-</u>	<u>1,801,472</u>
Total accumulated depreciation	<u>37,651,555</u>	<u>1,460,083</u>	<u>-</u>	<u>39,111,638</u>
Total other capital assets, net	<u>34,883,383</u>	<u>(1,040,876)</u>	<u>-</u>	<u>33,842,507</u>
Total governmental activities capital assets, net	<u>\$ 66,327,635</u>	<u>\$ 26,786,185</u>	<u>\$ 874,625</u>	<u>\$ 92,239,195</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 852,766
Instruction support services	14,958
Operation and maintenance services	211,588
Student transportation services	295,621
Food services	77,102
General administrative services	<u>8,048</u>
Total governmental activities depreciation expense	<u>\$ 1,460,083</u>

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE F – FIXED ASSETS – Continued –

The Board started construction on the new high school during the September 30, 2016 fiscal year that is being financed through warrants issued by the City of Athens, AL and is being accounted for as a voluntary non-exchange transaction. The Board plans on moving into the new high school during the 2018-2019 school year.

NOTE G – RISK MANAGEMENT –

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds, some liability coverage and auto insurance. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. Two such claims or related settlements have occurred in the past three years.

NOTE H – LEASE OBLIGATIONS –

OPERATING LEASES – The Board is committed under various leases for copier equipment. These leases are considered for accounting purposes to be operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected as part of the Board's capital assets. The Board has no non-cancelable operating leases. Lease expenditures for the year ended September 30, 2018 amounted to \$121,200.

The Board is also committed under various leases for additional office space. These leases are also considered operating leases. Future minimum lease payments for the years ending September 30 are as follows:

2019	\$ 117,300
2020	56,400
2021	30,000
2022	-
2023 and beyond	-
Total minimum lease payments	<u>\$ 203,700</u>

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE H – LEASE OBLIGATIONS – Continued –

CAPITAL LEASES –During the year ended September 30, 2009, the Board entered into various leases for both computers and an additional 3 school buses. All of these leases qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore have been recorded at the lesser of the fair market value or the present value of the future minimum lease payments as of the date of inception. The bus leases were refinanced in 2013 and in 2014, new computer leases have been incurred and have interest rates that range from 2.957% to 3.227% and expire between September 2017 and October 2019.

During the year ended September 30, 2017, the Board entered into a Secured Equipment Financing Agreement (lease) with Regions Capital Advantage, Inc. for the purchase of 17 new buses. The Agreement is for a period of ten years of one hundred twenty consecutive months consisting of an initial term of April 25, 2017 through September 30, 2017, followed by nine consecutive renewal terms of one year each ending on September 30, 2027. Principal and interest will be paid monthly and the interest components of the payments will be calculated at the rate of 2.55% per annum. The 2017 Apple Computer lease is also included in the following:

The following is an analysis of equipment leased under capital leases as of September 30, 2018:

	<u>Capital Assets</u>
Vehicles and computers	\$ 3,329,610
	3,329,610
Less accumulated depreciation	<u>1,065,353</u>
	<u>\$ 2,264,257</u>

The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at September 30, 2017:

2019	\$ 641,718
2020	466,885
2021	466,885
2022	466,885
2023 and beyond	<u>337,303</u>
Total minimum lease payments	2,379,676
Less amount representing interest	<u>110,501</u>
Present value of future minimum lease payments	<u>\$ 2,269,175</u>

Long-term liability obligations for the year ended September 30, 2018, are as follows:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amounts Due Within One Year
Capital lease obligations	\$ 3,148,130	\$ -	\$ 878,955	\$ 2,269,175	\$ 587,422
Compensated absences	228,258	-	107	228,151	-
Bonds, notes and warrants	1,626,306	1,500,000	125,577	3,000,729	131,989
Net pension liabilities	34,170,000	-	2,018,000	32,152,000	-
Net OPEB liabilities	28,534,683	-	2,516,400	26,018,283	-
Other debt	<u>-</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>	<u>-</u>
Total	<u>\$67,707,377</u>	<u>\$ 2,800,000</u>	<u>\$ 5,539,039</u>	<u>\$ 64,968,338</u>	<u>\$ 719,411</u>

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE I – LONG-TERM OBLIGATIONS –

On December 1, 2003, the Alabama Public School and College Authority (PSCA) issued \$106,045,000 Capital Improvement and Economic Development and Training Bonds. On March 18, 2004, the Board approved borrowing \$1,277,172 of this bond money from PSCA to fund capital improvements. The debt is reported in the PSCA financial statements and the PSCA is obligated for repayment of the debt. Principal and interest payments for the year ended September 30, 2017 were \$68,549 and \$24,784, respectively. Payment requirements for the note payable is as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	74,327	18,887	93,214
2020	77,396	15,755	93,151
2021	80,591	12,494	93,085
2022	83,919	9,097	93,016
2023	87,384	5,561	92,945
2024 - 2028	90,992	1,875	92,867
2029 - 2033	-	-	-
2034 - 2037	-	-	-
Totals	<u>\$ 494,609</u>	<u>\$ 63,669</u>	<u>\$ 558,278</u>

The City of Athens issued various bonds and warrants during prior years for the construction of facilities for the Board. The debt and the corresponding ad valorem and sales tax revenues are reported in the City of Athens financial statements. The City of Athens is obligated for repayment of the debt. The following represents the City of Athens debt service payments for these obligations during the year ended September 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance 9/30/2018</u>
2010 School Warrants	\$ 386,984	\$ 134,363	\$ 521,347	\$ 3,122,427
2009 School Bonds	510,000	60,937	570,937	1,095,000
2009 School Warrants	455,670	162,333	618,003	3,511,605
2014 School Warrants	-	286,713	286,713	6,460,000
2016 School Warrants	-	1,990,400	1,990,400	54,125,000
Totals	<u>\$ 1,352,654</u>	<u>\$ 2,634,746</u>	<u>\$ 3,987,400</u>	<u>\$ 68,314,032</u>

Bond issuance costs and other fees related to the above scheduled debt that were paid by the City of Athens and recorded on the City's financial statements with ad valorem or sales taxes of the Board totaled \$8,355.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES –

There were no interfund receivables and payables at September 30, 2018.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE K – INTERFUND TRANSFERS –

The amounts of interfund transfers during the fiscal year ending September 30, 2018 were as follows:

	Transfers Out					Total
	General Fund	Local School Fund	Other Governmental Funds	Agency Fund	Capital Projects Fund	
<u>Transfers In</u>						
General Fund	\$ 22,535	\$ 69,343	\$ -	\$ 12,770	\$ -	\$ 104,648
Local School Fund	-	131,467	-	-	-	131,467
Other Governmental Funds	3,418,576	-	-	-	-	3,418,576
Capital Projects Fund	-	-	-	-	300,000	300,000
Agency Fund	-	-	-	162,567	-	162,567
	<u>\$3,441,111</u>	<u>\$200,810</u>	<u>\$ -</u>	<u>\$ 175,337</u>	<u>\$ 300,000</u>	<u>\$ 4,117,258</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues from non-public sources to fund public educational expenses, and (3) reimburse the General Fund for expenditures paid on behalf of other funds.

NOTE L – DEFICIT CASH BALANCES –

The following other governmental funds had deficit cash balances at September 30, 2018. However, these funds operate on a reimbursement basis and many have receivables which offset the deficit cash balances.

Fund	Deficit Cash Balance	Receivable as of September 30, 2018	Cash with Fiscal Agent
IDEA	\$ (30,856)	\$ 38,000	\$ -
SSIP Grant	(57,475)	62,675	-
ARC Grant	(19,453)	19,453	-
	<u>\$ (107,784)</u>	<u>\$ 120,128</u>	<u>\$ -</u>

NOTE M – CONTINGENCIES –

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

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the Board's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the Board.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE N – 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 \$109,731 for 2018.

NOTE O – DEFINED BENEFIT PENSION PLAN

Plan description

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

Benefits provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. 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. 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 are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE O – DEFINED BENEFIT PENSION PLAN - Continued

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.43% of pensionable pay for Tier 1 employees, and 11.34% of annual pay for Tier 2 employees. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,561,000 for the year ended September 30, 2018.

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

At September 30, 2018 the System reported a liability of \$32,152,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. 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, 2018 the System's proportion was .327131%, which was an increase of .011503% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the System recognized pension expense of \$3,591,000. At September 30, 2018 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expense and Deferred Outflows of Resources...

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,378,000
Changes of assumptions	1,919,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,922,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,510,000	-
Employer contributions subsequent to the measurement date	2,679,238	-
Total	\$ 7,108,238	\$ 3,300,000

\$2,559,965 was reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. 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:

2019	\$ 516,000
2020	985,000
2021	(84,000)
2022	(299,000)
2023	11,000

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE O – DEFINED BENEFIT PENSION PLAN – Continued

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE O – DEFINED BENEFIT PENSION PLAN – Continued

Discount rate

The discount rate used to measure the total pension liability was 7.75%. 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 member rates. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the collective net pension liability to changes in the discount rate

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 44,348,000	\$ 32,152,000	\$ 21,835,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2018. The auditor's report dated January 1, 2019 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2017 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description:

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

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Contributions:

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

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

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

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

At September 30, 2018, the System reported a liability of \$26,018,283 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the System's proportion was .350300% percent, which was a decrease of .004952% from its proportion measured as of September 30, 2016.

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

For the year ended September 30, 2018, the System recognized OPEB expense of \$1,507,836, with no special funding situations. At September 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	2,701,476
Net difference between projected and actual earnings on OPEB investments	-	138,523
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	333,860
Employer contributions subsequent to measurement date	892,738	-
Total	<u><u>\$ 892,738</u></u>	<u><u>\$ 3,173,859</u></u>

\$892,738 reported as deferred outflows of resources related to OPEB resulting from the ACBOE's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

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:

2019	\$ (615,001)
2020	(615,001)
2021	(615,001)
2022	(615,001)
2023	(580,370)
Thereafter	(133,485)

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases *	3.25% - 5.00%
Long-Term Investment Rate of Return	7.25%
Municipal Bond Index Rate at Measurement Date	3.57%
Municipal Bond Index Rate at Prior Measurement Date	2.93%
Projected year of Fiduciary Net Position to be Depleted	2042
Single Equivalent Interest Rate the Measurement Date	4.63%
Single Equivalent Interest Rate the Prior Measurement Date	4.01%
Healthcare Cost Trend	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Years of Ultimate Trend Rate	2022

* Includes 3.00% wage inflation

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2017 was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.01%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

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

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

ATHENS CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

NOTE P – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare eligible 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare Eligible 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for Medicare eligible 3% for Optional Plans)
Employer's proportionate share of the collective net OPEB liability	\$ 21,006,677	\$ 26,018,283	\$ 32,484,628

The following table presents the ACBOE's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, 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 (3.63%)	Current Rate (4.63%)	1% Increase (5.63%)
Employer's proportionate share of the collective net OPEB liability	\$ 31,450,692	\$ 26,018,283	\$ 21,687,975

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, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE Q – DATE OF MANAGERMENTS EVALUATION

Management has evaluated subsequent events through March 22, 2019, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER
THAN M D & A**

ATHENS CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	(Budgetary Basis)	
REVENUES				
State sources	\$ 28,009,176	\$ 26,285,717	\$ 26,301,421	\$ 15,704
Federal sources	1,200	1,200	1,760	560
Local sources	16,259,069	17,026,908	17,613,285	586,377
Other sources	<u>71,911</u>	<u>94,701</u>	<u>98,271</u>	<u>3,570</u>
TOTAL REVENUES	<u>44,341,356</u>	<u>43,408,526</u>	<u>44,014,737</u>	<u>606,211</u>
EXPENDITURES				
Instructional services	25,498,028	24,291,160	23,164,309	1,126,851
Instructional support services	6,684,720	6,561,488	6,491,571	69,917
Operation and maintenance services	3,407,582	3,684,372	3,402,338	282,034
Student transportation services	1,088,409	1,099,484	1,075,668	23,816
Food services	5,500	6,700	3,567	3,133
General administrative services	1,632,616	1,568,113	1,392,064	176,049
Debt service	4,939,058	4,931,058	4,778,263	152,795
Capital outlay	-	-	117,088	(117,088)
Other expenditures	<u>462,407</u>	<u>481,257</u>	<u>420,784</u>	<u>60,473</u>
TOTAL EXPENDITURES	<u>43,718,320</u>	<u>42,623,632</u>	<u>40,845,652</u>	<u>1,777,980</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>623,036</u>	<u>784,894</u>	<u>3,169,085</u>	<u>2,384,191</u>
OTHER FINANCING SOURCES (USES)				
Indirect cost	182,770	123,514	120,935	(2,579)
Long-term debt issued	-	-	-	-
Transfers in	37,921	105,446	370,823	265,377
Transfers out	(606,936)	(836,885)	(3,591,111)	(2,754,226)
Other financing sources	<u>-</u>	<u>700</u>	<u>731</u>	<u>31</u>
TOTAL OTHER FINANCING (USES)	<u>(386,245)</u>	<u>(607,225)</u>	<u>(3,098,622)</u>	<u>(2,491,397)</u>
NET CHANGE IN FUND BALANCES	236,791	177,669	70,463	(107,206)
FUND BALANCES - BEGINNING OF YEAR	<u>5,392,990</u>	<u>5,517,493</u>	<u>5,717,493</u>	<u>200,000</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,629,781</u>	<u>\$ 5,695,162</u>	<u>\$ 5,787,956</u>	<u>\$ 92,794</u>

See auditors' report.

ATHENS CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM FUND
For the Year Ended SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	(Budgetary Basis)	(Negative)
REVENUES				
Federal sources	\$ 1,539,500	\$ 1,553,900	\$ 1,447,836	\$ (106,064)
Local sources	491,120	500,725	458,304	(42,421)
Other sources	<u>50,000</u>	<u>58,800</u>	<u>62,683</u>	<u>3,883</u>
TOTAL REVENUES	<u>2,080,620</u>	<u>2,113,425</u>	<u>1,968,823</u>	<u>(144,602)</u>
EXPENDITURES				
Instructional services	-	-	-	-
Instructional support services	-	-	-	-
Operation and maintenance services	100,640	105,140	110,008	(4,868)
Food service	2,494,062	2,473,097	2,257,354	215,743
Capital outlay	-	-	-	-
Other expenditures	<u>16,000</u>	<u>21,165</u>	<u>15,433</u>	<u>5,732</u>
TOTAL EXPENDITURES	<u>2,610,702</u>	<u>2,599,402</u>	<u>2,382,795</u>	<u>216,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(530,082)</u>	<u>(485,977)</u>	<u>(413,972)</u>	<u>72,005</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	498,936	711,155	711,166	11
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>498,936</u>	<u>711,155</u>	<u>711,166</u>	<u>11</u>
NET CHANGE IN FUND BALANCES	(31,146)	225,178	297,194	72,016
FUND BALANCES - BEGINNING OF YEAR	<u>553,157</u>	<u>208,832</u>	<u>208,832</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 522,011</u>	<u>\$ 434,010</u>	<u>\$ 506,026</u>	<u>\$ 72,016</u>

See auditors' report.

**ATHENS CITY BOARD OF EDUCATION
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2018**

NOTE A – EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY OUTFLOWS AND GAAP EXPENDITURES –

	<u>General Fund</u>	<u>Special Revenue Child Nutrition Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary bases) available for appropriation shown as Total Revenues on the budgetary comparison schedule	\$ 44,014,737	\$ 1,968,823
Differences--budget to GAAP		
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u>\$ 44,014,737</u>	<u>\$ 1,968,823</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	\$ 40,845,652	\$ 2,382,795
Differences--budget to GAAP		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.	<u>(1,437,644)</u>	<u>(56,117)</u>
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds.	<u>\$ 39,408,008</u>	<u>\$ 2,326,678</u>

ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Fiscal Year Ending September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
System's proportion of the net pension liability	0.327131%	0.315628%	0.296635%	0.290857%
System's proportionate share of the net pension liability	32,152,000	34,170,000	31,045,000	26,423,000
System's covered-employee payroll	\$ 22,034,373	\$ 20,339,904	\$ 19,003,805	\$ 18,608,227
System's proportionate share of the net pension liability as a percentage of its covered employee payroll	145.92%	167.99%	163.36%	142.00%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	67.93%	67.51%	71.01%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2018 the measurement period is October 1, 2016 - September 30, 2017.

See accompanying auditors' report and notes to required supplementary information.

ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF THE EMPLOYEE CONTRTIBUTIONS
Last Fiscal Year Ending September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,560,000	\$ 1,652,578	\$ 1,813,000	\$ 1,409,000
Contributions in relation to the contractually required contribution*	<u>2,561,000</u>	<u>2,327,816</u>	<u>2,189,000</u>	<u>2,089,000</u>
Contribution deficiency (excess)	<u>\$ (1,000)</u>	<u>\$ (675,238)</u>	<u>\$ (376,000)</u>	<u>\$ (680,000)</u>
System's covered-employee payroll	\$22,034,373	\$20,339,904	\$19,003,805	\$18,608,222
Contributions as a percentage of covered-employee payroll	11.62%	11.44%	11.52%	11.23%

See accompanying auditors' report and notes to required supplementary information.

ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Last Fiscal Year Ending September 30,

	<u>2018</u>
ACBOE's proportion of the collective net OPEB liability	0.350300%
ACBOE's proportionate share of the collective net OPEB liability	26,018,283
ACBOE's covered-employee payroll during the measurement period	22,034,373
ACBOE's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	118.08%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%

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

See accompanying auditors' report and notes to required supplementary information.

ATHENS CITY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018

Pension Plan

Changes in actuarial assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

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

The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014 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	Projected Unit Credit
Amortization Method	Level Percent of pay
Remaining Amortization Period	27 year, closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.75%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2019 for Pre-Medicare Eligible 2017 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

OPEB

Changes in benefit terms:

In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions:

In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their employer payroll location.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

REPORTS REQUIRED
BY
GOVERNMENT AUDITING
STANDARDS

JFNB**JOHNSON, FEIGLEY,
NEWTON and BRAND, LLP****www.jfnb.net*****Accounting, Auditing & Consulting*****H. Joe Johnson, CPA (1942-2004)****George W. Feigley, CPA****J. Gail Newton, Partner****Michael L. Brand, CPA**

**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**

Board Members
Athens City Board of Education
Athens, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and the major fund of Athens City Board of Education, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Johnson, Feigley, Newton & Brand, LLP

March 22, 2019

JFNB**JOHNSON, FEIGLEY,
NEWTON and BRAND, LLP***Accounting, Auditing & Consulting*www.jfnb.net**H. Joe Johnson, CPA (1942-2004)****George W. Feigley, CPA****J. Gail Newton, Partner****Michael L. Brand, CPA**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board Members
Athens City Board of Education
Athens, Alabama

Report on Compliance for Each Major Federal Program

We have audited Athens City Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Athens City Board of Education's major federal programs for the year ended September 30, 2018. Athens City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Athens City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Athens City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Athens City Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Athens City Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

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Report on Internal Control over Compliance

Management of Athens City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Athens City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Athens City Board of Education's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Johnson, Feigley, Newton & Brand, LLP

March 22, 2019

**SUPPLEMENTARY
INFORMATION**

**ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended SEPTEMBER 30, 2018**

	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education:			
<i>Special Education Cluster:</i>			
Special Education Grants to States - IDEA, Part B	84.027	159	\$ 964,568
Special Education - Preschool Grants - IDEA, Part B	84.173	159	<u>9,825</u>
<i>Subtotal Special Education Cluster</i>			974,393
 Vocational Education Basic Grants to States	 84.048	 159	 48,614
Title I Grants to Local Education Agencies	84.010	159	735,644
Improving Teacher Quality State Grants	84.367	159	125,167
English Language Acquisition Grants	84.365	159	<u>55,001</u>
<i>TOTAL U.S. DEPARTMENT OF EDUCATION</i>			<u>1,938,819</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the State Department of Education:			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	159	444,329
After school snack/supper Program	10.558	159	48,871
Commodity	10.559	159	62,683
National School Lunch Program	10.555	159	<u>813,865</u>
<i>Subtotal Child Nutrition Cluster</i>			1,369,748
 Food Distribution Program (N)	 10.565	 159	 <u>109,731</u>
<i>TOTAL U.S. DEPARTMENT OF AGRICULTURE</i>			<u>1,479,479</u>
<u>SOCIAL SECURITY ADMINISTRATION</u>			
Passed through the State Department of Education:			
Social Security-Disability Insurance	96.001	159	<u>1,760</u>
TOTAL SOCIAL SECURITY ADMINISTRATION			<u>1,760</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,420,058</u>
(N) Non-cash assistance			

ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended SEPTEMBER 30, 2018

NOTE A – BASIS OF PRESENTATION –

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Athens City Board of Education and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B – FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2018.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the respective grants. Several programs are funded jointly by State or local appropriations and Federal funds. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances are reserved in the fund balances of the governmental funds. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

Accrued and Deferred Reimbursement

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

Indirect Cost

The Board has elected not to use the 10% de Minimis cost rate.

**ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended SEPTEMBER 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified	
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiency(s) identified not Considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	No
Noncompliance material to financial Statements noted?	<u> </u> Yes	<u> X </u>	No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiency(s) identified not Considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	No
Type of auditor's report issued on compliance for major programs:		Unqualified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.558, 10.559, 10.555	CNP Cluster

Dollar threshold used to distinguish between Type A and Type B programs:		\$	750,000
Auditee qualified as a low-risk auditee?	<u> </u> Yes	<u> X </u>	No

ATHENS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended SEPTEMBER 30, 2018
(Continued)

SECTION II – Financial Statement Findings

No matters were reported.

SECTION III – Federal Award Findings and Questioned Costs

None

**ATHENS CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended SEPTEMBER 30, 2018**

There were no Federal Program audit findings in 2017.