

ANDALUSIA CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

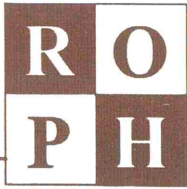
Year Ended September 30, 2018



ANDALUSIA CITY BOARD OF EDUCATION
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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Members of the Board
Andalusia City Board of Education
Andalusia, 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 Andalusia City Board of Education (the Board), 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.

Auditors' 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.

MEMBERS

American Institute of Certified Public Accountants, PCPS/The Alliance for CPA Firms, Alabama Society of Certified Public Accountants, Florida Institute of Certified Public Accountants
Governmental Audit Quality Center

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 Andalusia Board of Education as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on pages 54 and the Schedule of the Board's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Board's Proportionate Share of the Collective Net Other Postemployment Benefits Liability and the Schedules of Board Contributions on pages 56 through 59 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 Andalusia 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 relate 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 June 24, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama

June 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANDALUSIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis (MD&A)

For the Year Ended September 30, 2018

Introduction

The Management's Discussion and Analysis (MD&A) of Andalusia City Board of Education's financial performance provides an overall review 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. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Andalusia City Board of Education's financial performance.

The MD&A is an element of the new reporting model adopted by 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 in 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.

Financial Highlights

Key financial highlights of the 2017-2018 fiscal year include the following:

- General Fund expenditures exceeded revenues and other financing uses by \$2,127,539 resulting in a fund balance of \$2,182,201 available as of the fiscal year ended 2018.
- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the 2018 fiscal year by \$7,846,117 (net position).

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

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. Although other governments may report governmental activities and business-type activities, 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 the timing 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).

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.

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 you 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 explains the relationship (or differences) between them.

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.

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 a legally adopted 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.

Financial Analysis of the Board as a Whole

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

**Condensed Statement of Net Position
September 30,**

	2018	2017	Change
Assets			
Current and Other Assets	\$ 5,787,182	\$ 6,042,292	\$ (255,110)
Restricted Assets	4,099,931	1,429,257	2,670,674
Capital Assets – Net of Depreciation	28,693,382	21,004,695	7,688,687
Total Assets	<u>38,580,495</u>	<u>28,476,244</u>	<u>10,104,251</u>
 Deferred Outflows	 <u>2,084,501</u>	 <u>2,130,016</u>	 <u>(45,515)</u>
Liabilities			
Current and Other Liabilities	1,264,590	1,172,672	91,918
Long-term Liabilities	28,482,050	23,086,524	5,395,526
Total Liabilities	<u>29,746,640</u>	<u>24,259,196</u>	<u>5,487,444</u>
 Deferred Inflows	 <u>3,072,239</u>	 <u>511,000</u>	 <u>2,561,239</u>
Net Position			
Net Investment in Capital Assets	14,669,771	11,171,172	3,498,599
Restricted	4,570,212	1,984,303	2,585,909
Unrestricted	(11,393,866)	(7,319,411)	(4,074,455)
Total Net Position	<u>\$ 7,846,117</u>	<u>\$ 5,836,064</u>	<u>\$ 2,010,053</u>

The Board's assets exceeded liabilities by \$7,846,117 and \$5,836,064 for 2018 and 2017, respectively, at the close of the fiscal year. This resulted in an increase of \$2,010,053 from 2017 and a decrease of \$147,661 from 2016.

The majority of the Board's net position are 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 — is a deficit of \$11,393,866 at the end of 2018 and a deficit of \$7,319,411 at the end of 2017 which constitutes an increase of \$4,074,455 from 2017 to 2018 and an increase of \$86,120 from 2016 to 2017. These deficits were created due to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 68, relating to Pensions and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

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

Condensed Statement of Activities
September 30,

	2018	2017	Change
Program Revenues:			
Charges for Services	\$ 1,406,756	\$ 1,717,511	\$ (310,755)
Operating Grants and Contributions	11,440,432	11,081,799	358,633
Capital Grants and Contributions	481,471	422,515	58,956
General Revenues:			
Property Taxes	744,567	745,588	(1,021)
Sales Taxes	3,463,999	1,363,015	2,100,984
Miscellaneous Taxes	1,147,570	1,126,221	21,349
Contributions – Nonrestricted	96,000	96,000	-
Investment Earnings	80,686	47,362	33,324
Contributions – Restricted	1,210,934	298,419	912,515
Erate/On Behalf Of	33,120	77,704	(44,584)
Miscellaneous	488,919	275,305	213,614
Total Revenues	20,594,454	17,251,439	3,343,015
Expenses			
Instructional Services	10,184,044	10,277,617	(93,573)
Instructional Support Services	2,199,668	2,388,860	(189,192)
Operation and Maintenance Services	1,561,806	1,602,368	(40,562)
Food Service	1,177,304	1,173,684	3,620
Student Transportation Services	656,456	655,212	1,244
General Administrative Services	824,968	747,852	77,116
Other	508,294	274,624	233,670
Interest and Fiscal Charges	387,950	278,883	109,067
Total Expenses	17,500,490	17,399,100	101,390
Change in Net Position	3,093,964	(147,661)	3,241,625
Net Position, Beginning	4,752,153	5,983,725	(1,231,572)
Net Position, Ending	\$ 7,846,117	\$ 5,836,064	\$ 2,010,053

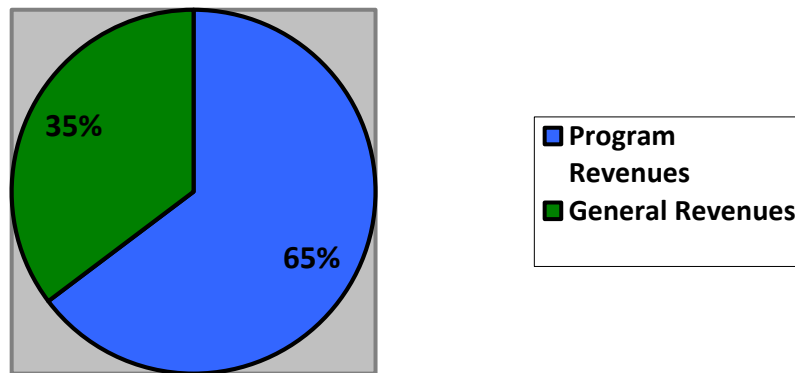
The Board's total revenues increased by 19.3 percent and the total cost of all programs and services increased 0.58 percent. This accounts for the Board's income of \$3,093,964 for the fiscal year.

The increase in revenues can be attributed to the following sources of income:

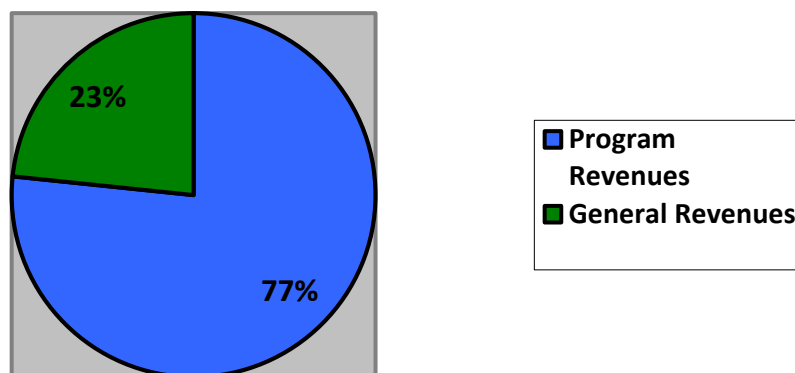
- General Revenues – 80.31% increase

The charts below depict the percentage of program and general revenues to total revenues.

September 30, 2018 Revenues



September 30, 2017 Revenues



Program revenues, specifically operating grants and contributions, are the largest component of total revenues (65% in 2018 and 77% in 2017).

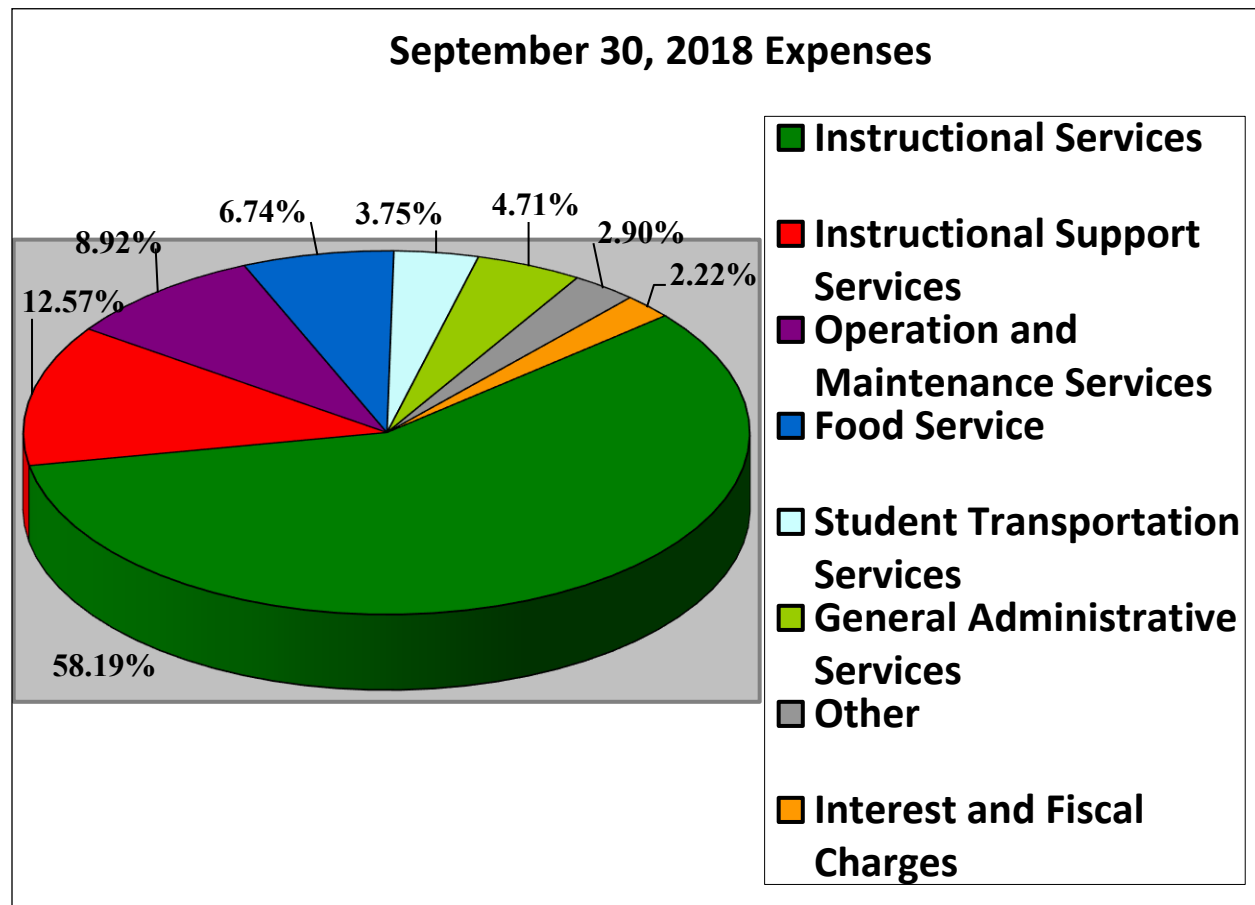
- Operating grants and contributions contribute 86% of program revenues and 56% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and 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 \$7,265,795 for expenses not covered by program revenues.

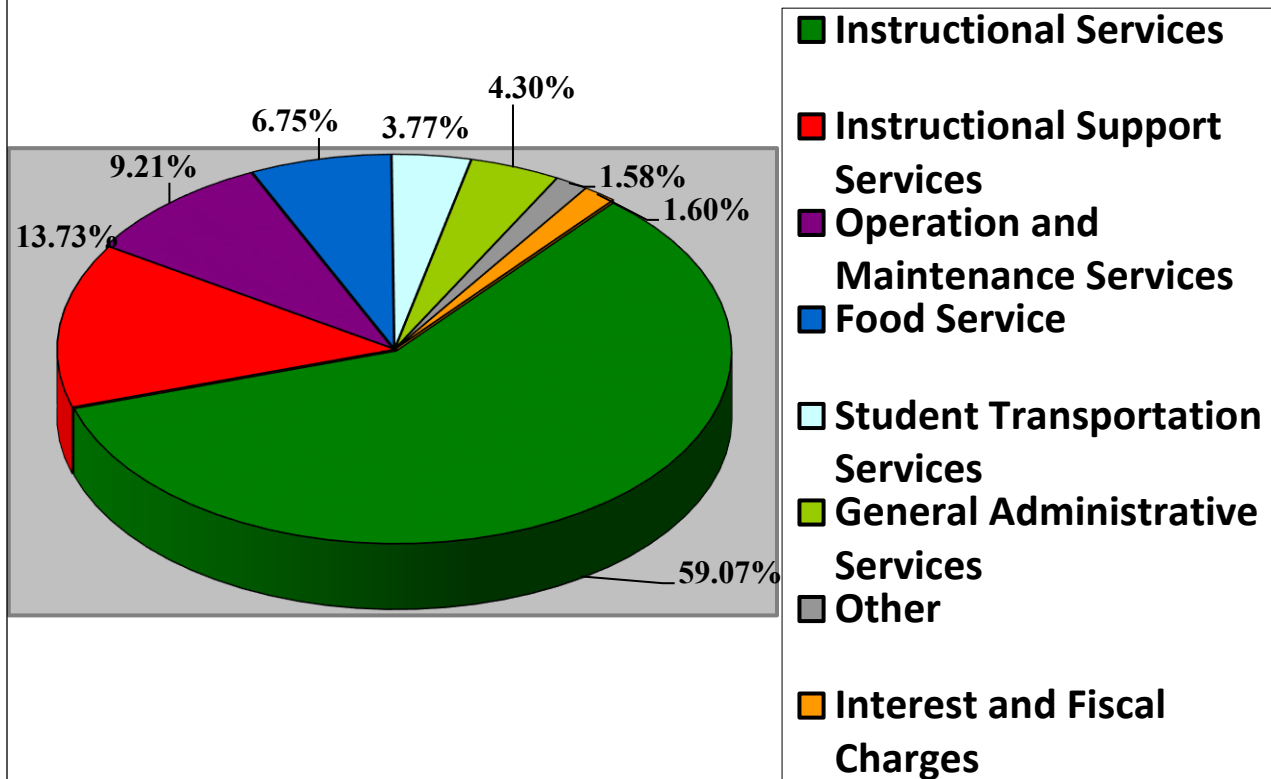
The increase in the cost of programs and services can be found within the following programs:

- General Administrative Services– 10.3% increase

The charts below depict the percentage of total expense for each expense category for each year.



September 30, 2017 Expenses



Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (58.19% in 2018 and 59.07% in 2017).

- In addition to teacher salaries and benefits, instructional services includes 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, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services includes mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, 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.

- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and summer feeding program expenditures. 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.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

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?

As of the end of the current fiscal year, the Board's governmental funds reported a combined increase in fund balance of \$488,481. This increase resulted in a fund balance of \$6,782,523. Of this amount, \$2,182,201 was unassigned and available for use in future operations.

The general fund decreased its fund balance by \$2,127,539, resulting in a fund balance of \$2,182,201.

The Food and Nutrition fund increased its fund balance by \$78,755, resulting in a fund balance of \$271,433.

General Fund Budgetary Highlights

The original 2018 fiscal year budget, adopted on September 14, 2017, was based on a "conservative" approach that reflected only guaranteed revenues and necessary expenditures. The original budget figures were amended when revenues or expenditures exceed 10%. Over the course of the year, the Board revised the annual operating budgets one time: June 4, 2018.

The comparison of general fund original budget to the final amended budget is on page 54. The differences between the original budget and the final amended budget of the Board are \$1,035,011 increase in overall revenue appropriations and \$447,254 increase in overall expenditures and can be briefly summarized as follows:

Amendment #1 was necessary to record ETF Advancement and Technology Grant of \$91,936, federal programs carryover, federal program allocations, Alabama State Personnel Development Grant (SPDG) of \$171,964, the new ½ Cent County Sales Tax of \$320,000 and other small grants and allocations. Expenditures were increased to include additional instructional and instructional support as well as capital projects budget adjustment for ongoing projects. Various other expenditures were adjusted based on related revenues.

Overall, the final amended budget is reflective of the actual operating activity for the year. Actual local and other revenues were \$1,345,213 more than budgeted due to local sales tax appropriations for education and other various sources. For purposes of this budgetary analysis, only the General Fund of the Board is discussed in accordance with the new reporting model.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2018, the Board had \$28,693,382 invested in capital assets including land, buildings, equipment, vehicles and construction in progress costing \$5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. The capital asset activity for the year is detailed on page 32.

Approximately \$8,481,358 in construction in progress for the softball field and Andalusia High School stadium and auditorium renovations was spent and will be capitalized as building and land improvements upon completion.

Long-Term Debt - The Board entered into a special pool loan agreement of Series 2010 Qualified School Construction Bonds (QSCB) issued by the Alabama Public School & College Authority (PSCA) for the purpose of construction of a Physical Education Facility at Andalusia High School. The Board will make sinking fund payments beginning September 1, 2011 in the amount of \$111,411 for 16 years until the bond matures on September 1, 2027. The Board agreed to have quarterly interest payments withheld from Public School Fund allocations. The amounts to be withheld for QSCB interest payments are \$10,541 for the fiscal year 2011 and \$10,750 for each of the remaining 16 years until the bond matures.

The Board entered into a Cooperative Agreement with the City of Andalusia in connection with the General Obligation Warrants, Series 2011-A issued to construct additions to the Andalusia High School and Andalusia Elementary School. According to the agreement, the City shall transfer to the Board the sum of \$5,500,000 at a rate of 4% to finance the additions. In exchange for said transfer, the Board agrees to be obligated to pay the debt service on \$6,430,000 (said sum being the total principal due including capitalized interest through May 1, 2014). The Board is responsible for the full annual payment on the warrants beginning November 1, 2014 through September 30, 2042. To secure this payment, the Board agreed to designate and pledge its local tax revenues to the extent necessary to pay its portion of the annual debt service on the warrants.

The Board has entered into an additional agreement with the City of Andalusia in connection with the General Obligation Warrants Series 2018 issued to provide capital improvements to the Andalusia High School's auditorium and football stadium. The agreement calls for the ½ percent 2013 Education Sales Tax to be used to fund the annual debt service for these warrants. If the 2013 Education Sales Tax is not sufficient to cover the annual debt service, the Board will be required to transfer to the City the sum necessary to pay the annual debt service on these warrants.

The Board entered into a Secured Equipment Financing Agreement with Regions Equipment Finance Corporation, of Birmingham, Alabama for the sole purpose of purchasing three school buses in the amount of \$237,103 at a rate of 2.96%. The Board will begin making payments in the amount of \$6,884 beginning December 5, 2013, and continuing on the 5th day of each quarter (being March 5, June 5, September 5, and December 5 thereafter) through and including June 5, 2023. To secure this payment, the Board agreed to designate and pledge its State of Alabama Fleet Renewal funds to the extent necessary to pay its portion of the annual debt service under this agreement.

The Board entered into lease purchase agreement with Apple, Inc. to purchase Apple personal computers, servers, and networking equipment not to exceed \$408,946 at a rate of 2.30%. The lease period is for a period of 48 months with payments being made annually beginning in June 2016 in the amount of \$105,749. The Board will use local funds to secure this payment to the extent necessary to pay its portion of the annual debt service under this agreement.

The Board entered into lease purchase agreement with Apple, Inc. to purchase Apple personal computers, servers, and networking equipment not to exceed \$233,312 at a rate of 3.39%. The lease period is for a period of 48 months with payments being made annually beginning in June 2018 in the amount of \$60,054. The Board will use local funds to secure this payment to the extent necessary to pay its portion of the annual debt service under this agreement.

The Board entered into a Secured Equipment Financing Agreement with Regions Equipment Finance Corporation, of Birmingham, Alabama for the sole purpose of purchasing three school buses in the amount of \$225,612 at a rate of 3.14%. The Board will begin making payments in the amount of \$26,638 beginning January 24, 2018, and continuing on this day of each year through and including January 24, 2027. To secure this payment, the Board agreed to designate and pledge its State of Alabama Fleet Renewal funds to the extent necessary to pay its portion of the annual debt service under this agreement.

Economic Factors and Next Year's Budget

The following are currently known Andalusia City economic factors considered in going into the 2018-2019 fiscal year.

10 Mill Required Local Effort – Act 95-314, Section 16-13-231 of the *Code of Alabama* requires that local support for schools must be funded at an amount equivalent to 10 mills of district ad valorem tax. The State Department of Education reduces the Board's appropriation by this required local support. Because the assessed value of the property in Andalusia City is growing rapidly, the required 10 mill match continues to grow at a much higher rate than the Board's total tax revenues. In essence, even though the local ad valorem tax revenue has grown, the 10 mill match has caused the Board to lose money.

Additional Ad Valorem Tax – City of Andalusia – The City Council of Andalusia voted to increase the annual rate of ad valorem tax by one-fourth of one percent to be used exclusively for the purpose of capital improvements. The board expects to receive approximately \$190,000 annually. This tax may be revoked at any time by majority vote of the City Council of Andalusia.

Student Enrollment - The latest student enrollment figure as of the forty-day report in the 2018-2019 school year of approximately 1,740 indicates there will be an actual increase in enrollment of approximately 22 students for the 2020 fiscal year. This gain will result in an increase of 1.89 earned teacher units for the 2020 fiscal year as well.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs were \$800 per employee per month for fiscal year 2018. The PEEHIP employer cost will remain the same for fiscal year 2019. The employer contribution rate to the Teachers Retirement System (TRS) is 12.41 percent for fiscal year 2019 for Tier I employees. For Tier II employees, the employer contribution rate to TRS is 11.35 percent for fiscal year 2019. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

School Construction –Andalusia High School Auditorium and the improvements to the Andalusia High School Stadium both located on the campus of Andalusia High School are in the final stages of construction.

Other Items – In April 2019, the Board purchased 6 vacant lots for approximately \$60,000.

In June 2019, the Board approved a new Apple Lease for various personal computers, electronic devices, servers and networking equipment in the amount of \$330,330. The payments will be made in four annual installments of approximately \$82,583 each beginning in July 2019.

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 Katie Odom, Chief School Finance Officer. 1201 C. C. Baker Avenue, Andalusia, AL 36421 or by calling 334-222-3186 during regular office hours, Monday through Friday, from 7:30 a.m. to 4:00 p.m., central standard time.



BASIC FINANCIAL STATEMENTS

ANDALUSIA CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
September 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	\$ 2,026,322
Investments	16,629
Receivables	1,874,121
Inventory	30,110
Due from Other Governments	1,840,000
Restricted Assets:	
Cash and Cash Equivalents	3,533,868
Investments	566,063
Capital Assets, Nondepreciable	9,662,547
Capital Assets, Net of Depreciation	<u>19,030,835</u>
Total Assets	<u>38,580,495</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources - Related to (OPEB) Pension	373,816
Deferred Outflows of Resources - Related to Pension	<u>1,710,685</u>
Total Deferred Outflows of Resources	<u>2,084,501</u>
LIABILITIES	
Accounts Payable	42,354
Accrued Salaries	1,194,907
Unearned Revenue	27,329
Noncurrent Liabilities:	
Due Within One Year	359,190
Due in More Than One Year	16,194,860
Net Pension Liability	<u>11,928,000</u>
Total Liabilities	<u>29,746,640</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Related to (OPEB) Pension	1,641,239
Deferred Inflows of Resources - Related to Pension	<u>1,431,000</u>
Total Deferred Inflows of Resources	<u>3,072,239</u>
NET POSITION	
Net Investment in Capital Assets	14,669,771
Restricted for:	
Capital Projects	2,339,486
Debt Service	1,566,067
Special Revenue	664,659
Unrestricted	<u>(11,393,866)</u>
Total Net Position	<u>\$ 7,846,117</u>

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Instructional Services	\$ 10,184,044	\$ 275,420	\$ 7,455,482	\$ -	\$ (2,453,142)
Instructional Support Services	2,199,668	85,782	1,877,107	-	(236,779)
Operation and Maintenance	1,561,806	8,446	540,160	481,471	(531,729)
Student Transportation Services	656,456	47,732	527,495	-	(81,229)
Food Services	1,177,304	961,601	112,751	-	(102,952)
General Administrative Services	824,968	884	516,979	-	(307,105)
Interest Expense	387,950	-	-	-	(387,950)
Other	508,294	26,891	410,458	-	(70,945)
Total	<u>\$ 17,500,490</u>	<u>\$ 1,406,756</u>	<u>\$ 11,440,432</u>	<u>\$ 481,471</u>	<u>(4,171,831)</u>
General Revenues:					
Taxes					
Property Tax for General Purposes					744,567
Local Sales Tax					3,463,999
Other Taxes					1,147,570
Grants and Contributions Not Restricted for Specific Programs					96,000
Investment Earnings					80,686
Miscellaneous					488,919
Contributions					1,210,934
Erate/On Behalf Of					<u>33,120</u>
Total General Revenues and Special Items					<u>7,265,795</u>
Change in Net Position					<u>3,093,964</u>
Net Position - Beginning of Year, as Restated (Note 19)					4,752,153
Net Position - Ending					<u>\$ 7,846,117</u>

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	GENERAL	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUND - TITLE I PART A	SPECIAL REVENUE FUND - CHILD NUTRITION PROGRAM	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and Cash Equivalents	\$ 1,403,316	\$ -	\$ -	\$ (41,926)	\$ 205,748	\$ 459,184	\$ 2,026,322
Investments	-	-	-	-	-	16,629	16,629
Receivables	1,539,254	-	-	41,926	97,043	195,898	1,874,121
Due from Other Funds	2,122,710	205,425	-	-	-	6	2,328,141
Inventory, at Cost	-	-	-	-	30,110	-	30,110
Restricted Assets:							
Cash and Cash Equivalents	-	2,530,438	1,003,430	-	-	-	3,533,868
Investments	-	-	566,063	-	-	-	566,063
Total Assets	<u>\$ 5,065,280</u>	<u>\$ 2,735,863</u>	<u>\$ 1,569,493</u>	<u>\$ -</u>	<u>\$ 332,901</u>	<u>\$ 671,717</u>	<u>\$ 10,375,254</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$ -	\$ 36,446	\$ -	\$ -	\$ -	\$ 5,908	\$ 42,354
Accrued Payroll Liabilities	1,143,757	-	-	-	51,150	-	1,194,907
Unearned Revenue	9,304	-	-	-	10,318	7,707	27,329
Due to Other Funds	1,730,018	359,931	3,426	-	-	234,766	2,328,141
Total Current Liabilities	<u>2,883,079</u>	<u>396,377</u>	<u>3,426</u>	<u>-</u>	<u>61,468</u>	<u>248,381</u>	<u>3,592,731</u>
FUND BALANCES:							
Nonspendable	-	-	-	-	30,110	-	30,110
Restricted	-	2,339,486	1,566,067	-	241,323	423,336	4,570,212
Unassigned	2,182,201	-	-	-	-	-	2,182,201
Total Fund Balances	<u>2,182,201</u>	<u>2,339,486</u>	<u>1,566,067</u>	<u>-</u>	<u>271,433</u>	<u>423,336</u>	<u>6,782,523</u>
Total Liabilities and Fund Balances	<u>\$ 5,065,280</u>	<u>\$ 2,735,863</u>	<u>\$ 1,569,493</u>	<u>\$ -</u>	<u>\$ 332,901</u>	<u>\$ 671,717</u>	<u>\$ 10,375,254</u>

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Total Fund Balance - Governmental Funds \$ 6,782,523

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.

Cost of Capital Assets	\$ 43,913,830	
Accumulated Depreciation	<u>(15,220,448)</u>	
		28,693,382

Due from Other Governments reported in the Statement of Net Position is not available to pay for current period expenditures and therefore not reported in the governmental funds. 1,840,000

Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 279,685

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds. (1,267,423)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported as liabilities in the funds. Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.

Capital Lease	\$ (277,827)	
Notes Payable	(13,026,223)	
Bonds and Warrants Payable	(3,250,000)	
Net Pension Liability	<u>(11,928,000)</u>	
		<u>(28,482,050)</u>

Total Net Position - Governmental Activities \$ 7,846,117

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2018

	GENERAL	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUND - TITLE I PART A	SPECIAL REVENUE FUND - CHILD NUTRITION PROGRAM	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
State Sources	\$ 9,884,169	\$ 308,562	\$ 172,909	\$ -	\$ -	\$ 229,648	\$ 10,595,288
Federal Sources	900	-	-	664,926	917,674	638,003	2,221,503
Local Sources	5,594,337	997,932	29,012	-	149,803	920,921	7,692,005
Other Sources	66,230	-	-	-	19,428	-	85,658
Total Revenues	15,545,636	1,306,494	201,921	664,926	1,086,905	1,788,572	20,594,454
EXPENDITURES							
Current:							
Instructional Services	7,854,727	-	-	448,045	-	948,601	9,251,373
Instructional Support Services	1,665,447	-	-	128,416	-	380,828	2,174,691
Operation and Maintenance Services	1,447,680	-	-	-	-	15,889	1,463,569
Student Transportation Services	516,730	-	-	-	-	66,684	583,414
Food Services	-	-	-	-	1,104,769	-	1,104,769
General Administrative Services	666,051	-	-	56,749	-	100,873	823,673
Other Expenditures	330,815	-	-	27,424	9,024	141,032	508,295
Debt Service:							
Principal	159,904	150,000	42,881	-	-	-	352,785
Interest	4,701	361,207	22,042	-	-	-	387,950
Capital Outlay	5,164,874	3,484,698	-	-	11,940	27,254	8,688,766
Total Expenditures	17,810,929	3,995,905	64,923	660,634	1,125,733	1,681,161	25,339,285
Excess (Deficiency) of Revenues Over Expenditures	(2,265,293)	(2,689,411)	136,998	4,292	(38,828)	107,411	(4,744,831)
OTHER FINANCING SOURCES (USES)							
Indirect Cost	92,113	-	-	(4,292)	(82,479)	(5,342)	-
Transfers In	15,448	-	27,536	-	200,062	26,257	269,303
Transfers Out	(203,119)	(27,536)	-	-	-	(38,648)	(269,303)
Other Financing Sources	233,312	5,000,000	-	-	-	-	5,233,312
Total Other Financing Sources (Uses)	137,754	4,972,464	27,536	(4,292)	117,583	(17,733)	5,233,312
Net Change in Fund Balances	(2,127,539)	2,283,053	164,534	-	78,755	89,678	488,481
FUND BALANCES - OCTOBER 1, 2017	4,309,740	56,433	1,401,533	-	192,678	333,658	6,294,042
FUND BALANCES - SEPTEMBER 30, 2018	\$ 2,182,201	\$ 2,339,486	\$ 1,566,067	\$ -	\$ 271,433	\$ 423,336	\$ 6,782,523

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 488,481
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlays	\$ 8,688,766	
Depreciation Expense	<u>(1,000,079)</u>	
		7,688,687

Expenses paid in a prior year that benefit the current period are reported as expenditures in the Statement of Activities, but are not expenses of the current period in the governmental statements.

Prepaid Expense	(4,834)
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Debt proceeds is reported as other financing sources of revenue in the governmental funds, but as an increase in long term liabilities in the Statement of Net Position.

Proceeds from debt	(5,233,312)
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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.

Repayment of debt	352,785
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension Expense	(14,331)
Other Postemployment Benefits (OPEB)	<u>(183,512)</u>

Change in Net Position - Governmental Activities	<u><u>\$ 3,093,964</u></u>
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The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The Andalusia City Board of Education is governed by an elected board consisting of five members elected by qualified voters of the City. The Board is responsible for the general administration and supervision of the public schools within the City.

Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600 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 a part of the financial reporting entity of the Andalusia City Board of Education.

BASIC FINANCIAL STATEMENT 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. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net Investment in Capital Assets – This category represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – This category represents constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. For the year ended September 30, 2018, restricted net position for the Andalusia City Board of Education include \$2,339,486 for capital projects, \$1,566,067 for debt service, and \$664,659 for special revenue funds.

Unrestricted – This category represents net position that is not subject to externally imposed stipulations and is available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Andalusia City Board of Education's policy to use restricted resources first, followed by unrestricted resources.

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) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds. 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.

The Board reports the following major governmental funds:

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

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

Debt Service Funds – These funds are used to account for the issuance and continuance of debt.

Title I Part A – This fund is used to help improve teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types:

Child Nutrition Program – This fund is used to account for activities associated with providing nutritious breakfast and lunch services for school children.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Other State Revenues, IDEA, Part B, Preschool, Part B, Basic Grant, Title II, Part A, Title IV, Title VI, Part B, and Local School Public and Nonpublic funds.

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales 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 sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues reported in the governmental funds are considered to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred and there is both restricted and unrestricted net position available to finance the program it is the Board's policy to first apply grant resources to such programs, followed by cost reimbursement grants, then general revenues.

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – Amounts that cannot be spent because they are either not spendable in form or they are legally or contractually required to be maintained intact. Non-spendable fund balance consists of \$30,110 for Food and Nutrition inventory.

Restricted – Amounts with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Restricted fund balance of \$2,339,486, \$1,566,067, \$241,323 and \$423,336 is restricted for various capital projects, investments for the repayment of bonds, food and nutrition services, and various other instructional and support services, respectively.

Committed – Amounts that can only be used for specific purposes imposed by formal action of the Board, and remain binding unless removed in the same manner.

Assigned – Amounts that are constrained by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – Residual amounts for the governmental funds and includes all spendable amounts not contained in the other classifications. Unassigned fund balance for the General fund is \$2,182,201 for any instructional, support, operations, maintenance, student, food, or general services.

BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of encumbrances. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government, which are expensed when consumed.

PENSIONS

The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. In the government-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist.

Donated capital assets are recorded at fair market value on the date donated. Disposals are removed at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	All	15 years
Buildings	All	15-40 years
Building Improvements	\$50,000	15-20 years
Vehicles	\$5,000	10 years
Equipment	\$5,000	5-10 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

INVESTMENTS

Generally, all investments are reported at fair market value.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Certain funds received for capital projects and improvements, as well as certain resources set aside for repayment of debt, are classified as restricted assets on the balance sheet because they are maintained separately and their use is limited.

	<u>Restricted Assets</u> <u>September 30, 2018</u>
Cash - Capital Projects	\$ 2,530,438
Cash with Fiscal Agent - Debt Service	1,003,430
Investments with Fiscal Agent - Debt Service	<u>566,063</u>
Total Restricted Assets	<u>\$ 4,099,931</u>

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.

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 personnel are provided 2 days of personal leave per year with pay. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Unused personal leave cannot be carried over to succeeding years; therefore, no liability for unpaid leave is accrued in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All twelve month professional employees are allowed two weeks of vacation leave. All other twelve month employees are allowed one week of vacation leave. Unused vacation leave cannot be carried over to succeeding years; therefore, no liability for unpaid leave is accrued in the financial statements.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Accrued sick leave is limited to one day per month worked as applied to membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Employees do not receive compensation for unused sick leave at termination; therefore, no liability is recorded on the financial statements.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

ESTIMATES

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

NOTE 2 - CASH AND INVESTMENTS

The Board's policy is to deposit funds in a financial institution approved as a qualified public depository by the Security for Alabama Funds Enhancement (SAFE Program). The Board follows the deposit and investment policies as required by the *Code of Alabama 1975*, Section 41-14A-3 and Section 36-17-18.

The Board had cash on deposit with various qualified public depositories at September 30, 2018, of \$2,009,408. At year end the Board also had cash on hand in various funds totaling \$16,914.

At September 30, 2018, 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 3 - RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT

Restricted cash and cash equivalents in the capital projects fund of \$2,530,438, is for existing and future Board construction projects.

At September 30, 2018, the Board reported restricted cash with a fiscal agent of \$1,003,430 related to the capital Outlay Pool Warrant, Series 2010-QSCB (Note 14).

At September 30, 2018, the Board reported restricted investments with a fiscal agent of \$566,063 related to the capital Outlay Pool Warrant, QZAB bonds (Note 14).

NOTE 4 - LEGAL COMPLIANCE

BUDGETS

On or before October 1 of each year, the Board is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the Board. The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year which shows expenditures in excess of income, estimated to be available, plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

The budget was originally adopted by the Board on September 14, 2017.

NOTE 5 - RISK MANAGEMENT

The Board carries traditional insurance coverage rather than finance risks through self-insurance.

The State makes payments for unemployment compensation insurance for Board employees except those employees paid from federal grants. The state also pays the employer health insurance premiums for Board employees except those employees paid from federal grants. Payments made by the state for unemployment compensation and health insurance are recorded as revenues and expenditures in the funds from which the employees are paid. Payments made by the Board are recorded as expenditures in the applicable federal fund.

The State Board of Adjustment 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.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 - RECEIVABLES

Government-wide financial statement receivables at September 30, 2018, consist of:

	<u>Governmental Activities</u>
State Department of Education:	
Child Nutrition	\$ 90,320
Fresh Fruits and Vegetables	6,723
IDEA, Discretionary	166,076
Title I, School Improvement	22,150
Title I, Part A	41,926
Title IV	7,672
City of Andalusia	1,165,798
Covington County Commission	158,100
Covington County Probate Judge	8,938
Covington County Probate Judge-Helping Schools	413
State of Alabama	800
State of Alabama Emergency Management Agency	156,375
Andalusia City Schools Foundation	10,452
Other Receivables	38,378
	<hr/>
TOTALS	<u>\$ 1,874,121</u>

NOTE 7 - PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State on behalf of the Board. Included in these items is the employer's portion of fringe benefits (health insurance, retirement, and unemployment compensation). These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds.

NOTE 8 - 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 for fiscal year ended September 30, 2018, was \$45,829.

ANDALUSIA CITY BOARD OF EDUCATION
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NOTE 9 - DUE TO/FROM OTHER FUNDS

The following is a schedule of the due to/from other funds in the fund financial statements at September 30, 2018:

	Due From	Due To
General Funds:		
Local Default Source	\$ 1,550,134	\$ 1,710,289
Helping Schools Tag	10,205	-
Income - 16th Section	17,765	-
PSF - Interest	11,103	-
Section 16 - EFT	312,104	-
Preschool Grant	62,451	-
Private Eyes Education	8,423	-
Extracurricular Trip	58,589	-
Catastrophic Fund	-	19,729
Advancement and Technology	91,936	
Capital Projects Fund:		
Local Default Source	633	359,931
PSF - Capital Outlay	118,586	-
Transportation Fleet Renewal	86,206	-
Debt Service Fund:		
Transportation Fleet Renewal	-	3,426
Special Revenue Funds:		
Title I, Part A	-	7,000
Title II, Part A	-	22,150
IDEA, Part B	6	-
State Improvement	-	205,616
	<u>\$ 2,328,141</u>	<u>\$ 2,328,141</u>

ANDALUSIA CITY BOARD OF EDUCATION
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NOTE 10 - CAPITAL ASSETS

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

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 541,471	\$ -	\$ -	\$ 541,471
Construction in Progress	760,980	8,481,358	121,262	9,121,076
Total Capital Assets, Not Being Depreciated	1,302,451	8,481,358	121,262	9,662,547
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	514,719	-	177,460	337,259
Buildings	27,034,203	-	-	27,034,203
Buildings Improvements	3,884,411	145,902	-	4,030,313
Vehicles	1,094,306	165,438	-	1,259,744
Equipment	1,572,434	17,330	-	1,589,764
Total Capital Assets Being Depreciated	34,100,073	328,670	177,460	34,251,283
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	504,719	4,000	177,460	331,259
Buildings	8,792,773	637,958	-	9,430,731
Buildings Improvements	3,056,262	212,593	-	3,268,855
Vehicles	713,391	60,513	-	773,904
Equipment	1,330,684	85,015	-	1,415,699
Total Accumulated Depreciation	14,397,829	1,000,079	177,460	15,220,448
Total Capital Assets, Being Depreciated, Net	19,702,244	(671,409)	-	19,030,835
Governmental Activities Capital Assets, Net	\$ 21,004,695	\$ 7,809,949	\$ 121,262	\$ 28,693,382

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
Instructional Services	\$ 729,990
Instructional Support Services	24,978
Operation and Maintenance Services	98,238
Student Transportation Services	73,042
Food Services	72,536
General Administrative Services	1,295
Total Depreciation Expense - Governmental Activities	<u>\$ 1,000,079</u>

NOTE 11 - PENSION PLAN

Plan description

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

Benefits provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

NOTE 11 - PENSION PLAN (Continued)

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.

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$969,685 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 Board reported a liability of \$11,928,000 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 Board'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, 2017, the Board's proportion was 0.121365%, which was a decrease of 0.001053% from its proportion measured as of September 30, 2016.

ANDALUSIA CITY BOARD OF EDUCATION
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NOTE 11 - PENSION PLAN (Continued)

For the year ended September 30, 2018, the System recognized pension expense of \$981,573. At September 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 511,000
Changes of assumptions	712,000	-
Net difference between projected and actual earnings on plan investments	-	713,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	29,000	207,000
Employer contributions subsequent to the Measurement Date	969,685	-
Total	<u>\$ 1,710,685</u>	<u>\$ 1,431,000</u>

The \$969,685 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30:</u>	
2019	\$(157,000)
2020	32,000
2021	(295,000)
2022	(256,000)
2023	(14,000)
Thereafter	-

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 - PENSION PLAN (Continued)

Actuarial assumptions

The total pension 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%
Investment Rate of Return*	7.75%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, 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 RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%

NOTE 11 - 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 the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Board'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 Discount Rate (7.75%)	1% Increase (8.75%)
Board's proportionate share of collective net pension liability	\$ 16,453,000	\$ 11,928,000	\$ 8,101,000

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. 67 Report for the TRS prepared as of September 30, 2017. The auditor's report dated August 20, 2018, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, 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/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 12 - 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 plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

Contributions

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% 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.

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NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 Board reported a liability of \$10,718,151 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 Board's proportion of the net OPEB liability was based on a projection of the Board'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 Board's proportion was 0.144305 %, which was a decrease of 0.006990 % from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the System recognized OPEB expense of \$557,328, 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	-	1,112,865
Net difference between projected and actual earnings on OPEB plan investments	-	57,064
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	471,310
Employer contributions subsequent to the Measurement Date	373,816	-
Total	<u>\$ 373,816</u>	<u>\$ 1,641,239</u>

ANDALUSIA CITY BOARD OF EDUCATION
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NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The \$373,816 reported as deferred outflows of resources related to OPEB resulting from the Board'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:

<u>Year Ended September 30:</u>	
2019	\$(317,168)
2020	(317,168)
2021	(317,168)
2022	(317,168)
2023	(302,902)
Thereafter	(69,665)

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 the Measurement Date	3.57%
Municipal Bond Index Rate at the Prior Measurement Date	2.93%
Projected Year for Fiduciary Net Position (FNP) 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 Rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022

(*) Includes 3.00% wage inflation

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 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.

ANDALUSIA CITY BOARD OF EDUCATION
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NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 Real 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%
Interantional 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.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

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

	1% Decrease (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	\$ 8,653,635	\$ 10,718,151	\$ 13,381,942

The following table presents the Board'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 Discount Rate (4.63%)	1% Increase (5.63%)
Employer's proportionate share of the collective net OPEB liability	\$ 12,956,015	\$ 10,718,151	\$ 8,934,294

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 13 – NOTE PAYABLE WITH THE CITY OF ANDALUSIA

2011 Cooperative Agreement

The Board has an Agreement with the City of Andalusia in connection with the General Obligation School Warrants, Series 2011-A issued to construct the new junior high school building at the high school, the sixth grade wing at the elementary school and improve infrastructure.

According to the agreement, the City will transfer the sum of \$5,500,000 representing the portion of the Series 2011-A General Obligation Warrant proceeds designated for use by the Board. In exchange for such transfer, the Board hereby agrees to be obligated to pay the debt service on \$6,430,000 (said sum being the total principal due because of capitalization of interest through May 1, 2014) as shown below. The Board shall cause to be transferred to the City the sum necessary for paying the annual debt service at least ten days prior to the due date of such annual debt service. To secure this payment, the Board pledges its tax revenues including those revenues collected and disbursed through the City for the timely payments of the obligation and the City is authorized to withhold from such tax revenues an amount equal to any amount past due and unpaid amount of such debt service after the 7.5 mils has been satisfied.

Due to the implementation of GASB 34, payments on the above will be reported as a Note Payable to the City of Andalusia in the financial statements. A Note Receivable associated with these warrants is reflected in the City's financial statements.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 13 – NOTE PAYABLE WITH THE CITY OF ANDALUSIA (Continued)

The Board's annual payments are as follows:

Warrant Year	Principal School Board's Share	Interest School Board's Share	Total
2019	\$ 155,000	\$ 241,375	\$ 396,375
2020	155,000	236,919	391,919
2021	160,000	232,388	392,388
2022	165,000	227,306	392,306
2023	170,000	221,778	391,778
2024	180,000	215,780	395,780
2025	185,000	209,208	394,208
2026	190,000	202,175	392,175
2027	200,000	194,690	394,690
2028	210,000	186,615	396,615
2029	215,000	177,954	392,954
2030	225,000	168,768	393,768
2031	235,000	159,049	394,049
2032	245,000	148,726	393,726
2033	255,000	137,851	392,851
2034	270,000	126,433	396,433
2035	280,000	114,260	394,260
2036	295,000	101,323	396,323
2037	305,000	87,823	392,823
2038	320,000	73,600	393,600
2039	335,000	58,535	393,535
2040	350,000	42,780	392,780
2041	370,000	26,220	396,220
2042	385,000	8,855	393,855
	<u>\$ 5,855,000</u>	<u>\$ 3,600,411</u>	<u>\$ 9,455,411</u>

Note Payable – City of Andalusia

During April 2018, the City of Andalusia issued the General Obligation Warrants Series 2018 in the amount of \$6,840,000 for the financing of certain capital improvements to the Board's School System, including improvements to the auditorium and football stadium at the Andalusia High School. The Board has agreed to use the 2013 Education Sales Tax (½ percent) for the debt service related to these Warrants. If the ½ percent portion of the 2013 Education Sales Tax is not sufficient to cover the annual debt service, the Board will be required to transfer to the City the sum necessary to pay the annual debt service at least ten days prior to the due date of such annual debt service.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 13 – NOTE PAYABLE WITH THE CITY OF ANDALUSIA (Continued)

In August 2018, the Board recorded a note payable in the amount of \$6,840,000 in the government-wide statements for the payments to the City. As of September 30, 2018, the current portion of the note payable was \$0 and the long term portion was \$6,840,000 for a total balance of \$6,840,000. During the year ended September 30, 2018, the Board had paid \$107,844 for interest in connection with this note.

The Board's annual payments are as follows:

Warrant Year	Principal	Interest	Total
2019	\$ -	\$ 267,750	\$ 267,750
2020	-	267,750	267,750
2021	190,000	264,900	454,900
2022	195,000	259,125	454,125
2023	200,000	253,200	453,200
2024	210,000	246,000	456,000
2025	215,000	237,500	452,500
2026	225,000	228,700	453,700
2027	235,000	219,500	454,500
2028	245,000	209,900	454,900
2029	255,000	199,900	454,900
2030	265,000	189,500	454,500
2031	275,000	178,700	453,700
2032	285,000	167,500	452,500
2033	300,000	155,800	455,800
2034	310,000	143,600	453,600
2035	325,000	130,900	455,900
2036	335,000	117,700	452,700
2037	350,000	104,000	454,000
2038	365,000	89,700	454,700
2039	380,000	74,800	454,800
2040	395,000	59,300	454,300
2041	410,000	43,200	453,200
2042	430,000	26,400	456,400
2043	445,000	8,900	453,900
	<u>\$ 6,840,000</u>	<u>\$ 4,144,225</u>	<u>\$ 10,984,225</u>

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 14 - LONG-TERM DEBT

2005 QZAB

During the year ended September 30, 2005, the Andalusia City Board of Education (the lessee) entered into a lease purchase agreement with the Alabama School Finance Cooperative (the lessor). This agreement was structured to qualify as a “Qualified Zone Academy Bond” (QZAB) pursuant to Section 1397E of the Internal Revenue Code of 1986, as amended.

Under this agreement, the Board issued a QZAB in the amount of \$750,000. This obligation is referred to as the “Board of Education of the City of Andalusia, Alabama QZAB”. The funds from the QZAB will be used for (a) rehabilitating or repairing the public school facility; (b) providing equipment; (c) developing course materials for education; (d) training teacher and other school personnel.

The Andalusia City Board of Education chose the deferred payment option. Under this option, the Board will make payments of \$56,606 for ten years starting on June 1, 2006. These annual payments will be deposited into a restricted fund which will accumulate to earn interest to repay the face amount of the QZAB. The Board will recognize interest as income annually beginning June 2007. At the end of the bond term, the payment of debt principal will be recognized at one time. At September 30, 2015, had completed the required annual payments resulting in an investment of \$566,063 in US Treasury Bills for the repayment of the QZAB. No payments were required in fiscal year 2017.

Series 2010-QSCB

In August 2009, Governor Riley signed Act No. 2009-813, providing for the sale of Qualified School Construction Bonds (QSCB) by the Alabama Public School and College Authority (PSCA). This legislation allows the local school board to pledge local taxes and public school funds (PSF Capital Purchase) for the local school board’s payments for the QSCB bonds.

During November 2010, the Andalusia City Board of Education obtained a Pool Loan from the PSCA in the amount of \$2,500,000 to fund the construction of a new Physical Education Facility. The Board accepted the Board Pool Loan and entered into the Special Pool Loan Agreement, dated as of September 8, 2010 between the Board, the State Superintendent of Education and the Authority and, in order to evidence the obligation to repay the Board Pool Loan the Board will issue to the Authority its Capital Outlay Pool Warrant, Series 2010-QSCB in the principal amount of \$2,500,000.

The Andalusia City Board of Education has agreed to have the quarterly interest payments withheld for annual PSF Capital Purchase allocations. The amounts to be withheld for QSCB interest payments are \$10,541 for the first fiscal year and \$10,750 for each of the remaining 16 years until the bond matures.

NOTE 14 - LONG-TERM DEBT (Continued)

The first annual sinking fund payment was made on September 1, 2011 in the amount of \$111,411 with the same amount for each of the following 16 years until the bond matures on September 1, 2027. The annual sinking fund payment will not be withheld from annual PSF Capital Purchase allocations although the annual sinking fund payment may be made from the PSF Capital Purchase funds or available local sources. As of September 30, 2018, the Board had \$1,003,430 in restricted cash for the repayment of the QSCB.

Regions Bank

On August 9, 2013, the Board entered into a Secured Equipment Financing Agreement with Regions Bank to purchase three school buses in the amount of \$237,103. The full term of the agreement is a period of 120 months starting December 5, 2013, and continuing on the 5th day of each quarter thereafter through and including June 5, 2023. The interest is 2.96%.

On January 24, 2017, the Board entered into a Secured Equipment Financing Agreement with Regions Bank to purchase three school buses in the amount of \$225,612. The full term of the agreement is a period of 120 months starting January 24, 2018, and continuing on the 24th day of each quarter thereafter through and including January 24, 2027. The interest rate is 3.14%.

Apple Inc.

On August 12, 2016, the Board entered into a third master lease purchase agreement with Apple, Inc. to purchase computers and various small equipment. The lease term is for 48 months with an interest rate of 2.30%. The Board has the option of buying the equipment for \$1. With the \$1 purchase option, the Board at term's end may seek to trade in that equipment for credit toward new systems or for cash.

On June 11, 2018, the Board entered into a fourth master lease purchase agreement with Apple, Inc. to purchase computers and various small equipment. The lease term is for 45 months with an interest rate of 3.39%. The Board has the option of buying the equipment for \$1. With the \$1 purchase option, the Board at term's end may seek to trade in that equipment for credit toward new systems or for cash.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 14 - LONG-TERM DEBT (Continued)

The following is a summary of long-term debt transactions for the year ended September 30, 2018:

	Balance 10/1/2017	Proceeds	Payments	Balance 9/30/2018	Amounts Due Within One Year
Note Payable - City of Andalusia	\$ 6,005,000	\$ -	\$ 150,000	\$ 5,855,000	\$ 155,000
Note Payable - City of Andalusia	-	6,840,000	-	6,840,000	-
Capital Outlay Pool Warrant, Series 2010 - QSCB	2,500,000	-	-	2,500,000	-
Qualified Zone Academy Bonds	750,000	-	-	750,000	-
Regions Bank	148,492	-	23,328	125,164	24,026
Regions Bank-2017 Bus Debt	225,612	-	19,554	206,058	20,168
Apple, Inc. 2016	204,420	-	101,048	103,372	103,372
Apple, Inc. 2018	-	233,312	58,856	174,456	56,624
	<u>\$ 9,833,524</u>	<u>\$7,073,312</u>	<u>\$ 352,786</u>	<u>\$ 16,554,050</u>	<u>\$ 359,190</u>

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 14 - LONG-TERM DEBT (Continued)

The following is a schedule of debt service requirements to maturity:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2019	\$ 360,388	\$ 535,664	\$ 896,052
September 30, 2020	258,291	526,357	784,648
September 30, 2021	1,205,828	516,439	1,722,267
September 30, 2022	408,376	502,979	911,355
September 30, 2023	417,482	490,031	907,513
Thereafter	13,903,685	7,763,656	21,667,341
	<u>\$ 16,554,050</u>	<u>\$ 10,335,126</u>	<u>\$26,889,176</u>

NOTE 15 - UNEARNED REVENUE

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At September 30, 2018, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned Revenue</u>
Child Nutrition Program	\$ 10,318
Title II, Part A	6,475
Title VI, Part B	1,046
IDEA - Part B	186
General	9,304
	<u>\$ 27,329</u>

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 16 - INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
General Fund	\$ 15,448	\$ 203,119
Capital Projects Fund	-	27,536
Debt Service Fund	27,536	-
Child Nutrition Fund	200,062	-
Other Governmental Funds	26,257	38,648
	<u>\$ 269,303</u>	<u>\$ 269,303</u>

The Board typically uses transfers to fund ongoing operating subsidies.

NOTE 17 - CONTINGENCY

The Board receives various amounts under grants and programs that are subject to audit and adjustment by the grantor agencies. Any amounts disallowed, if any, may constitute a liability of the applicable funds. Such amounts, if any, are not considered to be material by the Board.

NOTE 18 – REPORT CLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2018 report classifications.

NOTE 19 – RESTATEMENT

During the year ended September 30, 2018, the Board adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*. The provisions of the GASB Statement No. 75 establish accounting and financial reporting standards for postemployment benefits other than pensions that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Board's financial statements. For the year ended September 30, 2018, the Board made prior period adjustments due to the adoption of GASB Statement No. 75 which required the restatement of the September 30, 2017, net position in Governmental Activities.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 19 – RESTATEMENT (Continued)

The impact of the restatement on net position as previously reported is as follows:

Governmental Activities Net Position, September 30, 2017, as Previously Reported	\$	5,836,064
Restatements Due to the Adoption of GASB Statement No. 75:		
Statement No. 75		
Net OPEB Liability		(1,434,222)
Deferred Outflows of Resources		350,311
Governmental Activities Net Position, September 30, 2017, as Restated	\$	<u>4,752,153</u>

NOTE 20 - SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2019, the Board entered into a fifth Apple Lease in the amount of \$330,330 for computers. The Board also purchased six lots for a cost of \$60,000.

Subsequent events have been evaluated through June 24, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-GENERAL FUND
Year Ended September 30, 2018

	ORIGINAL	FINAL	ACTUAL BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
State Sources	\$ 9,486,782	\$ 9,801,793	\$ 9,884,169	\$ 82,376
Federal Sources	1,000	1,000	900	(100)
Local Sources	3,657,630	4,377,630	5,594,337	1,216,707
Other Sources	20,000	20,000	66,230	46,230
Total Revenues	13,165,412	14,200,423	15,545,636	1,345,213
EXPENDITURES				
Current:				
Instructional Services	7,523,203	7,698,339	7,854,727	(156,388)
Instructional Support Services	1,738,857	1,850,935	1,665,447	185,488
Operation and Maintenance Services	1,565,882	1,400,455	1,447,680	(47,225)
Student Transportation Services	542,723	710,116	516,730	193,386
General Administrative Services	652,984	655,484	666,051	(10,567)
Capital Outlay	200,000	330,574	5,164,874	(4,834,300)
Other Expenditures	321,586	105,749	330,815	(225,066)
Debt Service	105,749	346,586	164,605	181,981
Total Expenditures	12,650,984	13,098,238	17,810,929	(4,712,691)
Excess of Revenues Over Expenditures	514,428	1,102,185	(2,265,293)	(3,367,478)
OTHER FINANCING SOURCES (USES)				
Indirect Cost	-	-	92,113	92,113
Transfers In	-	-	15,448	15,448
Transfers Out	-	-	(203,119)	(203,119)
Other Financing Sources	96,213	100,973	233,312	132,339
Other Fund Uses	(610,641)	(1,203,158)	-	1,203,158
Total Other Fund Uses	(514,428)	(1,102,185)	137,754	1,239,939
Net Change in Fund Balances	-	-	(2,127,539)	(2,127,539)
FUND BALANCES - OCTOBER 1, 2017	-	-	4,309,740	4,309,740
FUND BALANCES - SEPTEMBER 30, 2018	\$ -	\$ -	\$ 2,182,201	\$ 2,182,201

The accompanying Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
September 30, 2018

NOTE 1 - BUDGETARY COMPARISON

The Andalusia City Board of Education has not included budgetary comparisons for the major special revenue funds because the Board does not adopt a legal budget for each special revenue fund. The Board legally adopts a budget for the general fund and for all federal funds as a whole.

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN OF ALABAMA
Last Four Fiscal Years Ended September 30

	2018	2017	2016	2015
Board's proportion of the collective net pension liability	0.121365%	0.122418%	0.122995%	0.125057%
Board's proportionate share of the collective net pension liability	\$ 11,928,000	\$ 13,253,000	\$ 12,872,000	\$ 11,361,000
Board's covered-employee payroll during the measurement period*	\$ 8,037,128	\$ 7,794,019	\$ 7,788,162	\$ 7,930,785
Board's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	148.41%	170.04%	165.28%	143.25%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	67.93%	67.51%	71.01%

* Board's covered-employee payroll during the measurement period is the total of those employees who are participating in the pension plan. For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS - PENSION
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
Last Four Fiscal Years Ended September 30

	2018	2017	2016	2015
Contractually required contribution	\$ 969,685	\$ 950,016	\$ 920,308	\$ 907,598
Contributions in relation to the contractually required contribution	969,685	950,016	920,308	907,598
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Board's covered-payroll	\$ 8,073,550	\$ 8,037,128	\$ 7,794,019	\$ 7,788,162
Contributions as a percentage of covered-employee payroll	12.01%	11.82%	11.81%	11.65%

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE
NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the Year Ended September 30,

	<u>2018</u>
Board's proportion of the net OPEB liability	0.144305%
Board's proportionate share of the net OPEB liability (*)	\$ 10,718,151
Board's covered-employee payroll	\$ 8,037,128
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	133.36%
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.

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the Years Ended September 30,

	2018	2017
Contractually required contribution	\$ 373,816	\$ 350,311
Contributions in relation to the contractually required contribution	373,816	350,311
Contribution deficiency (excess)	\$ -	\$ -
Board's covered-payroll	\$ 8,073,545	\$ 8,037,128
Contributions as a percentage of covered-employee payroll	4.63%	4.36%

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

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2018

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 year 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

SUPPLEMENTARY INFORMATION

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DISBURSEMENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Title I, Part A Cluster:			
Title I, Part A	84.010	104	\$ 593,315
Title I, Part A, Carryover	84.010	104	71,610
Title I, School Improvement	84.010	104	22,150
			<u>687,075</u>
Special Education (IDEA) Cluster:			
IDEA, VI B, School Program	84.027	104	444,814
IDEA, VI B, Special Education Discretionary Grant	84.323	104	229,649
IDEA, Preschool Incentive	84.173	104	29,283
			<u>703,746</u>
Title II, Part A, Teacher Training	84.367	104	76,109
Title IV, Part A, Student Support and Academic Enrichment Grant	84.424	104	10,672
Title VI, Part B, Rural Education Initiative	84.358	104	28,454
Vocational - Basic Grants to States	84.048A	104	26,521
			<u>141,756</u>
Passed Through Alabama Department of Early Childhood Education:			
Preschool Development Grant	84.419	N/A	30,000
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,562,577</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
State Administrative Expenses for Child Nutrition	10.560	104	3,183
Fresh Fruits and Vegetables	10.582	104	64,660
Child Nutrition Cluster:			
National School Breakfast Program (M)	10.553	104	311,971
National School Lunch Program (M)			
Cash Assistance	10.555	104	479,882
Non-Cash Assistance (Commodities) (N)	10.555		45,829
Summer Food Service Program (M)	10.559	104	12,149
Subtotal Child Nutrition Cluster			<u>849,831</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>917,674</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Education:			
Disability Insurance/SSI Cluster:			
Disability Determination	96.001	104	900
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>900</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,481,151</u>

(N) Non-cash assistance

(M) Major program

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

ANDALUSIA CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Andalusia City Board of Education under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Andalusia City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Andalusia City Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Andalusia City Board of Education has not elected to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

NOTE 4 – NON-CASH AWARDS

Andalusia City Board of Education received non-cash assistance through the Child Nutrition Program in the form of Commodities during the year ended September 30, 2018.

NOTE 5 – LOANS AND LOAN GUARANTEES

Andalusia City Board of Education did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 6 – PASS-THROUGH SUBRECIPIENTS

Andalusia City Board of Education did not pass any federal awards to sub-recipients during the year ended September 30, 2018.

ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported
Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported
Type of auditor's report issued on compliance
for major programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516)? _____yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553; 10.555; 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000
Auditee qualified as low -risk auditee X yes _____no

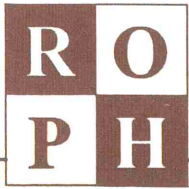
ANDALUSIA CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
September 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None



RABREN, ODOM, PIERCE & HAYES, P.C.

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

Members of the Board
Andalusia City Board of Education
Andalusia, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Andalusia City Board of Education (the Board) 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, and have issued our report thereon dated June 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) 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 the Andalusia City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Andalusia 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

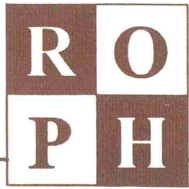
As part of obtaining reasonable assurance about whether Andalusia City Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of this Report

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

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
June 24, 2019



RABREN, ODOM, PIERCE & HAYES, P.C.

Certified Public Accountants

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

Members of the Board
Andalusia City Board of Education
Andalusia, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Andalusia 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 the Andalusia City Board of Education's major federal programs for the year ended September 30, 2018. The Andalusia City Board of Education's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Andalusia 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 the Andalusia 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 the Andalusia City Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Andalusia 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 its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Andalusia 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 the Andalusia 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 the Andalusia 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama

June 24, 2019