

**MOUNTAIN BROOK CITY
BOARD OF EDUCATION**

BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED SEPTEMBER 30, 2019

MOUNTAIN BROOK CITY BOARD OF EDUCATION
MOUNTAIN BROOK, ALABAMA

YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4
<u>BASIC FINANCIAL STATEMENTS:</u>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Index - Notes to the Financial Statements	22
Notes to the Financial Statements	23
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of Board's Proportionate Share of the Net Pension Liability	57
Schedule of Board's Contributions - Teachers' Retirement System of Alabama	58
Schedule of Board's Proportionate Share of the Net OPEB Liability	59
Schedule of Board's Contributions - Alabama Retired Education Employees' Health Care Trust	60
Notes to Required Supplementary Information	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	62

(Continued)

MOUNTAIN BROOK CITY BOARD OF EDUCATION
MOUNTAIN BROOK, ALABAMA

YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION - (CONTINUED):</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	64
Note to the Schedules of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund	66
<u>SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
<u>AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL:</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	69
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	71
Schedule of Findings and Questioned Costs	73
<u>ADDITIONAL INFORMATION:</u>	
Independent Auditor's Report on Additional Information	74
Schedule of Debt Service - Special Tax School Warrants, Series 2012, Dated November 14, 2012	75
Schedule of Debt Service - Capital Outlay School Warrants, Series 2015, Dated December 22, 2015	76
Schedule of Insurance Coverage	77
Schedule of Fidelity Bonds	79
Analysis of Expenditures - General Fund and Special Revenue Fund	80

STEVEN D. MOORE, C.P.A.
GEOFFREY R. BRYANT, C.P.A.

234 AQUARIUS DRIVE, SUITE 109
BIRMINGHAM, ALABAMA 35209
TELEPHONE 205/323-5206
FAX 205/323-5021
EMAIL: INFO@PBMCPA.NET

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Mountain Brook City Board of Education
Mountain Brook, 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 Mountain Brook City Board of Education, Mountain Brook, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

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 Mountain Brook City Board of Education as of September 30, 2019, 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, Budgetary Comparison Information, Schedule of the Board's Proportionate Share of the Net Pension Liability, Schedule of Board's Contributions, Schedule of Board's Proportionate Share of Net OPEB Liability, Schedule of Board's Contributions and Notes to Required Supplementary Information on pages 4-14 and 57-66 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 Mountain Brook City Board of Education's basic financial statements. The Schedules of Debt Service, Insurance Coverage, Fidelity Bonds and Analysis of Expenditures - General Fund and Special Revenue Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U. S. Code of Federal Regulations* (CFR) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

(Continued)

Other Information - (Continued)

The Schedules of Debt Service, Insurance Coverage, Fidelity Bonds and Analysis of Expenditures - General Fund and Special Revenue Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2020 on our consideration of the Mountain Brook City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mountain Brook City Board of Education's internal control over financial reporting and compliance.

POTTER, BRYANT, & MOORE, P. C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 8, 2020

*Management's Discussion and Analysis
(Required Supplementary Information)*

**Mountain Brook City Board of Education
Management’s Discussion and Analysis (MD&A)
September 30, 2019**

Our discussion and analysis of the Mountain Brook City Board of Education’s (the “Board’s”) financial performance provides an overview of the Board’s financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the Board’s financial statements and notes to the financial statements, which immediately follow this analysis.

The Management’s Discussion and Analysis (MD&A) is an element of the 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 June 1999.

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results of this year’s operations:

- Capital outlays during the audit period were \$1,559,084.65 which was spent on schools for improvements as well as furniture, fixtures, and equipment placed in the six schools. Depreciation expense exceeded capital outlay by \$874,393.88 in the period. (Page 36)
- The liabilities and deferred inflows of the Board exceeded its assets and deferred outflows at the close of the 2019 fiscal year by \$14,644,643.26. Of this amount, \$57,261,607.68 was invested in capital assets net of related debt. This provides the Board with reserves of (\$73,368,472.95). (Page 15)

The total cost of the Board’s programs for the year, not including debt service and capital outlay, was \$66,049,873.27. The state Foundation Program provided \$25,533,464.00 of that amount of which \$6,087,780.00 was local money required by the 10 mill match. The 10 mill match is local tax revenues which are required to be coded as state revenues. (Page 16)

- As stated in the fund balance policy in accordance with GASB 54 the board has the following non spendable fund balances. These balances represent prepaid items and inventories system wide.

Child Nutrition	\$ 59,491.11 (Page 17)
Other Assets	\$ 16,605.18 (Page 17)

- The following balances represent restricted fund balances associated with construction, child nutrition, scholarships and debt service:

Child Nutrition	\$ 346,733.70
Scholarships	\$ 77,143.84
Capital Outlay	\$ 255,993.46
Other	\$ 722,859.90

- The amount below represents assigned balances that are specifically intended to be used at the local school level:

Local Schools	\$ 3,910,111.60
---------------	-----------------

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section consists of five parts: *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The Board's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide Financial Statements – Perhaps the most notable feature of the model is the requirement for *government-wide financial statements*. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the Board reported in the *government-wide financial statements* are classified as governmental activities. These activities include the following:

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

Government-wide financial statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net position* (on Page 15) is most closely related to a balance sheet. It presents information on all the Board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities* (on Page 16) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental fund financial statements begin on Page 17. These statements account for basically the same governmental activities reported in the government-wide financial statements. Until now, fund information has been reported in the aggregate by type of fund. As required under the reporting model, the fund financial statements presented herein display information on each of the Board's most important governmental funds or major funds. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's major funds are the General Fund and the Special Revenue Fund.

The fund financial statements are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based government-wide financial statements, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the government-wide financial statement and the governmental funds reported in the fund financial statement are reconciled on Page 18 and Page 21 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

Fiduciary funds – The Board can serve as a trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. Fiduciary funds also include the balances of agency funds, such as accounts payable clearing and payroll clearing funds. These funds are not available to the Board to finance its operations, and therefore, are not included in the Government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Basic Financial Statements – The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board’s financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin following the financial statements. After the presentation of the basic financial statements and accompanying notes to the basic financial statements, the reporting model requires additional *required supplementary information* to be presented following the notes to the basic financial statements. The *required supplementary information* Pages 57 through 66 – provides a comparison of the original adopted budget to the final amended budget of the Board’s General Fund which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management’s ability to project and plan for its operations throughout the year.

Fund Balance Policy in Accordance with GASB Statement No. 54

Purpose: The following policy is necessary in order to address the implications of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions.

Governmental Fund Definitions. The following definitions will be used in reporting activity in governmental funds. The Board may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, even if it is being accumulated for future years’ payments. Debt Service Funds should be used to report resources if legally mandated.

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

Fund balances will be reported in governmental funds under the following five categories using the definitions provided by GASB Statement No. 54:

- A. Non-spendable fund balances include amounts that cannot be spent because they are either:
 - a) not in spendable form or
 - b) legally or contractually required to be maintained in-tact.

- B. Examples of non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, deferred expenditures, long-term receivables, and outstanding encumbrances.
- C. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Examples of restricted fund balances include: child nutrition programs, construction programs, and restricted grants.
- D. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board before the end of the fiscal year and that require the same level of formal action to remove the constraint.
- E. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- F. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

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

The Board adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (collectively, "GASB 75") effective October 1, 2017. The standard was not applied retroactively to the 2017 financial statements because the Alabama Public Education Employee's Health Care Trust (Trust) did not provide the necessary information.

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position. The Board's net position was (\$14,644,643.26) (Page 15) at September 30, 2019.

- Of this figure, \$57,261,607.68 (Page 15) reflects the Board's investment in capital assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net assets is not available for future spending or funding of operations.
- The balance of unrestricted net assets is a deficit of \$73,368,472.95. (Page 15)

Table 1: Summary of Net Position			
As of September 30, 2019			
	2018	2019	Change
Current Assets	117,255,674	117,417,272	161,598
Total Assets	117,255,674	117,417,272	161,598
Total Deferred Outflows of Resources	8,627,064	11,631,298	3,004,234
Current Liabilities	7,514,307	7,206,595	(307,712)
Non-current Liabilities	92,988,881	93,159,931	171,050
Total Liabilities	100,503,188	100,366,526	(136,662)
Total Deferred Inflows of Resources	40,802,554	43,326,687	2,524,133
Net Investment in Capital Assets	56,384,289	57,261,608	877,319
Restricted for:			
Debt Service	-	-	-
Capital Projects	535,836	255,993	(279,842)
Other Purposes	967,385	1,206,229	238,843
Unrestricted	(73,310,515)	(73,368,473)	(57,958)
Total Net Position	(15,423,005)	(14,644,643)	778,362

Noncurrent liabilities increased by \$371,405.60 primarily the result of an increase of \$5.435 million in the other post employment benefit (OPEB) liability, offset by a decrease in long-term debt of \$1.752 million which was attributable to regularly scheduled principal payments and the reduction of \$4.054 million in the Pension liabilities.

Table 2: Summary of Changes in Net Position from Operating Results			
Fiscal Year Ended September 30, 2019			
	2018	2019	Change
Revenues			
Property Taxes for General Purposes	30,952,828	32,479,602	1,526,774
Investment Earnings	212,573	276,266	63,693
Miscellaneous	5,091,029	4,125,595	(965,434)
Total Revenues	36,256,430	36,881,462	625,032
Expenses			
Instructional	(19,060,915)	(18,353,232)	(707,683)
Instructional Support	(6,994,837)	(7,169,588)	(174,751)
Operation and Maintenance	(5,485,398)	(5,902,748)	(417,350)
Student Transportation	(159,744)	(125,517)	34,227
Food Service	(427,639)	(520,693)	(93,054)
General Administrative	(2,354,639)	(2,802,441)	(447,802)
Interest and Fiscal Charges	(257,173)	(201,470)	55,703
Other Expenses	(995,632)	(1,027,411)	(31,779)
Total Governmental Activities	(35,735,978)	(36,103,100)	(367,123)
Changes in Net Position	520,453	778,362	257,910
Net Position - Beginning of Year	(15,943,457)	(15,423,005)	520,452
Net Position - End of Year	(15,423,005)	(14,644,643)	778,362

The Board's net assets increased by \$161,598 during the current fiscal year.

Governmental Activities – As shown in Table 3, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2019 was \$66,049,873.27. It is important to note:

- Some of the costs were paid by users who benefited from services provided during the year, such as school lunches, summer school, and participation in sports activities in the middle and high schools.
- State and federal governments subsidized certain programs with grants and contributions totaling \$22,684,454.66.
- Other program revenue sources, such as City Foundation, PTO donations, other local donations, etc. provided approximately \$700,816.85 in revenues.

Table 3 is a condensed statement taken from the Statement of Activities on page 16 showing the total cost for providing identified services for six major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities		
Fiscal Year Ended September 30, 2019		
	Total Cost of Services	Net Cost of Services
Instructional	40,599,907	18,353,232
Instructional Support	11,596,910	7,169,588
Operation and Maintenance	6,114,133	5,902,748
Student Transportation	279,881	125,517
Food Service	2,368,022	520,693
General Administrative	2,840,289	2,802,441
Interest and Fiscal Charges	201,470	201,470
Other Expenses	2,049,261	1,027,411
Expenses	66,049,873	36,103,100

Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements, which begin on page 17.

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the fund financial statements and the government-wide financial statements are reconciled on pages 18 & 21). The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$14,705,184.65.

- \$9,316,245.86 of this amount constitutes the unreserved fund balance of the General Fund. Page 17
- \$255,993.46 of this amount constitutes the fund balance of Other Governmental Funds which is composed of the Debt service Fund and the Capital Projects Fund

General Fund – The general fund is the primary operating fund of the Board. The net change to fund balance was a decrease of \$445,520.22. The original budget anticipated a decrease of \$366,683.43.

Special Revenue Funds - The special revenue fund includes the child nutrition program, community education, federal programs as well as the local schools public funds. The net change for this fund was an increase of \$511,047.71 resulting in an ending fund balance of \$5,132,945.33.

Other Governmental Funds – This fund is the debt service fund and capital projects. Net change for this fund is a decrease of \$279,842.08. This resulted in an ending fund balance of \$255,993.46.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2019, the Board had invested \$107,781,874.32 (Page 36) in a broad range of capital assets, including land, buildings, school furniture, school buses, instructional equipment, computer hardware and software, maintenance vehicles, custodial equipment, and athletic equipment.

Long-Term Debt

At year-end, the Board had \$8,630,157 in long-term debt payable. Table 4 provides a synopsis of the Boards activities with respect to long-term debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
2012 Series Warrants	7,495,000	-	450,000	7,045,000	460,000
2015 Series Warrants	1,805,000	-	850,000	955,000	470,000
Unamortized Discount/Premium	400,176	-	60,651	339,525	60,651
Total Warrants and Notes Payable	9,700,176	-	1,360,651	8,339,525	990,651
Other liabilities					
Capital Lease - Desktop Computers	3,420	-	3,420	-	-
Capital Lease - Desktop Computers	58,847	-	50,768	8,079	8,079
Capital Lease - Laptops and Chromebooks	42,726	-	42,726	-	-
Capital Lease - Desktop Computers	134,658	-	113,530	21,128	21,129
Capital Lease - Laptops and Chromebooks	12,358	-	5,578	6,780	5,849
Capital Lease - Desktop Computers	139,777	-	42,278	97,499	44,094
Capital Lease - Laptops and Chromebooks	289,908	-	132,762	157,146	139,814
Total other liabilities	681,694	-	391,062	290,632	218,966
Governmental activities long-term debt	10,381,870	-	1,751,713	8,630,157	1,209,617

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by September 15th of each year. The original fiscal year 2019 budget was adopted by the Board on September 17, 2018. Over the course of the year, the Board revised the annual operating budgets one time to include many state allocations that were not available at the time of the original budget approval and to adjust amounts for summer projects.

Economic Factors and Next Year's Budget

The following are currently known Mountain Brook City economic factors considered as we move into the 2019-2020 fiscal year.

Mountain Brook City	
Census Year	Total Population
2010	20,413
2000	20,604
1990	19,641
1980	19,718
1970	19,474

- Employee health insurance is provided through the Public Education Employees Health Insurance Program (PEEHIP). The premiums for health insurance for teachers and support personnel under PEEHIP for the fiscal year 2019 were \$800 per month or \$9,600 annually per employee. In the current 2020 fiscal year the premium remains the same \$800 per month or \$9,600 annually per employee.
- Employer contributions to the Teachers Retirement System (TRS) were 12.24% for 2018, 12.41% for 2019 and 12.43% for 2020.
- The Mountain Brook City Schools Foundation is a non-profit organization that works closely with Mountain Brook Schools, but which remains independent of the School System. The purpose of the Foundation is to help the School System maintain and achieve excellence in the education of the city’s students. The Foundation endeavors to accomplish its purpose by providing grants to the School System. Grants are not provided as a substitute for funding for basic educational needs. Funding for the basic, core or benchmark programs remains the responsibility of the City, the School Board and the School System. Foundation grants provide funds that allow the School System to provide “something extra”, beyond what is provided in other state school systems and beyond basic, core or benchmark programs. This money is used to support technology, libraries, professional development and special needs dictated by circumstances. The contribution for 2019-2020 will be \$451,883.00.

Growth of Local Tax Revenue – The local property taxes of the Board increased in 2018-2019. The chart below reflects the change in local taxes from 2012-2019.

Property Taxes for General Purposes							
(in Millions)							
2012	2013	2014	2015	2016	2017	2018	2019
28.4	27.5	27.6	28.5	29.4	30.6	30.9	32.4

Student Enrollment – The Board’s current enrollment based on the Average Daily Membership (ADM) as of the first 20 days after Labor Day for the 2019-2020 scholastic year was 4,317, a decrease of 26 from the previous year. ADM for fiscal year 2020 will be 4,311.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors a general overview of the School Board's finances and to cover funding sources available to the Board. Any questions or requests for additional information should be directed as follows Monday – Friday during the hours, 7:30 a.m. – 4:30 p.m. central time.

Kari Austin, Chief School Finance Officer – austink@mtnbrook.k12.al.us
Mountain Brook City Board of Education
32 Vine Street, Mountain Brook, Alabama 35213
Telephone – (205) 871-4608
Fax – (205) 802-1622

BASIC FINANCIAL STATEMENTS

MOUNTAIN BROOK CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 21,042,558.27
Investments	30,021.95
Ad Valorem Property Taxes Receivable	29,733,000.00
Receivables, Net	624,129.97
Accrued Interest Receivable	19,699.66
Inventories	59,491.11
Other Assets	16,605.18
Capital Assets:	
Non-depreciable	4,986,515.59
Depreciable, Net	<u>60,905,250.00</u>
Total Assets	<u>117,417,271.73</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Employer Pension Contribution	4,227,936.77
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	3,731,000.00
Employer Other Post-Employment Benefits (OPEB) Contribution	1,482,397.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Post-Employment Benefits (OPEB) Liability	<u>2,189,964.00</u>
Total Deferred Outflows of Resources	<u>11,631,297.77</u>
 <u>LIABILITIES</u>	
Accounts Payable	664,089.61
Unearned Revenue	239,340.83
Salaries and Benefits Payable	5,063,135.13
Accrued Interest Payable	30,412.36
Long-Term Liabilities:	
Portion Due or Payable Within One Year	1,209,617.22
Portion Due or Payable After One Year	<u>93,159,930.69</u>
Total Liabilities	<u>100,366,525.84</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable Revenue - Property Taxes	29,733,000.00
Revenue Received in Advance - Motor Vehicle Taxes	1,120,755.92
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	8,792,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Post-Employment Benefits (OPEB) Liability	<u>3,680,931.00</u>
Total Deferred Inflows of Resources	<u>43,326,686.92</u>
 <u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	57,261,607.68
Restricted For:	
Capital Projects	255,993.46
Debt Service	0.00
Other Purposes	1,206,228.55
Unrestricted	<u>(73,368,472.95)</u>
Total Net Position	<u>\$ (14,644,643.26)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenues & Changes</u> <u>in Net Position</u>
					<u>Total</u> <u>Governmental</u> <u>Activities</u>
Instructional Services	\$ 40,599,906.93	\$ 2,450,929.06	\$ 18,926,925.20	\$ 868,821.00	\$ (18,353,231.67)
Instructional Support Services	11,596,910.31	845,636.82	3,581,685.20	0.00	(7,169,588.29)
Operation & Maintenance Services	6,114,133.35	183,729.40	27,656.32	0.00	(5,902,747.63)
Student Transportation Services	279,880.52	40,182.23	99,962.99	14,218.00	(125,517.30)
Food Services	2,368,021.82	1,847,314.72	13.74	0.00	(520,693.36)
General Administrative Services	2,840,289.49	24,561.63	13,286.38	0.00	(2,802,441.48)
Interest and Fiscal Charges	201,469.89	0.00	0.00	0.00	(201,469.89)
Other Expenses	<u>2,049,260.96</u>	<u>986,925.59</u>	<u>34,924.83</u>	<u>0.00</u>	<u>(1,027,410.54)</u>
Totals	<u>\$ 66,049,873.27</u>	<u>\$ 6,379,279.45</u>	<u>\$ 22,684,454.66</u>	<u>\$ 883,039.00</u>	<u>(36,103,100.16)</u>

General Revenues

Taxes:

Property Taxes for General Purposes	32,479,601.62
Other Taxes	151,565.26
Grants and Contributions Not Restricted for Specific Programs	785,398.79
Investment Earnings	276,265.51
Miscellaneous	<u>3,188,630.59</u>
Total General Revenues	<u>36,881,461.77</u>

Changes in Net Position	778,361.61
Net Position - Beginning of Year	<u>(15,423,004.87)</u>
Net Position - End of Year	<u>\$ (14,644,643.26)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 15,330,894.52	\$ 5,634,425.94	\$ 77,237.81	\$ 21,042,558.27
Investments	0.00	30,021.95	0.00	30,021.95
Ad Valorem Property Taxes Receivable	29,733,000.00	0.00	0.00	29,733,000.00
Receivables, Net	443,722.05	2,607.58	197,500.00	643,829.63
Due from Other Funds	88,679.79	242,643.22	0.00	331,323.01
Inventories	0.00	59,491.11	0.00	59,491.11
Other Assets	<u>0.00</u>	<u>16,605.18</u>	<u>0.00</u>	<u>16,605.18</u>
 Total Assets	 \$ <u>45,596,296.36</u>	 \$ <u>5,985,794.98</u>	 \$ <u>274,737.81</u>	 \$ <u>51,856,829.15</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 320,520.87	\$ 324,824.39	\$ 18,744.35	\$ 664,089.61
Due to Other Funds	241,074.41	90,248.60	0.00	331,323.01
Unearned Revenues	17,046.00	222,294.83	0.00	239,340.83
Salaries and Benefits Payable	4,329,727.53	215,481.83	0.00	4,545,209.36
Estimated Liability for Compensated Absences	<u>517,925.77</u>	<u>0.00</u>	<u>0.00</u>	<u>517,925.77</u>
Total Liabilities	<u>5,426,294.58</u>	<u>852,849.65</u>	<u>18,744.35</u>	<u>6,297,888.58</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	29,733,000.00	0.00	0.00	29,733,000.00
Revenue Received in Advance - Motor Vehicle Taxes	<u>1,120,755.92</u>	<u>0.00</u>	<u>0.00</u>	<u>1,120,755.92</u>
Total Deferred Inflows of Resources	<u>30,853,755.92</u>	<u>0.00</u>	<u>0.00</u>	<u>30,853,755.92</u>
 <u>Fund Balances</u>				
Non-spendable	0.00	76,096.29	0.00	76,096.29
Restricted	0.00	1,146,737.44	255,993.46	1,402,730.90
Committed	0.00	0.00	0.00	0.00
Assigned	0.00	3,910,111.60	0.00	3,910,111.60
Unassigned	<u>9,316,245.86</u>	<u>0.00</u>	<u>0.00</u>	<u>9,316,245.86</u>
Total Fund Balances	<u>9,316,245.86</u>	<u>5,132,945.33</u>	<u>255,993.46</u>	<u>14,705,184.65</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ <u>45,596,296.36</u>	 \$ <u>5,985,794.98</u>	 \$ <u>274,737.81</u>	 \$ <u>51,856,829.15</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds \$ 14,705,184.65

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	\$ 107,781,874.32	
Accumulated Depreciation	<u>(41,890,108.73)</u>	
Total Capital Assets		65,891,765.59

Deferred outflows and inflows of resources
related to pensions are applicable to future
periods, and therefore, are not reported in
the governmental funds. (833,063.23)

Deferred outflows and inflows of resources
related to OPEB obligations are applicable
to future periods, and therefore, are not
reported in the governmental funds. (8,570.00)

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

Current Portion of Long-Term Debt	1,209,617.22	
Non-current Portion of Long-Term Debt	<u>93,159,930.69</u>	
Total Long-Term Liabilities		(94,369,547.91)

Interest on long-term debt is not accrued
in the funds but rather is recognized as
an expenditure when due.

Accrued Interest Payable		<u>(30,412.36)</u>
--------------------------	--	--------------------

Total Net Position - Governmental Activities \$ (14,644,643.26)

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
State Sources	\$ 21,680,556.84	\$ 0.00	\$ 879,877.00	\$ 22,560,433.84
Federal Sources	0.00	944,037.60	0.00	944,037.60
Local Sources	34,877,404.41	8,360,364.02	1,483.98	43,239,252.41
Other Sources	<u>54,504.52</u>	<u>13,898.31</u>	<u>0.00</u>	<u>68,402.83</u>
Total Revenues	<u>56,612,465.77</u>	<u>9,318,299.93</u>	<u>881,360.98</u>	<u>66,812,126.68</u>
 <u>Expenditures</u>				
Instructional Services	34,450,562.81	4,029,607.08	0.00	38,480,169.89
Instructional Support Services	10,096,893.16	1,515,191.78	0.00	11,612,084.94
Operation & Maintenance Services	5,657,848.20	167,623.49	269,338.17	6,094,809.86
Student Transportation Services	225,536.30	33,728.72	0.00	259,265.02
Food Services	1,669.29	2,284,385.18	0.00	2,286,054.47
General Administrative Services	2,814,888.81	3,390.50	2,195.60	2,820,474.91
Other Expenditures	948,641.77	1,098,519.88	0.00	2,047,161.65
Capital Outlay	1,160,244.00	0.00	308,462.33	1,468,706.33
Debit Service:				
Principal Retirement	391,061.18	0.00	1,300,000.00	1,691,061.18
Interest and Fiscal Charges	34,386.22	0.00	244,875.00	279,261.22
Debt Issuance Costs/Other Debt Service	<u>3,162.00</u>	<u>0.00</u>	<u>338.00</u>	<u>3,500.00</u>
Total Expenditures	<u>55,784,893.74</u>	<u>9,132,446.63</u>	<u>2,125,209.10</u>	<u>67,042,549.47</u>
 Excess (Deficiency) of				
Revenues over Expenditures	<u>827,572.03</u>	<u>185,853.30</u>	<u>(1,243,848.12)</u>	<u>(230,422.79)</u>

(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - (CONTINUED)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 841,695.69	\$ 2,298,835.81	\$ 964,006.04	\$ 4,104,537.54
Other Financing Sources	15,908.31	199.89	0.00	16,108.20
Transfers Out	<u>(2,130,696.25)</u>	<u>(1,973,841.29)</u>	<u>0.00</u>	<u>(4,104,537.54)</u>
Total Other Financing Sources (Uses)	<u>(1,273,092.25)</u>	<u>325,194.41</u>	<u>964,006.04</u>	<u>16,108.20</u>
Net Changes in Fund Balances	(445,520.22)	511,047.71	(279,842.08)	(214,314.59)
Fund Balances - Beginning of Year	<u>9,761,766.08</u>	<u>4,621,897.62</u>	<u>535,835.54</u>	<u>14,919,499.24</u>
Fund Balances - End of Year	<u>\$ 9,316,245.86</u>	<u>\$ 5,132,945.33</u>	<u>\$ 255,993.46</u>	<u>\$ 14,705,184.65</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Net Changes in Fund Balances - Total Governmental Funds \$ (214,314.59)

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

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

Capital Outlays	\$ 1,559,084.65	
Depreciation Expense	<u>(2,433,478.53)</u>	
Net Adjustment		(874,393.88)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,691,061.18

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable, Current Year Increase/(Decrease)	(20,639.91)	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(60,651.42)	
Pension Expense, Current Year Increase/(Decrease)	(1,063,941.57)	
OPEB Expense, Current Year Increase/(Decrease)	<u>969,224.00</u>	
Total		<u>176,008.90</u>

Total Changes in Net Position of Governmental Activities \$ 778,361.61

The accompanying Notes to the Financial Statements are an integral part of this statement.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

INDEX

<u>Note #</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	24
2	Reconciliation of Financial Statements	34
3	Stewardship, Compliance, and Accountability	35
4	Unearned Revenues	36
5	Deposits and Investments	36
6	Receivables and Payables	38
7	Capital Assets	39
8	Defined Benefit Pension Plan	40
9	Other Postemployment Benefits (OPEB)	45
10	Long-Term Obligations	48
11	Interfund Balances and Activity	51
12	Risk Management	52
13	Contingent Liabilities	52
14	Commissions, Map and Appraisal Costs	53

MOUNTAIN BROOK CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Homewood City Board of Education (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A. Reporting Entity

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

The Board is a legally separate agency of the State of Alabama (the State).

The financial statements of the Board include local school activity funds and other funds under the control of school principals.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

Basis of Presentation - (Continued)

Government-Wide Financial Statements - (Continued): clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

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

The Board reports the following major governmental funds:

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

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Federal Programs, Child Nutrition Funds, Public and Non-public Funds, Local School Activity Funds, Community Education Funds, and Other State and Local Funds.

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

Debt Service Funds account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

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

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Board's programs. Permanent Funds consist of a fund reserved for teachers' continuing education.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

Basis of Presentation - (Continued)

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Board's programs. The Board did not report any fiduciary funds.

Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty (60) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables

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

Property Tax Calendar

The Jefferson County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Inventories and Prepaid Items - (Continued)

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period. Prepaid items on the Statement of Net Position are included in *Other Assets*.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the Statement of Net Position. Donated assets are recorded at their estimated fair value at the date of donation. Estimated values on certain assets acquired prior to October 1, 2004 were provided by a professional property appraisal firm. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

Depreciation of capital assets is recorded in the Statement of Activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	20 years
Buildings	\$ 50,000	20 - 50 years
Building Improvements	\$ 50,000	7 - 30 years
Equipment	\$ 5,000	5 - 20 years
Equipment Under Capital Lease	\$ 5,000	5 - 20 years
Vehicles	\$ 5,000	8 - 10 years

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

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the Statement of Net Position. Interest expense for long-term debt, including accrued interest payable, is reported in the Statement of Activities. For warrants (bonds) and other long-term debt issued after

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Long-Term Obligations - (Continued)

October 1, 2003, the related debt issuance costs, premiums, and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the Statement of Activities. The unamortized portion is reported as a liability on the Statement of Net Position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position or fund balances that applies to the future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a consumption of net position or fund balances that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until then.

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires that 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.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

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

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

Professional and support personnel are provided 2 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. 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. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed up to 9 weeks of vacation per year with pay. (Twelve month employees are allowed vacation pay and can carry over up to 30 days.) Because unused vacation leave can be carried over to succeeding years, a liability for unpaid leave is accrued in the financial statement.

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 as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

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.

Net Position/Fund Equity

Net Position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net asset categories:

- Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.

Fund Balances

Fund balances are reported on the fund financial statements and are required to be classified for accounting and reporting purposes into the following fund balance categories:

Unassigned Fund Balance - Represents resources available to meet current and future years' expenditures.

Committed Fund Balance - Represents amounts constrained for a specific purpose by the Board. It requires action by the Board to remove or change the constraints placed on the resources. The Board had no Committed Fund Balance as of September 30, 2019.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Fund Balances - (Continued)

Assigned Fund Balance - Represents amounts constrained by the Board's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the Board itself, or an official to whom the Board has delegated the authority to assign amounts to be used for specific purposes. The action to remove or modify assignments is not as strict as for Committed Fund Balance. Assigned Fund Balance amounts as of September 30, 2019 are as follows:

Local School Accounts	\$ <u>3,910,112</u>
-----------------------	---------------------

Non-spendable Fund Balance - Represents amounts that cannot be spent due to form such as inventories and prepaid accounts. This also includes amounts that must be maintained intact legally or contractually. Non-spendable Fund Balance amounts as of September 30, 2019 are as follows:

Child Nutrition	\$ 59,491
Local Schools	<u>16,605</u>

Total Non-spendable Funds	\$ <u>76,096</u>
---------------------------	------------------

Restricted/Reserved Fund Balance - Reservations of Fund Balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The Board had no Reserved Fund Balance amounts as of September 30, 2019.

Restricted Fund Balance - Represents amount that can be spent only for specific purpose by construction, external resource providers, or through enabling legislation. Constraints are placed on the use of resources either by: externally imposed creditors, grantors, contributions, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. Restricted Fund Balance amounts as of September 30, 2019 are as follows:

Child Nutrition	\$ 346,734
Scholarships	77,144
Capital Outlay	255,993
Other	<u>722,860</u>

Total Restricted Funds	\$ <u>1,402,731</u>
------------------------	---------------------

The Board's policy is to first apply restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted balances are available. The Board's policy is to first apply assigned, committed, and unassigned resources, respectively, when an expense is incurred for the purposes for which assigned, committed, and/or unassigned balances are available.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 2 - RECONCILLIATION OF FINANCIAL STATEMENTS:

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary reconciliations obscures the nature of the individual elements of a particular reconciling item.

Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances is followed by a reconciliation between *net change in fund balances-total governmental funds* and *change in net assets of governmental activities* as reported in government-wide Statement of Activities. One element of that reconciliation explains, "Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds."

The details of this \$176,009 difference are as follows:

Amortization of Debt Discounts	\$ 60,651
Accrued Interest Payable	20,640
Pension Expense, Current Year Increase/(Decrease)	1,063,942
OPEB Expense, Current Year Increase/(Decrease)	<u>(969,224)</u>
Total	<u>\$ 176,009</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Child Nutrition Program Fund budgets on a basis of accounting consistent with GAAP with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of year, each Board of Education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the Board of Education. The Superintendent or Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (CONTINUED):

A. Budgets - (Continued)

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2019, the following governmental funds had deficit fund balances:

Idea Part B \$ 102,757

The deficit in the funds is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2019 are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1st and, therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2019.

NOTE 4 - UNEARNED REVENUES:

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. At September 30, 2019, the various components and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Prepaid Student Meals	\$ -0-	\$ 216,539	\$ 216,539
Grant Draw Downs Prior to Meeting all Eligibility Requirements	-0-	22,802	22,802
Totals	\$ -0-	\$ 239,341	\$ 239,341

NOTE 5 - DEPOSITS AND INVESTMENTS:

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the **Code of Alabama 1975**, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 5 - DEPOSITS AND INVESTMENTS - (CONTINUED):

a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. A portion of the Board's investments \$30,022 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.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk - Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices.

Custodial Credit Risk - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments of collateral securities that are in the possession of an outside party. The board does not have an investment policy that limits the amount of securities that can be held by counterparties.

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 6 - RECEIVABLES AND PAYABLES:

Receivables and payables (accounts payable and accrued liabilities) balances reported on the Statement of Net Position and the Balance Sheet are aggregations of different components. Details of these balances are as follows:

STATEMENT OF NET POSITION

Receivables:	
Accounts Receivable	\$ 31,640
Ad Valorem Property Taxes Receivable	29,733,000
Due from Other Governments	394,990
Note Receivable	197,500
Interest Receivable	<u>19,700</u>
Total Receivables	<u>\$ 30,376,830</u>
Accounts Payable and Accrued Liabilities:	
Salaries and Employee Benefits Payable	\$ 4,545,209
Accounts Payable	664,090
Interest Payable	30,412
Compensated Absences	<u>517,926</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 5,757,637</u>

BALANCE SHEET

Receivables:	
Accounts Receivable	\$ 31,640
Ad Valorem Property Taxes Receivable	29,733,000
Due from Other Governments	394,990
Due from Other Funds	331,323
Note Receivable	197,500
Interest Receivable	<u>19,700</u>
Total Receivables	<u>\$ 30,708,153</u>
Accounts Payable and Accrued Liabilities:	
Salaries and Employee Benefits Payable	\$ 4,545,209
Accounts Payable	664,090
Due to Other Funds	331,323
Compensated Absences	<u>517,926</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 6,058,548</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 3,731,800	\$ -0-	\$ -0-	\$ 3,731,800
Construction in Progress	<u>-0-</u>	<u>1,254,716</u>	<u>-0-</u>	<u>1,254,716</u>
Total Capital Assets Not Being Depreciated	<u>3,731,800</u>	<u>1,254,716</u>	<u>-0-</u>	<u>4,986,516</u>
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible	6,287,734	-0-	-0-	6,287,734
Buildings	71,123,413	-0-	-0-	71,123,413
Building Improvements	20,434,730	213,991	-0-	20,648,721
Equipment	3,908,939	90,378	-0-	3,999,317
Vehicles	<u>843,578</u>	<u>-0-</u>	<u>107,404</u>	<u>736,174</u>
Total Capital Assets Being Depreciated	<u>102,598,394</u>	<u>304,369</u>	<u>107,404</u>	<u>102,795,359</u>
Less Accumulated Depreciation For:				
Land Improvements - Exhaustible	2,628,262	264,530	-0-	2,892,792
Buildings	28,756,442	1,372,105	-0-	30,128,547
Building Improvements	4,159,095	620,129	-0-	4,779,224
Equipment	3,216,590	156,098	-0-	3,372,688
Vehicles	<u>803,645</u>	<u>20,617</u>	<u>107,404</u>	<u>716,858</u>
Total Accumulated Depreciation	<u>39,564,034</u>	<u>2,433,479</u>	<u>107,404</u>	<u>41,890,109</u>
Total Capital Assets Being Depreciated, Net	<u>63,034,360</u>	<u>(2,129,110)</u>	<u>-0-</u>	<u>60,905,250</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 66,766,160</u>	<u>\$ (874,394)</u>	<u>\$ -0-</u>	<u>\$ 65,891,766</u>

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 2,298,907
Instructional Support Services	13,628
Operation and Maintenance Services	13,384
Student Transportation Services	19,468
Food Services	59,377
General Administrative Services	<u>28,715</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,433,479</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 7 - CAPITAL ASSETS - (CONTINUED):

The Board has entered into contracts for the construction or renovation of various facilities as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitments</u>	<u>Required Further Financing</u>
<u>Building Renovations</u>				
Cherokee Bend Elementary School:				
HVAC Replacement	\$ 252,888	\$ 247,136	\$ 5,752	\$ -0-
Mountain Brook Junior High School Renovations:				
Fine Arts HVAC	648,000	621,750	26,250	-0-
Reroofing	167,600	128,610	38,990	-0-
Gym Reroofing	167,600	128,610	38,990	-0-
Mountain Brook High School Renovations:				
Reroofing 500 Wing	<u>167,600</u>	<u>128,610</u>	<u>38,990</u>	<u>-0-</u>
Totals	<u>\$ 1,403,688</u>	<u>\$ 1,254,716</u>	<u>\$ 148,972</u>	<u>\$ -0-</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multi-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.

B. 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, 2014. Tier 2 TRS members are eligible for retirement after age 62 with 10 years 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 creditable 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.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

C. 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, 2018 was 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,227,938 for the year ended September 30, 2019.

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

At September 30, 2019 the Board reported a liability of \$45,220,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the Board's proportion was 0.454814% which was an increase (decrease) of (0.046526%) from its proportion measured as of September 30, 2017.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - (Continued)

For the year ended September 30, 2019, the Board recognized pension expense of \$2,828,000. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 976,000	\$ 1,378,000
Changes of Assumptions	2,514,000	-0-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-0-	3,413,000
Changes in Proportion and Differences between Employers' Contributions and Proportionate Share of Contributions	241,000	4,001,000
Employer Contributions Subsequent to the Measurement Date	<u>4,227,937</u>	<u>-0-</u>
Total	<u>\$ 7,958,937</u>	<u>\$ 8,792,000</u>

The amount of \$4,227,937 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30:

2020	\$ (383,000)
2021	\$ (1,862,000)
2022	\$ (1,780,000)
2023	\$ (931,000)
2024	\$ (105,000)
Thereafter	\$ -0-

E. Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	3.25%-5.00%
Investment Rate of Return*	7.70%

* Net of pension plan investment expense

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

E. Actuarial Assumptions - (Continued)

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 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:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	<u>3.0%</u>	1.5%
Total	<u>100.0%</u>	

* Includes assumed rate of inflation of 2.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

F. Discount Rate - (Continued)

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.

G. 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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increases <u>(8.70%)</u>
Board's Proportionate Share of Collective Net Pension Liability	\$ <u>62,947,000</u>	\$ <u>45,220,000</u>	\$ <u>30,226,000</u>

H. 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, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019 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, 2018 along with supporting schedules is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

A. 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.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

A. Plan Description - (Continued)

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

B. Benefits Provided

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

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

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

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

B. Benefits Provided - (Continued)

for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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.

C. Contributions

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

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

C. Contributions - (Continued)

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

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

At September 30, 2019, the Board reported a liability of \$40,519,390 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the Board's proportion was 0.493013%, which was an increase (decrease) of 0.020646% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized OPEB expense of \$2,464,121, with no special funding situations. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 762,856	\$ -0-
Changes of Assumptions	-0-	1,973,668
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-0-	217,103
Changes in Proportion and Differences between Employers' Contributions and Proportionate Share of Contributions	1,427,108	1,490,160
Employer Contributions Subsequent to the Measurement Date	<u>1,482,397</u>	<u>-0-</u>
Total	<u>\$ 3,672,361</u>	<u>\$ 3,680,931</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

\$1,482,397 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, 2020.

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

Year Ended September 30:

2020	\$	(511,538)
2021	\$	(511,538)
2022	\$	(511,538)
2023	\$	(462,798)
2024	\$	385,951
Thereafter	\$	120,494

E. 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 ¹	3.25% - 5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate at the Measurement Date	4.44%
Single Equivalent Interest Rate at the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00% Beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

¹Includes 3.00% wage inflation.

²Compounded annually, net of investment expense, and includes inflation.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

E. Actuarial Assumptions - (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, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

E. Actuarial Assumptions - (Continued)

Asset Class	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%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB No. 74) used to measure the total OPEB liability at September 30, 2017 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. 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, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% 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 2116. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

G. 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:

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

G. Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - (Continued)

	<u>1% Decrease</u> (6% decreasing to 3.75% for pre- Medicare and 4% decreasing to 3.75% for Medicare Eligible)	Current Healthcare <u>Trend Rate</u> (7% decreasing to 4.75% for pre- Medicare and 5% decreasing to 4.75% for Medicare Eligible)	<u>1% Increase</u> (8% decreasing to 5.75% for pre- Medicare and 6% decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	\$ 33,307,861	\$ 40,519,390	\$ 49,700,672

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.44%, 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:

	<u>1% Decrease</u> (3.44%)	Current Discount Rate (4.44%)	<u>1% Increase</u> (5.44%)
Net OPEB Liability	\$ 48,403,475	\$ 40,519,390	\$ 34,159,741

H. 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, 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS:

A. Long-Term Obligation Activity

Long-term liability balances and activities for the year ended September 30, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments & Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
2012 Series Warrants	\$ 7,495,000	\$ -0-	\$ 450,000	\$ 7,045,000	\$ 460,000
2015 Series Warrants	1,805,000	-0-	850,000	955,000	470,000
Unamortized Discount/Premiums	<u>400,176</u>	<u>-0-</u>	<u>60,651</u>	<u>339,525</u>	<u>60,651</u>
Total Governmental Activities	<u>9,700,176</u>	<u>-0-</u>	<u>1,360,651</u>	<u>8,339,525</u>	<u>990,651</u>
<u>Other Liabilities:</u>					
Capital Lease - Desktop Computers	3,420	-0-	3,420	-0-	-0-
Capital Lease - Desktop Computers	58,847	-0-	50,768	8,079	8,079
Capital Lease - Laptops and Chromebooks	42,726	-0-	42,726	-0-	-0-
Capital Lease - Desktop Computers	134,658	-0-	113,529	21,129	21,129
Capital Lease - Laptops and Chromebooks	12,358	-0-	5,578	6,780	5,849
Capital Lease - Desktop Computers	139,777	-0-	42,278	97,499	44,094
Capital Lease - Laptops and Chromebooks	289,908	-0-	132,762	157,146	139,815
Net Pension Liabilities	49,274,000	-0-	4,054,000	45,220,000	-0-
Net OPEB Liabilities	<u>35,084,723</u>	<u>5,434,667</u>	<u>-0-</u>	<u>40,519,390</u>	<u>-0-</u>
Total Other Liabilities	<u>85,040,417</u>	<u>5,434,667</u>	<u>4,445,061</u>	<u>86,030,023</u>	<u>218,966</u>
Governmental Activities Long-Term Liabilities	<u>\$ 94,740,593</u>	<u>\$ 5,434,667</u>	<u>\$ 5,805,712</u>	<u>\$ 94,369,548</u>	<u>\$ 1,209,617</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (CONTINUED):

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2019 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 930,000	\$ 211,425	\$ 1,141,425
2021	960,000	183,075	1,143,075
2022	490,000	161,325	651,325
2023	505,000	148,925	653,925
2024	515,000	138,725	653,725
2025-2029	2,740,000	517,950	3,257,950
2030-2032	<u>1,860,000</u>	<u>135,000</u>	<u>1,995,000</u>
Totals	<u>\$ 8,000,000</u>	<u>\$ 1,496,425</u>	<u>\$ 9,496,425</u>

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (CONTINUED):

C. Bond Issuance Costs, Premiums, and Discounts

For warrants (bonds) and other long-term debt issued after October 1, 2002, the related debt issuance costs, premiums, and discounts are amortized using the straight-line method over the life of the debt in the government-wide statements.

	<u>Issuance Costs</u>	<u>Premiums</u>	<u>Discounts</u>
Series 2012, Capital Outlay			
Warrants (at issuance)	\$ -0-	\$ 421,450	\$ -0-
Amount Amortized in Prior Years	<u>-0-</u>	<u>118,871</u>	<u>-0-</u>
Unamortized Amount	-0-	302,579	-0-
Current Year Amortization	<u>-0-</u>	<u>21,613</u>	<u>-0-</u>
Unamortized Amount - End of Fiscal Year	<u>\$ -0-</u>	<u>\$ 280,966</u>	<u>\$ -0-</u>
Series 2015, Capital Outlay			
Warrants (at issuance)	\$ -0-	\$ 195,193	\$ -0-
Amount Amortized in Prior Years	<u>-0-</u>	<u>97,596</u>	<u>-0-</u>
Unamortized Amount	-0-	97,597	-0-
Current Year Amortization	<u>-0-</u>	<u>39,038</u>	<u>-0-</u>
Unamortized Amount - End of Fiscal Year	<u>\$ -0-</u>	<u>\$ 58,559</u>	<u>\$ -0-</u>

D. Lease Obligations

Operating Leases

The Board is committed under various leases for office equipment. These leases are considered for accounting purposes to be operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected as part of the Board's capital assets. The Board has no non-cancelable operating leases. Lease expenditures for the year ended September 30, 2019 amounted to \$107,292.

Capital Leases

The Board has entered into lease agreements as lessee for financing the acquisition of laptops, chromebooks, and desktop computers. The leased equipment qualified as a capital lease for accounting purposes (title transfers at the end of the lease terms) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The equipment is classified as non-capitalized equipment, and as such, is not included in the general fixed assets.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (CONTINUED):

D. Lease Obligations - (Continued)

Capital Leases - (Continued)

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2019:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Total</u>
2020	\$ 233,390
2021	67,354
2022	<u>7,627</u>
	308,371
Less: Amount Representing Interest	<u>17,738</u>
Present Value of Future Minimum Lease Payments	<u>\$ 290,633</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 11 - INTERFUND BALANCES AND ACTIVITY:

Interfund receivables and payables for the fiscal year ended September 30, 2019 were as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -0-	\$ 88,680	\$ -0-	\$ 88,680
Special Revenue Fund	241,074	1,569	-0-	242,643
Other Governmental Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$ 241,074</u>	<u>\$ 90,249</u>	<u>\$ -0-</u>	<u>\$ 331,323</u>

Interfund transfers for the fiscal year ended September 30, 2019 consist of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -0-	\$ 1,166,690	\$ 964,006	\$ 2,130,696
Special Revenue Fund	841,696	1,132,146	-0-	1,973,842
Other Governmental Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$ 841,696</u>	<u>\$ 2,298,836</u>	<u>\$ 964,006</u>	<u>\$ 4,104,538</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the general fund to the debt service funds to service current-year debt requirements.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 12 - RISK MANAGEMENT:

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds, fleet insurance, buildings and contents. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

NOTE 13 - CONTINGENT LIABILITIES:

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 14 - COMMISSIONS, MAP AND APPRAISAL COSTS:

Commissions, county commission expense, current use interest (per count order), homestead exemptions, and various other costs of the Board were deducted from current years' taxes by the taxing authorities before they were remitted to the Board. The costs are excluded from the revenues in the financial statements as prescribed by the State Department of Education. They are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Commissions</u>	<u>Map and Appraisal</u>	<u>Commissions</u>	<u>Map and Appraisal</u>
<u>District Tax</u>				
5.7 Mills Tax	\$ -0-	\$ 58,124	\$ -0-	\$ 53,066
18.5 Mills Tax	458,616	181,113	442,083	165,345
9.9 Mills Tax	245,422	96,918	236,574	88,480
10.6 Mills Tax	65,769	105,934	63,399	96,683
<u>County Wide</u>				
Regular 8.2 Mills Tax	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Totals	\$ <u>769,807*</u>	\$ <u>442,089*</u>	\$ <u>742,056*</u>	\$ <u>403,574*</u>

* 8.2 Commissions and map and appraisal were not provided on the confirmation from the tax collector.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Board's Proportion of the Net Pension Liability	0.454814%	0.501340%	0.514470%	0.504790%	0.495010%	Not Available	Not Available	Not Available	Not Available	Not Available
Board's Proportionate Share of the Net Pension Liability	\$ 45,220,000	\$ 49,274,000	\$ 54,287,000	\$ 52,830,000	\$ 44,970,000					
Board's Covered-Employee Payroll during the Measurement Period (*)	\$ 33,301,586	\$ 33,252,268	\$ 31,934,052	\$ 31,815,554	\$ 31,490,446					
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	135.789328%	148.182374%	169.997218%	166.050857%	142.805218%					
Plan Fiduciary Net Position as a Percentage of the Total Collective Pension Liability	72.290000%	71.500000%	67.930000%	67.510000%	71.010000%					

(*) The employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For the fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

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

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contributions	\$ 4,227,937	\$ 3,986,995	\$ 3,921,440	\$ 3,763,577	\$ 3,724,828	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions in Relation to the Contractually Required Contributions	<u>4,227,937</u>	<u>3,986,995</u>	<u>3,921,440</u>	<u>3,763,577</u>	<u>3,724,828</u>					
Contribution Deficiency (Excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>					
Board's Covered-Employee Payroll	\$ 34,827,195	\$ 28,471,277	\$ 27,435,342	\$ 25,859,085	\$ 26,570,896					
Contributions as a Percentage of Covered-Employee Payroll	12.139757%	14.003569%	14.293388%	14.554177%	14.018451%					

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

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEARS ENDED SEPTEMBER 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Board's Proportion of the Net OPEB Liability	0.493013%	0.472367%	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Board's Proportionate Share of the Net OPEB Liability	\$ 40,519,390	\$ 35,084,723								
Board's Covered-Employee Payroll during the Measurement Period (*)	\$ 33,052,970	\$ 33,019,020								
Board's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered-Employee Payroll	122.589256%	106.256100%								
Plan Fiduciary Net Pension as a Percentage of the Total Collective OPEB Liability	14.810000%	15.370000%								

(*) The employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For the fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

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

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S CONTRIBUTIONS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEARS ENDED SEPTEMBER 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 1,482,397	\$ 1,198,069	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions in Relation to the Contractually Required Contributions	<u>1,482,397</u>	<u>1,198,069</u>								
Contribution Deficiency (Excess)	\$ <u>-0-</u>	\$ <u>-0-</u>								
Board's Covered-Employee Payroll	\$ 34,621,586	\$ 33,052,970								
Contributions as a Percentage of Covered-Employee Payroll	4.281713%	3.624694%								

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

MOUNTAIN BROOK CITY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 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 contributions 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	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
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	2021 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Revenues</u>					
State Sources	\$ 20,407,267.00	\$ 20,454,870.00	\$ 21,680,556.84	\$ 0.00	\$ 21,680,556.84
Federal Sources	0.00	0.00	0.00	0.00	0.00
Local Sources	33,172,385.08	33,172,385.08	34,804,688.05	72,716.36	34,877,404.41
Other Sources	<u>14,250.00</u>	<u>14,250.00</u>	<u>54,504.52</u>	<u>0.00</u>	<u>54,504.52</u>
Total Revenues	<u>53,593,902.08</u>	<u>53,641,505.08</u>	<u>56,539,749.41</u>	<u>72,716.36</u>	<u>56,612,465.77</u>
<u>Expenditures</u>					
Instructional Services	33,847,327.00	33,970,811.30	34,051,878.87	398,683.94	34,450,562.81
Instructional					
Support Services	9,691,602.00	9,538,949.70	10,138,716.92	(41,823.76)	10,096,893.16
Operation and Maintenance	5,547,967.00	5,547,967.00	5,551,035.32	106,812.88	5,657,848.20
Student Transportation	246,557.00	248,457.00	225,267.49	268.81	225,536.30
Food Service	0.00	0.00	1,669.29	0.00	1,669.29
General					
Administrative Services	2,438,793.00	2,506,964.00	2,705,687.31	109,201.50	2,814,888.81
Other Expenditures	784,636.00	791,336.00	945,032.08	3,609.69	948,641.77
Capital Outlay	500,000.00	500,000.00	1,160,244.00	0.00	1,160,244.00
Debt Services:					
Principal Retirement	0.00	0.00	391,061.18	0.00	391,061.18
Interest and Fiscal Charges	0.00	0.00	34,386.22	0.00	34,386.22
Debt Issuance Costs/					
Other Debt Service	<u>0.00</u>	<u>0.00</u>	<u>3,162.00</u>	<u>0.00</u>	<u>3,162.00</u>
Total Expenditures	<u>53,056,882.00</u>	<u>53,104,485.00</u>	<u>55,208,140.68</u>	<u>576,753.06</u>	<u>55,784,893.74</u>
Excess (Deficiency) of					
Revenues Over Expenditures	<u>537,020.08</u>	<u>537,020.08</u>	<u>1,331,608.73</u>	<u>(504,036.70)</u>	<u>827,572.03</u>

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND - (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Other Financing</u>					
<u>Sources (Uses)</u>					
Transfers In	\$ 1,410,263.35	\$ 1,410,263.35	\$ 841,695.69	\$ 0.00	\$ 841,695.69
Other Financing Sources	0.00	0.00	15,908.31	0.00	15,908.31
Transfers Out	<u>(2,313,966.86)</u>	<u>(4,018,529.86)</u>	<u>(2,130,696.25)</u>	<u>0.00</u>	<u>(2,130,696.25)</u>
Total Other Financing Sources (Uses)	<u>(903,703.51)</u>	<u>(2,608,266.51)</u>	<u>(1,273,092.25)</u>	<u>0.00</u>	<u>(1,273,092.25)</u>
Net Changes in Fund Balances	(366,683.43)	(2,071,246.43)	58,516.48	(504,036.70)	(445,520.22)
Fund Balances					
- Beginning of Year	<u>14,855,592.12</u>	<u>15,222,638.60</u>	<u>15,222,638.60</u>	<u>(5,460,872.52)</u>	<u>9,761,766.08</u>
Fund Balances					
- End of Year	<u>\$ 14,488,908.69</u>	<u>\$ 13,151,392.17</u>	<u>\$ 15,281,155.08</u>	<u>\$ (5,964,909.22)</u>	<u>\$ 9,316,245.86</u>

Explanation of Differences

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

\$ (504,036.70)

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - SPECIAL REVENUE FUND

YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Revenues</u>					
State Sources	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Federal Sources	943,262.00	943,262.00	944,037.60	0.00	944,037.60
Local Sources	7,537,664.81	7,537,664.81	8,360,364.02	0.00	8,360,364.02
Other Sources	<u>0.00</u>	<u>0.00</u>	<u>13,898.31</u>	<u>0.00</u>	<u>13,898.31</u>
Total Revenues	<u>8,480,926.81</u>	<u>8,480,926.81</u>	<u>9,318,299.93</u>	<u>0.00</u>	<u>9,318,299.93</u>
<u>Expenditures</u>					
Instructional Services	3,690,090.28	3,690,090.28	4,013,026.72	16,580.36	4,029,607.08
Instructional					
Support Services	1,545,301.50	1,544,451.50	1,518,671.04	(3,479.26)	1,515,191.78
Operation and Maintenance	131,364.60	130,260.60	167,623.49	0.00	167,623.49
Student Transportation	28,110.24	28,110.24	33,728.72	0.00	33,728.72
Food Service	2,070,759.00	2,072,713.00	2,272,432.66	11,952.52	2,284,385.18
General					
Administrative Services	0.00	0.00	3,390.50	0.00	3,390.50
Other Expenditures	998,255.43	998,255.43	1,098,519.88	0.00	1,098,519.88
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Debt Services	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>8,463,881.05</u>	<u>8,463,881.05</u>	<u>9,107,393.01</u>	<u>25,053.62</u>	<u>9,132,446.63</u>
Excess (Deficiency) of					
Revenues Over Expenditures	<u>17,045.76</u>	<u>17,045.76</u>	<u>210,906.92</u>	<u>(25,053.62)</u>	<u>185,853.30</u>

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Other Financing</u>					
<u>Sources (Uses)</u>					
Transfers In	\$ 2,194,308.02	\$ 2,194,308.02	\$ 2,298,835.81	\$ 0.00	\$ 2,298,835.81
Other Financing Sources	0.00	0.00	199.89	0.00	199.89
Transfers Out	<u>(2,445,820.51)</u>	<u>(2,445,820.51)</u>	<u>(1,973,841.29)</u>	<u>0.00</u>	<u>(1,973,841.29)</u>
Total Other Financing Sources (Uses)	<u>(251,512.49)</u>	<u>(251,512.49)</u>	<u>325,194.41</u>	<u>0.00</u>	<u>325,194.41</u>
Net Changes in Fund Balances	(234,466.73)	(234,466.73)	536,101.33	(25,053.62)	511,047.71
Fund Balances					
- Beginning of Year	<u>6,204,586.46</u>	<u>4,819,825.83</u>	<u>4,812,325.83</u>	<u>(190,428.21)</u>	<u>4,621,897.62</u>
Fund Balances					
- End of Year	<u>\$ 5,970,119.73</u>	<u>\$ 4,585,359.10</u>	<u>\$ 5,348,427.16</u>	<u>\$ (215,481.83)</u>	<u>\$ 5,132,945.33</u>

Explanation of Differences

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

\$ (25,053.62)

MOUNTAIN BROOK CITY BOARD OF EDUCATION

NOTE TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2019

**Note A - Explanation of Differences between Budgetary
Inflows and Outflows and GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) available for appropriation shown as total revenues on the Budgetary Comparison Schedule	\$ 56,539,749.41	\$ 9,318,299.93
<i>Differences - Budget to GAAP:</i>		
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	<u>72,716.36</u>	<u>0.00</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u>56,612,465.77</u>	\$ <u>9,318,299.93</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) available for expenditures shown as total expenditures on the Budgetary Comparison Schedule	\$ 55,208,140.68	\$ 9,107,393.01
<i>Differences - Budget to GAAP:</i>		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported expenditures on the financial statements.	<u>576,753.06</u>	<u>25,053.62</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u>55,784,893.74</u>	\$ <u>9,132,446.63</u>

SUPPLEMENTARY INFORMATION

MOUNTAIN BROOK CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education Cluster:				
Special Education Grants to States - FY 19	84.027	CLB175	\$ 807,708.00	\$ 807,708.00
Special Education Grants to States - FY 19	84.027	CLB175	775.60	775.60
Special Education Preschool Grants - FY 19	84.173	CLB175	<u>18,630.00</u>	<u>18,630.00</u>
Subtotal Special Education Cluster (M)			<u>827,113.60</u>	<u>827,113.60</u>
Vocational Education Basic Grants to States - FY 19	84.048	CLB175	31,518.00	31,518.00
Student Support and Academic Enrichment Program - FY 19	84.424	CLB175	10,000.00	10,000.00
Title II - Part A - Teacher Training - FY 19	84.367	CLB175	<u>75,406.00</u>	<u>75,406.00</u>
Total U. S. Department of Education			<u>944,037.60</u>	<u>944,037.60</u>
Total Federal Awards			<u>\$ 944,037.60</u>	<u>\$ 944,037.60</u>

(M) - Major Program

The accompanying notes are an integral part of this schedule.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Mountain Brook City Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Mountain Brook City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Mountain Brook City Board of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

To the Members of the
Mountain Brook City Board of Education
Mountain Brook, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mountain Brook City Board of Education, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Mountain Brook City Board of Education's basic financial statements, and have issued our report thereon dated February 8, 2020.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountain Brook 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.

POTTER, BRYANT, & MOORE, P. C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 8, 2020

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

To the Members of the
Mountain Brook City Board of Education
Mountain Brook, Alabama

Report on Compliance for Each Major Federal Program

We have audited Mountain Brook 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 Mountain Brook City Board of Education's major federal programs for the year ended September 30, 2019. Mountain Brook City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, Mountain Brook City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Mountain Brook 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 Mountain Brook 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, 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 Mountain Brook City Board of Education's internal control over compliance.

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

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

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

POTTER, BRYANT, & MOORE, P. C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 8, 2020

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019

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
Reportable condition(s) identified not
considered to be material weaknesses? 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
Reportable condition(s) identified not
considered to be material weaknesses? 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 (a)? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes no

Section II - Financial Statement Findings

There were no matters to be reported.

Section III - Federal Award Findings and Questioned Costs

There were no matters to be reported.

ADDITIONAL INFORMATION

POTTER, BRYANT, & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. MOORE, C.P.A.
GEOFFREY R. BRYANT, C.P.A.

234 AQUARIUS DRIVE, SUITE 109
BIRMINGHAM, ALABAMA 35209
TELEPHONE 205/323-5206
FAX 205/323-5021
EMAIL: INFO@PBMCPA.NET

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Members of the
Mountain Brook City Board of Education
Mountain Brook, Alabama

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mountain Brook Board of Education's basic financial statements. The additional information contained on pages 75 through 80 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information has not been subjected to the auditing procedures applied in the audit of the Mountain Brook Board of Education's financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

POTTER, BRYANT, & MOORE, P. C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 8, 2020

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF DEBT SERVICE

SPECIAL TAX SCHOOL WARRANTS, SERIES 2012, DATED NOVEMBER 14, 2012
SEPTEMBER 30, 2019

Year	Due March 1 st			Due	Total Debt Service
	Principal	Interest	Total	September 1 st Interest	
2020	\$ 460,000.00	\$ 98,362.50	\$ 558,362.50	\$ 91,462.50	\$ 649,825.00
2021	475,000.00	91,462.50	566,462.50	84,337.50	650,800.00
2022	490,000.00	84,337.50	574,337.50	76,987.50	651,325.00
2023	505,000.00	76,987.50	581,987.50	71,937.50	653,925.00
2024	515,000.00	71,937.50	586,937.50	66,787.50	653,725.00
2025	525,000.00	66,787.25	591,787.25	61,275.25	653,062.50
2026	535,000.00	61,275.00	596,275.00	55,256.25	651,531.25
2027	545,000.00	55,256.25	600,256.25	49,125.00	649,381.25
2028	560,000.00	49,125.00	609,125.00	42,825.00	651,950.00
2029	575,000.00	42,825.00	617,825.00	34,200.00	652,025.00
2030	600,000.00	34,200.00	634,200.00	25,200.00	659,400.00
2031	615,000.00	25,200.00	640,200.00	12,900.00	653,100.00
2032	<u>645,000.00</u>	<u>12,900.00</u>	<u>657,900.00</u>	<u>0.00</u>	<u>657,900.00</u>
	<u>\$ 7,045,000.00</u>	<u>\$ 770,656.00</u>	<u>\$ 7,815,656.00</u>	<u>\$ 672,294.00</u>	<u>\$ 8,487,950.00</u>

Coverage for the Warrants:

The Series 2012 Warrants are all payable from the Special Tax (9.9 Mills)

Based on the proceeds from the Special Tax (9.9 Mills for the fiscal year that ended September 30, 2019, \$6,255,507.45 maximum annual debt service on the Warrants (\$659,400.00, being that for the fiscal year ended September 30, 2030) will be covered approximately 9.487 times, and the average debt service on the Warrants will be covered approximately 9.581 times.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF DEBT SERVICE

CAPITAL OUTLAY SCHOOL WARRANTS, SERIES 2015, DATED DECEMBER 22, 2015
SEPTEMBER 30, 2019

<u>Year</u>	<u>Due February 15th</u>			<u>Due</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>August 15th Interest</u>	
2020	\$ 470,000.00	\$ 14,325.00	\$ 484,325.00	\$ 7,275.00	\$ 491,600.00
2021	<u>485,000.00</u>	<u>7,275.00</u>	<u>492,275.00</u>	<u>0.00</u>	<u>492,275.00</u>
	<u>\$ 955,000.00</u>	<u>\$ 21,600.00</u>	<u>\$ 976,600.00</u>	<u>\$ 7,275.00</u>	<u>\$ 983,875.00</u>

Coverage for the Warrants:

The Series 2015 Warrants are all payable from the Special Tax (10.6 Mills).

Based on the proceeds from the Special Tax (10.6 Mills) for the fiscal year that ended September 30, 2019, \$6,835,247.53, maximum annual debt service on the Warrants (\$492,275.00, being that for the fiscal year ended September 30, 2021) will be covered approximately 13.885 times, and the average debt service on the Warrants will be covered approximately 13.895 times.

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF INSURANCE COVERAGE

SEPTEMBER 30, 2019

The Cincinnati Casualty Company

Policy #ETD0458293/B1248229

Coverage - Property:

Blanket Buildings	- \$	118,779,841
Business Contents	- \$	21,748,492
Blanket Business Income	- \$	500,000
Blanket Earthquake	- \$	9,887,977
Deductible	- \$	25,000
- Crime and Fidelity:		
Employee Dishonesty	- \$	500,000
Deductible	- \$	10,000
- Electronic Data Processing:		
Property Limit	- \$	2,199,605
Business Interruption	- \$	10,000
Deductible	- \$	5,000
- Business Auto Coverage:		
(8 Buses, 13 Vehicles, 1 Trailer)		
Liability	- \$	1,000,000
Medical Payments	- \$	1,000
Uninsured Motorists	- \$	100,000
- Excess Liability Coverage:		
Each Occurrence	- \$	2,000,000
Underlying Insurance		
- Automobile Limit	- \$	2,000,000
- Nurses Professional Liability:		
Each Medical Accident	- \$	1,000,000
Aggregate Amount	- \$	3,000,000
- Boiler and Machinery:		
Equipment Breakdown	- \$	20,000,000
Business Income	- \$	300,000
- Cyber Risk Liability:		
Response Expense	- \$	50,000
Defense and Liability	- \$	50,000
Identity Recovery	- \$	25,000

Policy Term - 10/01/18 to 10/01/19

Annual Premium - \$152,217

American Bankers Insurance Company

Policy #99048813412017

Coverage - Flood

- Building	- \$	500,000
- Contents	- \$	500,000
- Deductible	- \$	5,000

Policy Term - 10/30/18 to 10/30/19

Annual Premium - \$7,391

(Continued)

SCHEDULE OF INSURANCE COVERAGE - (CONTINUED)

Alabama Trust for Boards of Education

Coverage - General Liability/Errors and Omissions

Limits of Liability:

Errors and Omissions	- \$ 1,000,000 Per Claim
Errors and Omissions	- \$ 2,000,000 Aggregate
General Liability	- \$ 1,000,000 Per Claim
General Liability	- \$ 2,000,000 Aggregate
Sexual Misconduct and Harassment	- \$ 100,000 Per Claim
Sexual Misconduct and Harassment	- \$ 300,000 Per Aggregate
Deductible	- \$ 15,000

Policy Term - 09/01/19 to 09/01/20

Annual Premium - \$2,174

MOUNTAIN BROOK CITY BOARD OF EDUCATION

SCHEDULE OF FIDELITY BONDS

SEPTEMBER 30, 2019

Travelers Casualty and Surety Company of America

Policy #105271908

Coverage - Public Official Bond

Dr. Richard C. Barlow, Superintendent

- \$100,000

Policy Term - 07/01/19 to 07/01/20

Annual Premium - \$350

Travelers Casualty and Surety Company of America

Policy #106741917

Coverage - Public Official Bond

Kari B. Austin, Chief School Financial Officer

- \$100,000

Policy Term - 12/01/18 to 12/01/19

Annual Premium - \$350

Markel Insurance Company

Policy #4102AH283841-14

Coverage - Special Education

- \$250,000

Policy Term - 03/14/19 to 03/14/20

Annual Premium - \$350

MOUNTAIN BROOK CITY BOARD OF EDUCATION

ANALYSIS OF EXPENDITURES
GENERAL FUND AND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2019

	<u>Amount</u>	<u>Total</u>	<u>Percentage</u>
<u>Personal Services</u>			
Instructional Services	\$ 24,092,198.71		38.62%
Instructional Support Services	6,408,051.54		10.27%
Operation and Maintenance Services	1,730,465.58		2.77%
Auxiliary Services	947,755.35		1.52%
General Administrative Services	1,367,384.51		2.19%
Other Expenditures	<u>759,076.26</u>		<u>1.22%</u>
Total Personal Services		\$ 35,304,931.95	<u>56.59%</u>
<u>Employee Benefits</u>			
Employee Benefits		12,981,503.21	<u>20.81%</u>
<u>Other Expenditures</u>			
Instructional Services	4,539,739.07		7.28%
Instructional Support Services	2,382,442.66		3.82%
Operation and Maintenance Services	3,134,964.05		5.02%
Auxiliary Services	1,119,380.52		1.79%
General Administrative Services	893,256.66		1.43%
Capital Outlay	1,221,804.00		1.96%
Debt Service	3,162.00		0.01%
Other Expenditures	<u>807,952.02</u>		<u>1.29%</u>
Total Other Expenditures		<u>14,102,700.98</u>	<u>22.60%</u>
Total Expenditures		<u>\$ 62,389,136.14</u>	<u>100.00%</u>