

**BESSEMER CITY
BOARD OF EDUCATION,
BESSEMER, ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014
ANNUAL FINANCIAL REPORT**

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

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INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members
of the Bessemer City Board of Education
Bessemer, 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 Bessemer City Board of Education (the "Board"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer City Board of Education, as of September 30, 2014, 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 and budgetary comparison information on pages 3 through 9.1 and 43 through 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 Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of federal awards and schedule of state government appropriations are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Board's internal control over financial reporting and compliance.

The Principal & Associates

The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

May 28, 2015

BESSEMER CITY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Bessemer City Board of Education's (the "Board") provides an overview of the Board's financial activities for the fiscal year ended September 30, 2014. 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 new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

Financial Highlights: Significant Items to Note

Our financial statements provided these insights into the results of the year's operations:

- The assets of the Board exceeded its liabilities at the close of the 2014 fiscal year by \$64,190,409.
- General Fund unreserved fund balance was \$8,829,900 on September 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENT

As a result of the implementation of the GASB 34 reporting model, the financial section of this year's annual report for the Board consists of five parts:

- (1) management's discussion and analysis (this section)
- (2) the independent auditors' report
- (3) the basic financial statements
- (4) required supplementary information
- (5) other supplementary information.

The Board's basic financial statements are comprised of three components:

- (1) government-wide financial statements
- (2) fund financial statements
- (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 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, 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.

Operational Maintenance includes utilities, security services, janitorial services and maintenance services.

Auxiliary Service 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, assistant superintendent, clerical and financial staff, curriculum staff, and other personnel that provide system-wide support for 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 of 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 Assets 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 assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net assets 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 is most closely related to an income statement. It presents information showing the Board's net assets 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 assets 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 assets 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 new 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 in Exhibit #3. 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 new reporting model, the new *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 County Commission Appropriation 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 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 *Fund Financial Statements* are reconciled in these financial statements. These reconciliation's are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

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 statement, 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 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.

Financial Analysis of the Board as a Whole

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to Statement of Activities report when reading the following analysis of net assets.

BESSEMER CITY BOARD OF EDUCATION Summary of Net Assets As September 30, 2013 and 2014 (in millions)

	2013 Governmental Activities	2013 Percent of Total	2014 Governmental Activities	2014 Percent of Total
Current Assets	\$15.3	18.00	\$13.5	15.97
Capital Assets, Net	<u>71.4</u>	<u>82.00</u>	<u>71.0</u>	<u>84.03</u>
Total Assets	86.7	100.00	84.5	100.00
Current Liabilities	\$ 2.0	10.00	\$ 2.8	13.60
Non-current Liabilities	<u>18.6</u>	<u>90.00</u>	<u>17.5</u>	<u>86.40</u>
Total Liabilities	20.6	100.00	20.3	100.00
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$52.8	80.00	\$53.5	75.97
Unrestricted	<u>13.3</u>	<u>20.00</u>	<u>10.7</u>	<u>24.03</u>
Total Net Assets	<u>66.1</u>	<u>100.00</u>	<u>64.2</u>	<u>100.00</u>

The Board's assets exceeded liabilities by \$64,190,409 at the close of the fiscal year.

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

BESSEMER CITY BOARD OF EDUCATION
Changes in Net Assets

	Governmental Activities	
	2013	2014
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 3,306,700	\$ 3,482,346
Operating grants and contributions	25,964,009	26,372,461
Capital grants and contributions	1,139,982	1,139,413
General revenues		
Property taxes for General Purposes	9,137,568	8,782,397
Other Taxes	88,641	88,139
Grants and Contributions (Not Restricted for Specific Purpose)	51,455	888,101
Investment Earnings	28,091	41,043
Miscellaneous	1,820,210	2,102,173
Net loss on disposition/sale of capital assets	0	(181,962)
Total Revenues	<u>\$41,536,666</u>	<u>\$41,246,220</u>
 Expenses		
Instruction Services	22,495,508	22,342,299
Instruction Support Service	6,933,522	7,519,439
Operation & Maintenance	3,738,659	5,372,215
Auxiliary Services:		
Transportation	2,069,808	1,858,974
Food Services	3,588,896	3,647,632
General Administration and Central Support	2,095,000	2,137,488
Interest and Fiscal Charges	754,571	702,090
Other	611,619	1,011,182
Total expenses	<u>42,287,584</u>	<u>44,591,320</u>
 Excess (deficiency) before Extraordinary and Special Item	<u>(750,928)</u>	<u>0</u>
 Net assets, beginning	66,524,315	66,072,618
Restatement	299,231	
Net assets, ending	<u>\$66,072,618</u>	<u>64,190,409</u>

The Board's net assets decreased by \$1,882,209 during the fiscal year 2014.

Government Activities –the cost of services rendered from the Board's governmental activities for the year ended September 30, 2014 was \$44,591,320.

Table 3 is a condensed statement taken from the Statement of Activities showing the total cost for providing identified services for five 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 citizen to consider the cost of each program in comparison to the benefits they believe are provided.

***Net Cost of Government Activities
Fiscal year Ended September 30, 2014
(In Millions)***

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>
Instructional Services	\$22.5	\$22.3	(\$3.5)	(\$4.2)
Instructional Support Services	6.9	7.5	(\$1.7)	(\$1.8)
Operation & Maintenance	3.7	5.4	(\$2.9)	(\$4.3)
Auxiliary Services				
Transportation	2.0	1.9	(\$0.9)	(\$0.5)
Food Services	3.6	3.6	(\$0.9)	(\$0.7)
General Administration and Central Support	2.1	2.1	(\$1.6)	(\$1.5)
Interest and Fiscal Charges	0.8	0.7	(\$0.8)	(\$0.7)
Other	<u>0.6</u>	<u>1.1</u>	<u>\$0.4</u>	<u>\$0.1</u>
Total Expenses	42.2	44.6	(\$11.4)	(\$13.6)

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$13,490,231.

General Fund – The general fund is the primary operating fund of the Board which had a \$254,032 decrease net change in the fund balance.

County Commission Appropriation Fund – The county commission appropriation fund was generated from a one-cent sales tax initiative from 2004. These funds are restricted for the purchasing, building and/or renovations of schools or technology improvements. The fund had a balance of \$2,102,338 at the end of September 30, 2009.

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 required this budget to be submitted by September 15th of each year. The original budget was adopted on September 12, 2013. On June 12, 2014, the Board revised the annual budget to include many federal grants and state allocations that were not available at the time of the original budget approval.

Capital Assets and Debt Administration

Capital Assets – At September 30, 2014, the Board had approximately \$71,003,666 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date.

Note 6:: Capital Assets

	Governmental Activities September 30,	
	2013	2014
Capital assets not being depreciated:		
Land	\$3,298,605	\$ 3,286,311
Construction in Progress	<u>1,489,072</u>	<u>0</u>
Total capital assets not being depreciated	4,787,667	3,286,311
Capital assets being depreciated:		
Land improvements	801,775	801,775
Building	66,111,787	78,595,264
Building Improvements	2,219,703	5,836,842
Equipment and Furniture	2,387,006	2,446,142
Vehicles	2,914,334	2,939,013
Buildings Under Capital Leases	14,645,000	0
Equipment Under Capital Leases	<u>595,756</u>	<u>595,756</u>
Total Capital Assets, being depreciated	89,675,361	91,214,792
Total Accumulated Depreciation	<u>(23,044,069)</u>	<u>(23,497,437)</u>
Total Capital Assets Being Depreciated, net	66,631,292	67,717,355
Total Governmental Activities Capital Assets, net	\$ 71,418,969	\$71,003,666
Depreciation expense was charged to governmental functions as follows:		
Instruction		\$1,836,769
Instructional support		26,771
Operation and maintenance		26,119
Auxiliary services:		
Food Service		70,424
Transportation		238,308
General Administrative		<u>3,094</u>
Total governmental activities depreciation expenses		\$2,204,551

Long-Term Debt – At year-end, the Board had \$16,108,614 in long-term liabilities. The following is a summary of long-term debt transactions for the year ended September 30, 2014:

Outstanding Long-Term Debt

Governmental Activities
For the Year Ended September 30, 2014

	Beginning		Ending	Amounts
	Balance	Net change	Balance	Due Within
Warrants				One Year
PSCA Capital Pool Warrants, Series 2008	\$ 3,769,414	(189,429)	3,579,985	195,977
School Tax Warrants, Series 2011	9,985,000	(95,000)	9,890,000	100,000
School Tax Warrants, Series 2012-A	1,865,000	(455,000)	1,410,000	460,000
School Tax Warrants, Series 2012-B	1,365,975	(130,772)	1,235,203	145,462
Unamortized discount	\$(167,079)	(9,828)	(157,251)	-
Unamortized premium	57,267	3,601	53,666	-
Total warrants payable	16,875,577	(863,974)	4,499,251	901,439
Capital Lease				
Regions	262,574	63,112	199,462	65,512
Municipal Assets	1,465,850	141,836	1,324,014	150,889
Total Capital Lease	1,728,424	204,948	1,523,476	216,402
Total Long-Term Debt	\$18,604,001	\$1,068,921	\$17,535,080	1,117,841

Economic Factors and Next Year's Budget

Because most of the Bessemer Board of Education's funding comes from state (58%), two factors must be taken into consideration: local property tax and student attendance during the first 20 days of the school year after Labor Day. There was a decline of 86 students in the Average Daily Membership (ADM) for fiscal year 2014 which resulted in a loss of 16.73 Foundation Units and \$193,538 in state funding. The system has experience a net loss of 577 students since school year 2012.

The board has decided to implement a One to One Computer Initiative whereas all students will be provided with a laptop or hand held device. The total program will take from three to four years to initiate as three to four grade levels will be implemented each year until all grades have a device. It is anticipated to cost approximately \$500,000 to \$750,000 to implement and maintain on an annual basis. This project will be primarily funded with anticipated tax revenues from the Jefferson County Commission issuance of the refunding warrant of the one cent education sales tax. The Bessemer City Board of Education is anticipating an annual distribution ranging from \$630,000 to \$750,000 depending on the length of refunding the warrants.

The board will also be conducting three school building improvement projects with anticipated of cost of \$800,000 and the costs will be funded by General Fund reserve account, in addition to the rebuilding of the Transportation (Bus) building which will be funded through insurance payments. On September 30, 2014, the Bessemer City School System ended the fiscal year based on the modified accrual basis accounting with 4.39 months of operating fund exceeding the one month reserve as required by the Alabama State Department of Education.

Student Enrollment - The latest average daily membership (ADM) as of the twenty days after Labor Day Report for the 2014-2015 school years is 3,978 which indicate a decrease in ADM of 30 students.

School Year	ADM	Increase/(Decrease)	Fiscal Year
2014 – 2015	3,978	(30)	2015 - 2016
2013– 2014	4,008	(86)	2014 - 2015
2012 – 2013	4,094	(317)	2013 - 2014
2011 – 2012	4,411	(144)	2012 - 2013
2010 – 2011	4,555	28	2011 - 2012
2009 – 2010	4,527	147	2010 - 2011
2008 – 2009	4,380	93	2009 - 2010

Contacting the Board’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board’s finances and to show the Board’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Willie Davis, Chief School Financial Officer at 205-432-3030 (email: wdavis@bessk12.org) or Dr. Fred D. Primm, Jr., Superintendent at 205-432-3001 (email: mfooster@bessk12.org). Our physical address is: 1621 5th Avenue North, Bessemer, AL 35020.

BASIC FINANCIAL STATEMENTS

**BESSEMER BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 11,574,644
Receivables	1,823,845
Inventories	91,742
Capital assets not being depreciated:	
Land	3,286,311
Capital assets net of accumulated depreciation:	
Buildings and Improvements	65,079,608
Equipment	2,637,747
	<hr/>
Total Assets	84,493,897
	<hr/>
LIABILITIES	
Account payable and other current liabilities	135,989
Accrued payroll and related liabilities	2,537,623
Accrued interest payable	94,796
Noncurrent Liabilities:	
Due within One Year	1,117,841
Due in more than One Year	16,417,239
	<hr/>
Total Liabilities	20,303,488
	<hr/>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	53,468,586
Unrestricted	10,721,823
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Total Net Position	64,190,409
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See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Governmental Activities			
	Program Revenues			Net (Expense) and Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Instructional services	\$ 22,342,299	\$ 366,122	\$ 17,152,726	\$ 645,354
Instructional support and services	7,519,439	18,856	5,619,101	
Operation and maintenance services	5,372,215	45,197	861,998	156,748
Student transportation services	1,858,974	71,174	1,133,238	186,000
Food services	3,647,632	2,693,152	246,450	
General and administrative service	2,137,488	8,879	487,007	151,311
Interest and fiscal charges	702,090			
Other	1,011,182	278,966	871,941	
Total Government Activities	\$ 44,591,320	\$ 3,482,346	\$ 26,372,461	\$ 1,139,413
				\$ (4,178,097)
				(1,881,482)
				(4,308,272)
				(468,562)
				(708,030)
				(1,490,291)
				(702,090)
				139,726
				\$ (13,597,100)
General Revenues				
Property Taxes				\$ 8,782,397
Other Taxes				88,139
Grants and contributions not restricted for specific programs				883,101
Investment Earnings				41,043
Other general revenues				2,102,173
Net loss on disposition/sale of capital assets				(181,962)
Total General Revenues				11,714,891
Change in Net Position				(1,882,209)
Net Position -Beginning				66,072,618
Net Position - Ending				\$ 64,190,409

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Food and Nutrition Fund	Debt Services Fund	Bond Issue Payments Fund	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 10,515,419	\$ 302,286	\$ 4	\$ -	\$ 756,935	\$ 11,574,644
Receivables						
Accounts	-	-	-			-
Intergovernmental	843,700	641,681	-		338,464	1,823,845
Due from other funds	-	-	-			-
Inventory	-	91,742	-		-	91,742
Prepays	-	-	-			-
Total Assets	<u>11,359,119</u>	<u>1,035,709</u>	<u>4</u>	<u>-</u>	<u>1,095,398</u>	<u>13,490,231</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and other liabilities	132,653	-	-		3,336	135,989
Accrued payroll and related liabilities	2,396,566	141,057	-		-	2,537,623
Due to other funds	-	-	-			-
Deferred revenue	-	-	-			-
Total Liabilities	<u>2,529,219</u>	<u>141,057</u>	<u>-</u>	<u>-</u>	<u>3,336</u>	<u>2,673,612</u>
Fund Balances						
Nonspendable:						
Inventories	-	91,742	-	-		91,742
Restricted for:						
Special revenue		802,910	-		455,347	1,258,257
Committed to:						
Debt Service			4			4
Capital Projects				-	636,715	636,715
Unassigned (deficit)	8,829,900	-	-			8,829,900
Total Fund Balance	<u>8,829,900</u>	<u>894,652</u>	<u>4</u>	<u>-</u>	<u>1,092,062</u>	<u>10,816,619</u>
Total Liabilities and Fund Balances	<u>\$ 11,359,119</u>	<u>\$ 1,035,709</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,095,398</u>	<u>\$ 13,490,231</u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances-governmental funds		\$ 10,816,619
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		71,003,666
Net Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds were:		
Warrants payable	16,011,603	
Capital lease payable	<u>1,523,476</u>	
Total long-term liabilities		(17,535,079)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due		<u>(94,796)</u>
Net assets of governmental activities		<u><u>\$ 64,190,409</u></u>

See independent auditors' report and notes to financial statements.

BESSEMER BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Food and Nutrition Fund</u>	<u>Debt Services Fund</u>	<u>Bond Issue Payments Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES:						
State sources	\$ 21,050,304	\$ -	\$ -	\$ 339,667	\$ 799,746	\$ 22,189,717
Federal sources	447,599	2,968,562	-		4,697,866	8,114,027
Local sources	8,931,262	216,326	910,628		848,532	10,906,748
Other sources	387,455	91,935	-		534,060	1,013,450
Total Revenues	<u>30,816,620</u>	<u>3,276,823</u>	<u>910,628</u>	<u>339,667</u>	<u>6,880,203</u>	<u>42,223,942</u>
EXPENDITURES:						
Current operations:						
Instructional services	17,650,378	-	-		2,855,152	20,505,530
Instructional support and services	6,088,416	-	-		1,404,252	7,492,668
Operation and maintenance services	3,883,471	31,919	-	1,241,285	189,421	5,346,096
Student transportation services	1,577,451	-	-		43,215	1,620,666
Food		3,577,208	-			3,577,208
General and administrative services	1,548,238		-		586,156	2,134,394
Other	294,600	366,795	-		346,721	1,008,116
Capital Outlay	32,852	-	-	1,219,083	823,463	2,075,398
Debt Service:						
Principal	-		555,000	195,656	324,492	1,075,148
Interest and Fiscal Charges			355,631	144,011	101,425	601,067
Total Expenditures	<u>31,075,406</u>	<u>3,975,922</u>	<u>910,631</u>	<u>2,800,035</u>	<u>6,674,297</u>	<u>45,436,291</u>
Excess of Revenues Over (Under) Expenditures	<u>(258,786)</u>	<u>(699,099)</u>	<u>(3)</u>	<u>(2,460,368)</u>	<u>205,906</u>	<u>(3,212,350)</u>
OTHER FINANCING SOURECES (USES)						
Indirect cost reimbursement	366,791					366,791
Transfers in		662,377			-	662,377
Transfers out	(662,377)	-	-		-	(662,377)
Other	300,340		-			300,340
Total other financing Sources (Uses)	<u>4,754</u>	<u>662,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,131</u>
Net Change in Fund Balances	<u>(254,032)</u>	<u>(36,722)</u>	<u>(3)</u>	<u>(2,460,368)</u>	<u>205,906</u>	<u>(2,545,219)</u>
Fund Balance -Beginning	<u>9,083,932</u>	<u>931,374</u>	<u>7</u>	<u>2,460,368</u>	<u>886,156</u>	<u>13,361,837</u>
Fund Balance - Ending	<u>\$ 8,829,900</u>	<u>\$ 894,652</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,092,062</u>	<u>\$ 10,816,619</u>

See independent auditors' report and notes to financial statements.

**LANETT CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances-total governmental funds	\$ (2,545,219)
--	----------------

Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Position.	2,075,398
--	-----------

Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities	(2,204,551)
--	-------------

Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:

Warrants Payable	870,201
Capital Leases	204,948
	1,075,149

Total Repayments	1,075,149
------------------	-----------

The issuance of long-term debt(e.g., warrants, bonds, and leases) provides current financial resources to government funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds.

Debt discounts/issuance cost are reported in governmental funds as other financing uses/expenditures. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities..

Debt discounts amortization expense	(9,828)
-------------------------------------	---------

Premiums are reported in governmental funds as other financing sources. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities.

Debt premiums amortization expense	3,601
------------------------------------	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest expense	(94,796)
--------------------------	----------

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

Net change in the disposition/sale of assets	(181,962)
--	-----------

Change in net assets governmental activities	(1,882,209)
--	-------------

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF COMBINING FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
SEPTEMBER 30, 2014**

	<u>2014</u>
ASSETS	
	<u>\$ 88,526</u>
Cash and cash equivalents	
 LIABILITIES	
Accounts payable and other current liabilities	<u>50</u>
 NET POSITION	
Held in trust for local Schools non-pulic funds	<u><u>\$ 88,476</u></u>

See independent auditors' report and notes to financial statements.

BESSEMER BOARD OF EDUCATION
STATEMENT OF CHANGES IN COMBINING FIDUCIARY NET POSITON
LOCAL SCHOOLS NON-PUBLIC FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(SUPPLEMENTAL INFORMATION)

	<u>2014</u>
ADDITIONS	
Contributions:	
Other sources	\$ 94,433
 DEDUCTIONS	
Instructional services	68,883
Instructional support services	582
Operation and maintenance services	-
Student transportation services	744
Food services	-
General administrative services	280
Other	191
Capital Outlays	-
Debt service:	-
Principal	-
Interst and fiscal charges	-
 Total Expenditures	 <u>70,680</u>
 Excess of Revenues (Deficiency)	
Over (Under) Expenditures	23,753
 OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	-
Total other financing sources (uses)	<u>-</u>
 Net Change in Net Position	 <u>23,753</u>
Net Position-Beginning (Deficits)	<u>64,724</u>
 Net Positon-Ending (Deficits)	 <u><u>88,476</u></u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the City. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the City.

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

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

B. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting-Continued

Fund Financial Statements

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

The Board reports the following major governmental funds:

- (1) The **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.
- (2) The **Bond Issue Payments Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- (3) The **Food and Nutrition Fund** --The Food and Nutrition Fund accounts for funds received from federal grants and other sources that are earmarked for the school lunch and breakfast programs.

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

- (1) Special Revenue Funds -- Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Special revenue funds consist of the following:

- Regular Basic Grant
- IDEA Part B
- IDEA Part B, E, C, & Y
- Pre-School Part B Ages 3-5
- Title X Homeless
- Title I Part A Improvement School
- Title II Part A
- Title III ESL
- Title IV Part B 21st Century

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Special Revenue Funds - continued

- School Activity -- Bessemer High School Fund
- School Activity -- Bessemer Middle School Fund
- School Activity -- Abram Elementary Fund
- School Activity -- Hard Elementary Fund
- School Activity -- Greenwood Elementary Fund
- School Activity -- Jonesboro Elementary Fund
- School Activity -- Westhills Elementary Fund
- School Activity -- Bessemer Center for Technology
- School Activity -- Central Office
- School Activity -- ROTC

The **Debt Service Fund** accounts for the accumulation of resources for and the payment of principal and interest on long-term debt.

The **PSF-Capital Outlay Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Projects Funds** accounts for resources used for the costs of constructing or acquiring major capital assets and major improvements.

The Board reports the following **Fiduciary funds** -- The Fiduciary funds are Private Purpose Trust Funds that account for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments.

(1) Non-Public Funds:

- Non-Public School Activity -- Bessemer High School Fund
- Non-Public School Activity -- Bessemer Middle School Fund
- Non-Public School Activity -- Abram Elementary Fund
- Non-Public School Activity -- Hard Elementary Fund
- Non-Public School Activity -- Greenwood Elementary Fund
- Non-Public School Activity -- Jonesboro Elementary Fund
- Non-Public School Activity -- Westhills Elementary Fund
- Non-Public School Activity -- Bessemer Center for Technology
- Non-Public School Activity -- Central Office
- Non-Public School Activity -- ROTC

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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 thirty (60) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures are generally recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the Board.

Local school activity funds and other funds under the control of school principals use the cash basis of accounting. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

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 GASB.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Equity Classification

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investment 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* in the government-wide financial statements and as *accounts receivables*, *intergovernmental receivables* and *other receivables*, in the fund financial statements. Intergovernmental receivables include amounts due from grantors for grants issued for specific programs and local taxes due from the County tax collector.

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.

Inventories and Prepaid Items

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

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

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. 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</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	20 years
Buildings	50,000	50 years
Building Improvements	50,000	7 - 30 years
Equipment and furniture	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).

Deferred Revenue

Deferred revenue in the government-wide financial statements represent unearned revenues. Deferred revenue in the governmental fund financial statements represent unearned revenues and other revenues for which the "available" criterion has not been met.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums, discounts, and deferred amounts on refunding transactions are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental fund financial statements. 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 other financing sources, 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 another 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 another financing source and as an expenditure.

Compensated Absences

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

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

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

Professional and support employees earn nonvesting 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.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. The school system provides three additional days of personal leave with pay. If the employee chooses to use any of these additional days, they are required to pay for the cost of the substitute. Professional personnel may receive compensation for the two state funded unused personal leave days at the end of the scholastic year. The employee is required to request, in writing, if they wish to be paid for unused personal leave. Any unused personal leave, as of June 30th, is rolled over to sick leave; therefore, no liability for unpaid personal leave is recorded in the financial statements.

Twelve-month employees are allowed at least two weeks of vacation per year with pay. Vacation is awarded each July 1st, each January 1st employees' unused vacation is capped at the maximum amount of vacation to which they are entitled. Board policy allows up to 10 days of vacation to be carried over to the succeeding year. At September 30, 2014, the Board has accrued a liability for compensated absences as part of the Board's overall payroll liabilities accrual.

Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components:

- (a) Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;
- (b) Restricted net assets - consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional or enabling legislation;
- (c) Unrestricted net assets - consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

The following classifications describe the relative strength of the spending constraints:

Nonspendable -The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (e.g., inventories and prepaid amounts).

Restricted -Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g. legislation, resolution) it employed to previously commit those amounts.

Assigned - Amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that will report a positive fund unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Board to generally consider restricted amounts to have been reduced first.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification – Continued

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

NOTE 2 RECONCILIATION OF FINANCIAL STATEMENTS

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

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Statement of Net Position

The governmental fund balance sheet is followed by a reconciliation between *Total fund balance -governmental funds* and *Total net position - governmental activities* as reported in the government-wide statement of net position.

B. 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 the *Total net change in fund balances-governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

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. 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 each year, the Board prepares and submits to the State Superintendent of Education the annual budget to be adopted by the Board. The Superintendent of the Board does not approve any budget for operations of the school for any fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand.

B. Deficit Fund Balances in Individual Funds

The Board has no deficit fund balances in major funds.

Excess of Expenditures Over Appropriations

The General Fund, Food and Nutrition Fund, Debt Service Fund, and Bond Issue Payments Fund exceeded appropriations. The shortage in the Debt Service Fund requires transfers from the General Fund. The remaining shortages were covered by available fund balances in the funds.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2014 are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Food Services Fund	Inventory	\$ 91,742
Restricted		
Food Services Fund	Food Services Activity	802,910
Nonmajor Governmental Funds	Special Revenue Activity	455,347
Committed		
Debt Service Fund	To pay long-term debt	4
Bond Issue Payments Fund	For Construction Contracts	-
Nonmajor Governmental Funds	For Construction Contracts	636,715
Unassigned		
General Fund		8,829,900
Total fund balances		<u>\$ 10,816,619</u>

NOTE 4 CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Board's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits (in excess of FDIC insurance) may not be returned to it. At September 30, 2014, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$11,997,582 and the bank balance was \$13,441,701.

The Board's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Board's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. The SAFE program is classified as a category (1) credit risk.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 RECEIVABLES

Receivables of the Board's individual major funds and non-major funds in the aggregate were as follows at year-end:

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total
Intergovernmental receivable	\$ 843,700	641,681	338,464	\$ 1,823,845

The Intergovernmental receivable balance includes \$846,700 due from the City of Bessemer based on the settlement of litigation in August of 2011 that was filed in September 2008. The total settlement was for \$4 million payable at \$100,000 per month for the first 28 months and \$33,333 per month thereafter for 36 months.

BESSEMER CITY BOARD OF EDUCATION **NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

	9/30/13			9/30/14
	Beginning		Retirements/	Ending
	Balance	Increases	Reclassifications	Balance
Government Activities:				
Capital Assets not being depreciated:				
Land	\$ 3,298,605	\$ -	\$ 12,294	\$ 3,286,311
Construction in Progress	1,489,072	-	1,489,072	-
Total Capital Assets, not being depreciated	4,787,677	-	1,501,366	3,286,311
Capital Assets Being Depreciated:				
Land Improvements	801,775	-	-	801,775
Buildings	66,111,787	350,991	(12,132,486)	78,595,264
Building improvements	2,219,703	3,135,915	(481,224)	5,836,842
Equipment and Furniture	2,387,006	52,886	(6,250)	2,446,142
Vehicles	2,914,334	24,679	-	2,939,013
Buildings under capital leases	14,645,000	-	14,645,000	-
Equipment under capital leases	595,756	-	-	595,756
Total Capital Assets, being depreciated	89,675,361	3,564,471	2,025,040	91,214,792
Less accumulated depreciation				
Land Improvements	546,610	17,615		564,225
Buildings	16,586,082	1,466,703	(742,826)	18,795,611
Building improvements	186,954	250,028	-	436,982
Equipment and Furniture	1,528,655	190,660		1,719,315
Vehicles	1,374,092	219,969	-	1,594,061
Buildings under capital leases	2,791,888	59,576	2,494,009	357,455
Equipment under capital leases	29,788	-	-	29,788
Total accumulated depreciation	23,044,069	2,204,551	1,751,183	23,497,437
Total Capital Assets being depreciated, net	66,631,292	1,359,920	273,857	67,717,355
Total governmental activity capital assets, net	\$ 71,418,969	\$ 1,359,920	\$ 1,775,223	\$ 71,003,666

Depreciation expense was charged to government functions as follows:

GOVERNMENTAL

ACTIVITIES	AMOUNT
Instructional	1,836,769
Instructional support	26,771
Operational and maintenance	26,119
Food Service	70,424
Student transportation	238,308
General and Administrative	3,094
Other	3,066
	<u>\$ 2,204,551</u>

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2014 is shown below:

Due to/from other funds:

None.

Interfund Transfers:

Transfers are used to move revenues from the fund with collection authorization to the designated fund authorized to receive the proceeds and to move unrestricted general fund revenues to finance various programs that the Board must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

(a) Transfer to Food Service fund for expenditures incurred for food cost in excess of appropriations

Major Funds:

General Fund		\$ -	\$ 662,377	(a)
Food Services Fund	(a)	662,337	-	
		<u>\$ 662,337</u>	<u>\$ 662,377</u>	

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 LONG-TERM LIABILITIES

The Board, as part of a pooled warrant issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Warrants, Series 2008 in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these warrants provided funds for the acquisition, construction, and renovation of school facilities.

On December 1, 2011 and January 1, 2012, respectively, the Board issued its Series 2011 School Tax Warrants (in the principal amount of \$9,985,000) and Series 2012-A Warrants (in the principal amount of \$2,290,000). The purpose of issuance was to allow for the prepayment of the Board's obligation under a certain lease agreement dated as of September 1, 2000 between the Board and the City of Bessemer, Alabama with respect to the City's Limited Obligation School Warrants, Series 2000 and to pay for the costs of issuing the Warrants. The Board deposited with its Trustee sufficient proceeds to pay interest due as well as the redemption price of the Warrants. On March 15, 2012 the warrants were called and refunded with the funds deposited by the Board.

As a result, the City's Limited Obligation School Warrants, Series 2000 are considered to be defeased and the liability for those warrants has been removed from the Board's note payable balance.

The advance refunding reduced the Board's total debt service payments over the next 18 years by \$2.6 million and resulted in an economic gain of \$2.1 million. Furthermore, the deferred amount resulting from the refunding is not considered material and management has elected to expense this amount in the Government-Wide Statement of Activities.

As of September 30, 2014, the Board's long-term obligations under the warrants consisted of the following:

	<u>2014</u>
PSCA Capital Improvement Pool Warrants, Series 2008 bearing interest payable semi-annually at 3.25% to 4.25%, annual principal installments through 2028	\$ 3,579,985
School Tax Warrants, Series 2011 bearing interest payable semi-annually at 2.00% to 3.75%, annual principal installments through 2030	9,890,000
School Tax Warrants, Series 2012-A bearing interest payable semi-annually at 1.80% to 2.50%, annual principal installments through 2017	1,410,000
School Tax Warrants, Series 2012-B bearing interest payable monthly at 1.80% to 2.50%, annual principal installments through 2022	1,228,629
	<u>\$ 16,108,614</u>

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

LONG-TERM LIABILITIES – (continued)

Changes in long-term liabilities during the year are summarized as follows:

	Balance at September 30, 2013	Additions	Reductions	Balance at September 30, 2014	Due Within One Year
PSCA Capital					
Improvement Pool					
Warrants, Series 2008	\$ 3,769,414	-	\$ 189,429	\$ 3,579,985	\$ 195,977
School Tax Warrants, Series 2011	9,985,000	-	95,000	9,890,000	100,000
School Tax Warrants, Series 2012-A	1,865,000	-	455,000	1,410,000	460,000
School Tax Warrants, Series 2012-B	1,365,975		130,772	1,235,203	145,462
Plus unamortized amounts:					
For warrant discount	(167,079)		(9,828)	(157,251)	
For warrant Premium	57,267		3,601	53,666	
Deferred outflow					
For warrant issuance	-			-	
	<u>16,875,577</u>	<u>-</u>	<u>863,974</u>	<u>16,011,603</u>	<u>901,439</u>
Capital Lease					
Regions Equipment Finance due September 1, 2017	262,574	-	63,112	199,462	65,512
Municipal Asset Management due May 21, 2022	<u>1,465,850</u>	<u>-</u>	<u>141,836</u>	<u>1,324,014</u>	<u>150,889</u>
	<u>1,728,424</u>	<u>-</u>	<u>204,948</u>	<u>1,523,476</u>	<u>216,402</u>
Total Long-Term Debt	<u>\$ 18,604,001</u>	<u>\$ -</u>	<u>\$ 1,068,921</u>	<u>\$ 17,535,080</u>	<u>\$ 1,117,841</u>

Payments on the Capital Improvement Pool Warrants, Series 2008 are made by the bonds and warrants fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education.

Payments on the School Tax Warrants, Series 2011, 2012-A and 2012-B are payable out of pledged tax proceeds.

Payments on the obligations of the capital leases will be made by Local Funds, Fleet Renewal Fund and the Lease Purchase Agreement Debt Service Fund.

The Board is obligated under certain leases accounted for as capital leases. These capital leases were obtained to purchase various equipment or vehicles. See capital lease section below.

BESSEMER CITY BOARD OF EDUCATION **NOTES TO THE FINANCIAL STATEMENTS**

LONG-TERM LIABILITIES – (continued)

Maturities of the Board's total long-term debt service are as follows:

		Warrants		
		Principal	Interest	Total
2015	\$	902,589	\$ 515,825	\$ 1,418,414
2016		923,114	493,672	1,416,786
2017		949,193	470,126	1,419,319
2018		1,135,219	480,388	1,615,607
2019		1,002,540	374,533	1,377,073
Thereafter		11,195,959	2,829,032	14,024,991
		<u>16,108,614</u>	<u>5,163,576</u>	<u>21,272,190</u>

		Capital Leases		
		Principal	Interest	Total
2015		216,402	40,239	256,641
2016		222,913	33,728	256,641
2017		229,632	27,009	256,641
2018		162,539	21,449	183,988
2019		166,619	17,369	183,988
Thereafter		525,371	26,591	551,962
	\$	<u>1,523,476</u>	<u>\$ 166,385</u>	<u>\$ 1,689,861</u>

Capital Leases

The Board has entered into capital lease agreements to finance the acquisition of school buses. The net carrying values of assets acquired under capital leases at year-end were as follows:

Vehicles	\$ 2,205,196
Less Accumulated depreciation	<u>(819,389)</u>
Net Total	<u>\$ 1,385,807</u>

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

LONG-TERM LIABILITIES – (continued)

The future minimum lease payments and the net present value of these minimum lease payments were as follows at year end:

Year Ending September 30,	Governmental Activities
2015	\$ 256,641
2016	256,641
2017	256,641
2018	183,988
2019	183,988
Thereafter	<u>551,962</u>
Total minimum lease payments	1,689,861
Less: amount representing interest	<u>(166,385)</u>
Present value of the minimum lease payments	<u><u>\$ 1,523,476</u></u>

The Board has elected to implement the provisions of GASB 65. As a result, debt issuance costs, except prepaid insurance costs, are recognized as an expense in the period incurred. As a result, issuance costs that were previously capitalized related to the Series 2008 and Series 2011 Warrants have been removed from the financial statements. For warrants (bonds) and other long-term debt issued after October 1, 2002, the related debt premiums and discounts are amortized using the straight-line method over the life of the debt in the government-wide statements.

	9/30/13 Beginning Balance	Increases	Decreases	9/30/14 Ending Balance
Unamortized Warrant payable discount	\$ 167,079	\$ -	\$ 9,828	\$ 157,251
Unamortized Warrants payable Premiums	<u>57,267</u>		<u>3,601</u>	<u>53,666</u>
Total	<u><u>\$ 224,346</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,429</u></u>	<u><u>\$ 210,917</u></u>

In prior years, the Board defeased certain bonds by placing the proceeds of the new bonds in irrevocable trust funds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. As of September 30, 2014, the following bonds outstanding are considered defeased:

Qualified Zone Academy Bonds (QZAB) \$ 2,000,000

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are: (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Teachers' Retirement System was established as of October 1, 1939, under the provisions of Act Number 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 general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, §§ 16-25-1 through 16-25-113, as amended, and §§ 36-27B1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees of the Board are required to contribute 7.25 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year, the Teachers' Retirement System recommends to the Alabama Legislature, the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

	Fiscal Year Ended September 30		
	2014	2013	2012
Total Percentage of Covered Payroll	18.56%	16.45%	15.00%
Contributions:			
Percentage Contributed by the Board	11.71%	10.08%	10.00%
Percentage contributed by Employees	5.00%	5.00%	5.00%
Amount Contributed by the Board	\$ 2,390,087	\$ 2,069,608	\$ 2,051,621
Amount contributed by Employees	1,536,970	1,538,691	1,025,810
Total Contributions	<u>\$ 3,927,057</u>	<u>\$ 3,608,299</u>	<u>\$ 3,077,431</u>

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public education employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	Fiscal Year Ending 09/30/14
Individual Coverage - Non-Medicare Eligible	\$ 151.00
Individual Coverage - Medicare Eligible	10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	109.00
Surviving Spouse - Non-Medicare Eligible	679.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	870.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	839.00
Surviving Spouse - Medicare Eligible	318.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	516.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	485.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employees Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2012	\$ 714.00	\$ 229.00	32.05%	\$ 1,417,153	100%
2013	\$ 714.00	\$ 216.90	30.38%	\$ 1,507,198	100%
2014	\$ 714.00	\$ 220.90	30.94%	\$ 1,514,332	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an "on-behalf payment", resulting in offsetting revenues and expenditures. The amount recognized in the 2014 financial statements for RDS is \$183,051.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund ("SIF") part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for the state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases of commercial insurance for claims in excess of \$3.5 million.

The Board also purchases automobile liability insurance with coverage of \$300,000 per occurrence, errors and omissions insurance with coverage of up to \$1,000,000 per occurrence and property insurance with coverage of up to \$3.5 million per occurrence from the Alabama Risk Management For Schools Program (ARMS), a public entity risk pool. In addition, the Board has purchased physical damage coverage for school buses and maintenance vehicles.

The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds. 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. The fund 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 mutually 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.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12 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.

The Board is involved in certain litigation in the ordinary course of business. Litigation is recorded in the government-wide statements when the related liability is incurred.

NOTE 13 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama on behalf of the Board. Included in these items are the payments from bond issue proceeds (Public School and College Authority). Payments or services from bond issue proceeds from the Public School and College Authority are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

NOTE 14 DONATED FOOD PROGRAM

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$171,659 for 2014. Commodities consumed were approximately \$134,650 for 2014.

NOTE 15 FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued three statements related to pensions (i.e. GASB Statements 67, 68, and 71). GASB Statement 68, "Accounting and Financial Reporting for Pensions" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date" are effective for employers with fiscal years ending June 30, 2015 and after. These new standards will affect reporting for all employers participating in the Teachers Retirement System of Alabama (TRS) cost-sharing pension plan.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will require the Board to record a net pension obligation on the government-wide statement of net position. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. Statement 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. Statement 68 will be effective for the Board for the year ending December 31, 2015. The Board is currently evaluating the impact of Statement 68 for fiscal year 2015.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 15 FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The Board is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget Amounts Original	Final	Actual Amounts	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
REVENUES:					
State sources	\$ 20,892,958	\$ 20,892,958	\$ 21,050,304	\$ -	\$ 21,050,304
Federal sources	205,000	205,000	447,599	-	447,599
Local sources	8,191,206	8,191,206	8,931,262	-	8,931,262
Other sources	318,695	318,695	387,455	-	387,455
Total Revenues	29,607,859	29,607,859	30,816,620	-	30,816,620
EXPENDITURES:					
Current operations:					
Instructional services	17,387,522	17,387,522	17,217,800	# 432,578	17,650,378
Instructional support and services	5,765,165	5,765,165	5,971,767	# 116,649	6,088,416
Operation and maintenance services	3,423,351	3,423,351	3,840,920	# 42,551	3,883,471
Student transportation services	1,303,518	1,303,518	1,562,297	# 15,154	1,577,451
Food services	-	-	-	-	-
General and administrative services	1,787,314	1,787,314	1,550,196	# (1,958)	1,548,238
Other	252,655	252,655	281,639	# 12,961	294,600
Capital Outlay	33,179	33,179	32,852	-	32,852
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	29,952,704	29,952,704	30,457,471	617,935	31,075,406
Excess of Revenues Over (Under) Expenditures	(344,845)	(344,845)	359,149	(617,935)	(258,786)
OTHER FINANCING SOURECES (USES)					
Indirect cost	415,932	415,932	366,791	-	366,791
Transfers out	(719,664)	(719,664)	(662,377)	-	(662,377)
Other sources	155,592	155,592	300,340	-	300,340
Total other financing Sources (Uses)	(148,140)	(148,140)	4,754	-	4,754
Net Change in Fund Balances	(492,985)	(492,985)	363,903	(617,935)	(254,032)
Fund Balance -Beginning	10,862,562	10,862,562	10,862,562	# (1,778,631)	9,083,932
Prior Period Adjustment	-	-	-	-	-
Fund Balance - Ending	\$ 10,369,577	\$ 10,369,577	\$ 11,226,465	\$ (2,396,566)	\$ 8,829,900

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

- (1) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. \$ 617,935
- (2) The amount reported as "fund balance" on the budgetary basis of accounting is derived accounting used in preparing the Board's budget. This amount differs from the basis of from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

See independent auditors' report and notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>Special Revenue Funds</u>							
	School Activity Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology
								Central Office
								ROTC
ASSETS								
Cash and cash equivalents	\$ 145,863	\$ 119,662	\$ 7,472	\$ 5,775	\$ 69,663	\$ 45,277	\$ 16,213	\$ 32,169
Receivables								
Inventory								
Total Assets	<u>145,863</u>	<u>119,662</u>	<u>7,472</u>	<u>5,775</u>	<u>69,663</u>	<u>45,277</u>	<u>16,213</u>	<u>32,169</u>
								<u>107</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Interfund payable		175	1,144					105
Accounts payable and Other liabilities	1,912							
Accrued payroll and related liabilities								
Total Liabilities	<u>1,912</u>	<u>175</u>	<u>1,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>
Fund balance								
Unreserved for Encumbrance	143,951	119,488	6,328	5,775	69,663	45,277	16,213	32,169
Total Fund Equity	<u>143,951</u>	<u>119,488</u>	<u>6,328</u>	<u>5,775</u>	<u>69,663</u>	<u>45,277</u>	<u>16,213</u>	<u>32,169</u>
								<u>107</u>
Total Liabilities and Fund balance	<u>\$ 145,863</u>	<u>\$ 119,662</u>	<u>\$ 7,472</u>	<u>\$ 5,775</u>	<u>\$ 69,663</u>	<u>\$ 45,277</u>	<u>\$ 16,213</u>	<u>\$ 32,169</u>
								<u>\$ 107</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Special Revenue Funds										
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC
REVENUES:										
State sources										
Federal sources										
Local sources										
Other sources	244,935	143,119	11,952	14,861	12,496	51,446	19,147	7,539	28,565	
Total Revenues	244,935	143,119	11,952	14,861	12,496	51,446	19,147	7,539	28,565	
EXPENDITURES:										
Current:										
Instructional services										
Instructional support services	142,793	4,260	13,653	9,415	9,478	44,890	19,677	16,683	1,656	
Operation and maintenance services										
Auxiliary Services	3,613	1,061	743	609	673	2,104	2,145	424	12,894	
General administrative services	69,107	60,271	1,344	92		271	428	14	4,058	
Other			925							
Capital Outlays										
Debt service:										
Principal										
Interest and fiscal charges										
Total Expenditures	215,512	65,592	16,665	10,116	10,151	47,265	22,249	17,121	18,608	-
Excess of Revenues (Deficiency)										
Over (Under) Expenditures	29,423	77,527	(4,713)	4,745	2,344	4,181	(3,102)	(9,582)	9,958	-
OTHER FINANCING SOURCES (USES)										
Long-term debt issued										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	29,423	77,527	(4,713)	4,745	2,344	4,181	(3,102)	(9,582)	9,958	-
Fund Balances-Beginning (Deficits)	114,528	41,961	11,041	1,030	67,318	41,096	19,315	41,751	6,418	107
Fund Balances-Ending (Deficits)	\$ 143,951	\$ 119,488	\$ 6,328	\$ 5,775	\$ 69,663	\$ 45,277	\$ 16,213	\$ 32,169	\$ 16,376	\$ 107

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2014

	Special Revenue Funds									
	REGULAR BASIC GRANT	IDEA PART B	IDEA PART B,E,C, & Y	Pre-School Part B Ages 3-5	TITLE X HOMELESS	Title I Part A	Title II Part A	Title III ESL	Title IV Part B 21st Century	Total Special Revenue Funds
ASSETS										
Cash and cash equivalents		\$ (50,312)	\$ (29,455)			\$ (183,315)	\$ (19,445)		\$ (48,000)	\$ 128,156
Receivables		50,312	29,455			183,315	19,445		48,000	330,527
Inventory										
Total Assets										458,683
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Interfund payable										-
Accounts payable and Other liabilities										3,336
Accrued payroll and related liabilities										
Total Liabilities										3,336
Fund balance										
Unreserved for Encumbrance										
Total Fund Equity										455,347
Total Liabilities and Fund balance										455,347

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	REGULAR BASIC GRANT	IDEA PART B	IDEA PART B,E,C, & Y	Pre-School Part B Ages 3-5	TITLE X HOMELESS	Title I Part A	Title II Part A	Title III ESL	Title IV Part B 21st Century	Total Special Revenue Funds
REVENUES:										
State sources										\$ -
Federal sources	99,658	972,473	125,792	13,649	33,000	2,857,352	286,445	11,497	298,000	4,697,866
Local sources										-
Other sources										534,060
Total Revenues	99,658	972,473	125,792	13,649	33,000	2,857,352	286,445	11,497	298,000	5,231,926
EXPENDITURES:										
Current:										
Instructional services		685,809	123,628		32,433	1,424,286	281,522	11,299	292,877	2,851,854
Instructional support services	91,669	217,309		12,190		820,579				1,404,252
Operation and maintenance services										-
Auxiliary Services	3,713	14,503		734						43,215
General administrative services	2,562	46,009	2,164	490		279,451				466,260
Other	1,714	-		235	567	333,036	4,922	198	5,124	346,721
Capital Outlays		8,843								8,843
Debt service:										
Principal										-
Interest and fiscal charges										-
Total Expenditures	99,658	972,473	125,792	13,649	33,000	2,857,352	286,445	11,497	298,000	5,121,145
Excess of Revenues (Deficiency)										
Over (Under) Expenditures	-	-	-	-	-	-	-	-	-	110,781
OTHER FINANCING SOURCES (USES)										
Long-term debt issued										-
Transfers in										-
Transfers out										-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-	-	-	-	-	110,781
Fund Balances-Beginning (Deficits)	-	-	-	-	-	-	-	-	-	344,566
Fund Balances-Ending (Deficits)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,347

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2014

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	Capital Projects Fleet Renewal	Capital Projects County Appropriation	Capital Projects Bonds & Warrants	Nonmajor Governmental Funds	Bessemer High School	Bessemer Middle School	Abrams Elementary
ASSETS										
Cash and cash equivalents		\$ 371,102	\$ 30,742	\$ 55,794	\$ 166,542	\$ 4,598	\$ 756,935	\$ 74,071	\$ 2,908	\$ 2,049
Receivables		7,936					\$ 338,464			
Inventory										
Total Assets		<u>379,038</u>	<u>30,742</u>	<u>55,794</u>	<u>166,542</u>	<u>4,598</u>	<u>1,095,398</u>	<u>74,071</u>	<u>2,908</u>	<u>2,049</u>
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Interfund payable							-			
Accounts payable and Other liabilities							3,336			
Accrued payroll and related liabilities							-			
Total Liabilities							<u>3,336</u>			
Fund balance										
Unreserved for Encumbrance	-	379,038	30,742	55,794	166,542	4,598	1,092,062	74,071	2,908	2,049
Total Fund Equity	<u>-</u>	<u>379,038</u>	<u>30,742</u>	<u>55,794</u>	<u>166,542</u>	<u>4,598</u>	<u>1,092,062</u>	<u>74,071</u>	<u>2,908</u>	<u>2,049</u>
Total Liabilities and Fund balance	<u>\$ -</u>	<u>\$ 379,038</u>	<u>\$ 30,742</u>	<u>\$ 55,794</u>	<u>\$ 166,542</u>	<u>\$ 4,598</u>	<u>\$ 1,095,398</u>	<u>\$ 74,071</u>	<u>\$ 2,908</u>	<u>\$ 2,049</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	Capital Projects 142256	Capital Projects County Appropriation	Capital Projects Bonds & Warrants	Nonmajor Governmental Funds	Bessemer High School	Bessemer Middle School	Abrams Elementary
REVENUES:										
State sources	\$ 186,000	\$ 610,864	\$ 2,882				\$ 799,746		\$ -	
Federal sources							4,697,866			
Local sources	8,988				839,544		848,532			
Other sources							534,060	81,830	3,090	
Total Revenues	<u>194,988</u>	<u>610,864</u>	<u>2,882</u>	<u>-</u>	<u>839,544</u>	<u>-</u>	<u>6,880,203</u>	<u>81,830</u>	<u>3,090</u>	<u>-</u>
EXPENDITURES:										
Current:										
Instructional services	-				3,298		2,855,152	52,215	5,337	
Instructional support services	-						1,404,252	86		
Operation and maintenance services		124,222			65,199		189,421			
Auxiliary Services							43,215			
General administrative services		119,896					586,156			
Other							346,721			
Capital Outlays					604,504	210,115	823,463			
Debt service:										
Principal	140,967	183,525					324,492			
Interest and fiscal charges	45,033	56,392					101,425			
Total Expenditures	<u>186,000</u>	<u>484,035</u>	<u>-</u>	<u>-</u>	<u>673,001</u>	<u>210,115</u>	<u>6,674,297</u>	<u>52,301</u>	<u>5,337</u>	<u>-</u>
Excess of Revenues (Deficiency)										
Over (Under) Expenditures	8,988	126,829	2,882	-	166,542	(210,115)	205,906	29,528	(2,247)	-
OTHER FINANCING SOURCES (USES)										
Long-term debt issued										
Transfers in										
Transfers out										
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>8,988</u>	<u>126,829</u>	<u>2,882</u>	<u>-</u>	<u>166,542</u>	<u>(210,115)</u>	<u>205,906</u>	<u>29,528</u>	<u>(2,247)</u>	<u>-</u>
Fund Balances-Beginning (Deficits)	<u>(8,988)</u>	<u>252,210</u>	<u>27,860</u>	<u>55,794</u>	<u>-</u>	<u>214,714</u>	<u>886,156</u>	<u>44,543</u>	<u>5,155</u>	<u>2,049</u>
Fund Balances-Ending (Deficits)	<u>\$ -</u>	<u>\$ 379,039</u>	<u>\$ 30,742</u>	<u>\$ 55,794</u>	<u>\$ 166,542</u>	<u>\$ 4,598</u>	<u>\$ 1,092,062</u>	<u>\$ 74,071</u>	<u>\$ 2,908</u>	<u>\$ 2,049</u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Fiduciary-Non-Public Funds						
	Fiduciary Non-Public Funds			Bessemer Center for Technology		
	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Central Office	Total Non-Public Funds
ASSETS						
Cash and cash equivalents	\$ 42	\$ 448	\$ 1,093	\$ 2,409	\$ 738	\$ 88,526
Receivables						-
Inventory						-
Total Assets	<u>42</u>	<u>448</u>	<u>1,093</u>	<u>2,409</u>	<u>738</u>	<u>88,526</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Interfund payable					50	50
Accounts payable and Other liabilities						
Accrued payroll and related liabilities						
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Fund balance						
Unreserved for Encumbrance	42	448	1,093	2,409	738	88,476
Total Fund Equity	<u>42</u>	<u>448</u>	<u>1,093</u>	<u>2,409</u>	<u>738</u>	<u>88,476</u>
Total Liabilities and Fund balance	<u>\$ 42</u>	<u>\$ 448</u>	<u>\$ 1,093</u>	<u>\$ 2,409</u>	<u>\$ 738</u>	<u>\$ 88,526</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Fiduciary-Non-Public Funds

	Fiduciary Non-Public Funds					Bessemer Center for Technology	Central Office	Total Non-Public Funds
	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC				
REVENUES:								
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Other sources	-	-	608	5,398	405	3,103	94,433	
Total Revenues	-	-	608	5,398	405	3,103	94,433	
EXPENDITURES:								
Current:								
Instructional services	560	1,547		7,095		2,129	68,883	
Instructional support services			496				582	
Operation and maintenance services							-	
Auxiliary Services				744			744	
General administrative services			280				280	
Other			191				191	
Capital Outlays							-	
Debt service:							-	
Principal							-	
Interest and fiscal charges							-	
Total Expenditures	560	1,547	968	7,839	-	2,129	70,680	
Excess of Revenues (Deficiency)								
Over (Under) Expenditures	(560)	(1,547)	(360)	(2,441)	405	974	23,753	
OTHER FINANCING SOURCES (USES)								
Long-term debt issued								
Transfers in								
Transfers out								
Total other financing sources (uses)								
Net Change in Fund Balances	(560)	(1,547)	(360)	(2,441)	405	974	23,753	
Fund Balances-Beginning (Deficits)	602	1,995	1,453	4,850	333	3,744	64,724	
Fund Balances-Ending (Deficits)	\$ 42	\$ 448	\$ 1,093	\$ 2,409	\$ 738	\$ 4,718	\$ 88,476	

See independent auditors' report and notes to financial statements.

**FEDERAL AWARDS AND STATE APPROPRIATIONS
SUPPLEMENTAL INFORMATION**



The
**PRINCIPAL
 &
 ASSOCIATES**
 CERTIFIED PUBLIC ACCOUNTANTS

"Moving Forward All The Time"

**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 Superintendent and Members of the
 Bessemer City Board of Education
 Bessemer, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bessemer City Board of Education ("the Board") as of and for the year ended September 30, 2014, which collectively comprise the Board's basic financial statements and have issued our report thereon dated May 28, 2015. 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.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

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

Compliance and Other Matters

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.

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

Purpose of this Report

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

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.



The Principal & Associates, Inc.

Certified Public Accountants

2100 South Bridge Parkway, Suite 650

P.O. Box 360973

Birmingham, Alabama 35236

May 28, 2015



"Moving Forward All The Time"

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Superintendent and Members
of the Bessemer City Board of
Education
Bessemer, Alabama

Report on Compliance for Each Major Federal Program

We have audited Bessemer City Board of Education ("the Board") (also known as "Bessemer City Schools") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2014. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the Board's compliance based on our audit. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performed such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

Opinion on Each Major Federal Program

In our opinion, the Board, complied, in all material respects, with the 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, 2014.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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Certified Public Accountants
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May 28, 2015

BESSEMER CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Description	CFDA Number	Projected Period		Total Grant Award	Accrued (Deferred) Grant Revenue 09/30/13	Cash Received	Revenue Recognized	Expenditures 09/30/14	Accrued (Deferred) Grant Revenue 09/30/14
		From	To						
U.S. Department of Education									
ED-Title I (Part) A	84.010	10/01/13	09/30/14	3,280,489	564,699	3,280,489	2,715,790	2,715,790	
ED- Special Education-Grants to States (IDEA, Part B)	84.027	10/01/13	09/30/14	1,273,769	192,598	114,836	1,081,171	1,081,171	1,158,933
ED-Special Education-Preschool Grants (IDEA Preschoo	84.173	10/01/13	09/30/14	13,649	-	13,649	13,649	13,649	-
ED- Basic Grant	84.048A	10/01/13	09/30/14	99,658	-	99,658	99,658	99,658	-
ED- Homeless Education	84.196	10/01/13	09/30/14	33,000	-	33,000	33,000	33,000	-
ED-Improving Teacher Quality State Grants	84.367	10/01/13	09/30/14	395,426	128,426	395,426	267,000	267,000	
ED-Title II, Recovery Act	84.365	10/01/13	09/30/14	12,197	350	12,197	11,847	11,847	
ED-After School Learning Center	84.287	10/01/13	09/30/14	359,650	78,825	311,650	280,825	280,825	48,000
ED-State Improvement Grant	84.323	10/01/13	09/30/14	-		-	-	-	
Total U.S. Department of Education				5,467,838	964,898	4,260,905	4,502,940	4,502,940	1,206,933
U.S. Department of Agriculture									
USDA-Commodities	10.550	10/01/13	09/30/14	5,186		5,186	5,186	5,186	
USDA - School Breakfast	10.553	10/01/13	09/30/14	663,536	88,060	663,536	575,476	575,476	
USDA- National School Lunch Program Snacks	10.555	10/01/13	09/30/14	271,345	247,887	271,345	23,458	23,458	
USDA- National School Lunch Program	10.555	10/01/13	09/30/14	1,497,097		1,497,097	1,497,097	1,497,097	
USDA-Summer Food Meals	10.559	10/01/13	09/30/14	382,194		382,194	382,194	382,194	
USDA-Fresh Fruits and Vegetables Program	10.582	10/01/13	09/30/14	116,703	12,933	116,703	103,770	103,770	
Total U.S. Department of Agriculture				2,936,061	348,880	2,936,061	2,587,181	2,587,181	-
U.S. Department of Health and Human Services									
Passed through the Alabama Department of Education									
Disability Determination	96.001	10/01/13	09/30/14	3,420		3,420	3,420	3,420	
Total U.S. Department of Health and Human Services				3,420	-	3,420	3,420	3,420	-
Total Expenditures of Federal Awards				\$8,407,319	\$ 1,313,778	\$ 7,200,386	\$ 7,093,541	\$ 7,093,541	\$ 1,206,933

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF STATE APPROPRIATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Description	Projected Period		Total Appropriation	Cash Received		Revenue Recognized	Expenditures	Encumbrance
	From	To		10/01/13 to 09/30/14				
Foundation Program Fund	10/01/13	09/30/14	19,949,208	19,949,208	19,949,208	19,949,208		
Local School Foundation - RSA	10/01/13	09/30/14	6,036	6,036	6,036	6,036		
Public School Fund	10/01/13	09/30/14	622,261	622,261	622,261	622,261		
Alabama Reading Initiative Program	10/01/13	09/30/14	286,625	286,625	286,625	286,625		
At Risk Student Program	10/01/13	09/30/14	26,305	26,305	26,305	26,305		
At Risk Student Program-LEA	10/01/13	09/30/14	162,107	162,107	162,107	162,107		
Career Tech O & M	10/01/13	09/30/14	32,767	32,767	32,767	32,767		
School Nurses	10/01/13	09/30/14	180,058	180,058	180,058	180,058		
Principal & Teacher Preparation & Evaluation	10/01/13	09/30/14	85,000	85,000	85,000	85,000		
Special Education Catastrophic Fund	10/01/13	09/30/14	15,945	15,945	15,945	15,945		
Technology Coordinators	10/01/13	09/30/14	79,080	79,080	79,080	79,080		
Statewide Purchasing	10/01/13	09/30/14	14,065	14,065	14,065	14,065		
English Second Language-LEA	10/01/13	09/30/14	86,748	86,748	86,748	86,748		
Financial Assitance Preschool-LEA	10/01/13	09/30/14	5,567	5,567	5,567	5,567		
Governor's High Hopes	10/01/13	09/30/14	8,511	8,511	8,511	8,511		
Distance Learning	10/01/13	09/30/14	133,695	133,695	133,695	133,695		
Gifted Education	10/01/13	09/30/14	10,140	10,140	10,140	10,140		
Tenure Arbitration	10/01/13	09/30/14	5,650	5,650	5,650	5,650		
Total State Assistance			21,709,768	21,709,768	21,709,768	21,709,768		-

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The Bessemer City Board of Education (the "Board"), is an agency of the State of Alabama. All significant operations of the Board are included in the scope of the Circular A-133. The U. S. Department of Education has been designated as the Board's cognizant agency for the "single-audit".

NOTE 2 - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2014.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards has and Schedule of State Government Appropriations has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the grants. Several programs are funded jointly by State appropriations and Federal funds.

Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances (if any) are reserved in the fund balances of governmental funds. The encumbrances are shown as deductions from the 2014 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of 2014. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

B. Accrued and Deferred Reimbursement

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

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2014**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Any material weakness(es) identified?

Yes _____ No X

Any significant deficiencies identified not
considered to be material weakness?

Yes _____ No X

Any noncompliance material to financial
statements noted?

Yes _____ No X

Federal Awards

Internal control over major programs:

Any material weakness (es) identified?

Yes _____ No X

Any significant deficiencies identified not
considered to be material weakness?

Yes _____ None reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with OMB Circular A - I33
Section .510 (a)

Yes _____ No X

Identification of major programs:

CFDA Number (s)

Name of Federal Program or Cluster

10.555

USDA-National School Lunch Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee

Yes X No _____

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2014**

Section II - Financial statement findings

None.

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2014**

Section III - Federal Award Findings and Questioned Costs

Findings: None

Questioned costs: None