

**BESSEMER CITY
BOARD OF EDUCATION,
BESSEMER, ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015
ANNUAL FINANCIAL REPORT**

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of the balance sheet of governmental funds to the statement of net position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Fiduciary Financial Statements	
Combining Statement of Fiduciary Net Position-Local Schools Non-Public Funds	16
Combining Statement of Changes in Fiduciary Net Position- Local Schools Non-Public Funds	17
Notes to the Financial Statements	18-44
Required Supplementary Information	
Schedule of Board's Contributions	45
Schedule of Board's Proportionate Share of the Net Pension Liability	46
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	47
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48-55
Other Reports	
Single Audit Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Report on Compliance with Requirements Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	58-59
Schedule of Expenditures of Federal Awards	60
Note to the Schedule of Expenditures of Federal Awards	61
Schedule of Findings and Questioned Costs	62-65



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, 2015, 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.

Emphasis of matter -As discussed in Note 9 and Note 16 to the basic financial statements, during 2015 the Board adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for Contributions Subsequent to the Measurement Date. As a result of the adoption, the Board has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

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, 2015, 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 and 47, the Schedule of Board Pension Contributions and the Schedule of the Board's Proportionate Share of Net Pension Liability on pages 45 through 46 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 June 6, 2016, 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, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

June 6, 2016

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, 2015. 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 2015 fiscal year by \$33,148,356.
- General Fund unreserved fund balance was \$8,423,696 on September 30, 2015.

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.

Governments-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

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The 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 on page 12. 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, Food and Nutrition Fund, and Debt Service 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 reconciliations 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 Position 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 Position.

BESSEMER BOARD OF EDUCATION CONDENSE STATEMENT OF NET POSITION September 30, 2015 and 2014

	Governmental Activities	Percent of Total	Governmental Activities	Percent of Total
	2015	2015	2014	2014
Current and other assets	\$ 13,252,702	15.65%	\$ 13,490,231	15.97%
Capital assets, net	68,740,481	81.17%	71,003,666	84.03%
Deferred outflows pension	2,378,566	2.81%	-	-
Deferred outflows on refunding of debt	312,862	0.37%	-	-
Total Assets	84,684,611	100.00%	84,493,897	100.00%
Long-term liabilities	46,245,992	94.41%	17,535,080	86.36%
Other liabilities	2,739,263	5.59%	2,768,408	13.64%
Deferred inflows-pension	2551000	5.21%	-	-
Total Liabilities	48,985,255	100.00%	20,303,488	100.00%
Net position:				
Invested in capital assets, net of related debt	22,494,490	67.86%	53,468,586	83.30%
Unrestricted	10,653,866	32.14%	10,721,823	16.70%
Total Net position	\$ 33,148,356	100.00%	\$ 64,190,409	100.00%

The Board's assets exceeded liabilities by \$33,148,356 at the close of the fiscal year.

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

BESSEMER BOARD OF EDUCATION

CONDENSE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

For the years ended September 30, 2015 and 2014

	2015	2014
Revenues		
Program Revenues:		
Charges for Services	\$ 3,797,213	\$ 3,482,346
Operating Grants and Contributions	25,503,525	26,372,461
General Revenues:		
Property Taxes for General Purposes	9,182,909	8,782,397
Other Taxes	88,473	88,139
Capital Grants & Contributions	1,244,372	1,139,413
Grants & Contributions		
(Not Restricted for Specific Purpose)	63,266	883,101
Investment Earnings	28,136	41,043
Miscellaneous	2,504,781	2,102,173
Net loss on disposition/sale of capital assets	(64,797)	(181,962)
Total Revenues	42,347,878	42,709,111
Expenses		
Governmental Activities:		
Instruction Services	21,492,305	22,342,299
Instruction Support Service	7,570,488	7,519,439
Operation & Maintenance	3,972,313	5,372,215
Auxiliary Services:		
Transportation	1,817,510	1,858,974
Food Services	4,101,008	3,647,632
General Administration and Central Support	2,361,564	2,137,488
Interest and Fiscal Charges	905,458	702,090
Other	1,359,285	1,011,183
Total Expenses	43,579,931	44,591,320
Change in Net Position	(1,232,053)	(1,882,209)
Beginning Net Position	64,190,409	66,072,618
Restatement	(29,810,000)	
Ending Net Position	\$ 33,148,356	\$ 64,190,409

The Board's Net Position decreased by \$31,042,053 during the fiscal year 2015.

Government Activities –the cost of services rendered from the Board's governmental activities for the year ended September 30, 2015 was \$43,579,930.

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.

BESSEMER BOARD OF EDUCATION				
Net Cost of Government Activities				
Fiscal year ending September 30, 2015				
	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Expenses				
Governmental Activities:				
Instruction Services	21,492,305	22,342,299	(3,148,205)	(4,178,097)
Instruction Support Service	7,570,488	7,519,439	(1,874,353)	(1,881,482)
Operation & Maintenance	3,972,313	5,372,215	(3,599,756)	(4,308,272)
Auxiliary Services:				
Transportation	1,817,510	1,858,974	(431,469)	(468,562)
Food Services	4,101,008	3,647,632	(1,016,322)	(708,030)
General Administration and Central				
Support	2,361,564	2,137,488	(1,712,854)	(1,490,291)
Interest and Fiscal Charges	905,458	702,090	(905,458)	(702,090)
Other	1,359,285	1,011,183	(346,677)	139,726
Total Expenses	43,579,931	44,591,320	(13,035,094)	(13,597,098)

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 \$10,636,270.

General Fund – The general fund is the primary operating fund of the Board which had a \$406,205 decrease net change in the fund balance.

County Commission Appropriation Fund – The county commission appropriation fund is a non-major fund. It 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 \$152,863 at the end of September 30, 2015.

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 15, 2014. On June 16, 2015, 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, 2015, the Board had approximately \$68,740,482 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**BESSEMER BOARD OF EDUCATION****CAPITAL ASSETS****September 30, 2015 and 2014****Governmental Activities**

	<u>2015</u>	<u>2014</u>
Land	\$ 3,286,311	\$ 3,286,311
Construction	-	-
Land Improvements	801,775	801,775
Buildings	78,514,268	78,595,264
Buildings Improvements	5,836,842	5,836,842
Equipment and Furniture	2,511,101	2,446,142
Vehicles	2,939,013	2,939,013
Equipment under capital leases	<u>595,756</u>	<u>595,756</u>
Total Capital Assets	94,485,066	94,501,103
Accumulated depreciation	<u>(25,744,584)</u>	<u>(23,497,437)</u>
Net Capital Assets	<u>\$ 68,740,482</u>	<u>\$ 71,003,666</u>

Depreciation expense was charged to government functions as follows:

GOVERNMENTAL

ACTIVITIES	AMOUNT
Instructional	1,904,285
Instructional support	25,019
Operational and maintenance	21,784
Student transportation	235,769
Food Service	70,159
General and Administrative	4,796
Other	<u>1,534</u>
	<u>\$ 2,263,346</u>

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, 2015:

**BESSEMER BOARD OF
EDUCATION**

OUTSTANDING DEBT

September 30, 2015 and 2014

	Beginning		Ending	Amounts
	Balance	Net Change	Balance	Due Within
				One Year
Warrants and Bonds Payable				
PSCA Capital Pool Warrants, Series 2008	\$ 3,579,985	\$(3,579,985)	\$ -	\$ -
PSCA Capital Pool Warrants, Series 2015-B		3,210,387	3,210,387	194,145
School Tax Warrants, Series 2011	9,890,000	(100,000)	9,790,000	100,000
School Tax Warrants, Series 2012-A	1,410,000	(460,000)	950,000	470,000
School Tax Warrants, Series 2012-B	1,235,203	(145,462)	1,089,741	146,098
Unamortized warrants discount	(157,251)	157,251	-	
Unamortized warrants Premium	53,666	442,124	495,790	
Deferred loss on Refunding of debt		(313,862)	(313,862)	
Total Warrants Payable, Net	16,011,603	(789,547)	15,222,056	910,243
Capital Lease				
Regions Bank	199,462	(65,512)	133,950	68,236
Municipal Asset Management	1,324,014	(150,889)	1,173,125	154,677
	1,523,476	(216,401)	1,307,075	222,913
RSA-Pension				
Net Pension Liability		29,403,000	29,403,000	
Total Long-term Debt	\$17,535,079	\$28,397,052	\$45,932,131	\$1,133,156

Economic Factors and Next Year's Budget

Because most of the Bessemer Board of Education's funding comes from state (54%), 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 decrease of 237 students in the Average Daily Membership (ADM) for fiscal year 2016 which resulted in a loss of 11.66 Foundation Units and \$177,457 in state funding. The system has experience a net loss of 814 students (18.5%) since school year 2012.

The board implemented the first phase a One to One Computer Initiative whereas all students in grades 5 to 12 will be provided with a laptop. The total program will take three years to initiate as three grade levels will be issued laptops until all eight grade levels have devices. It is anticipated to cost approximately \$250,000 to implement and up to \$550,000 annually when fully implemented.

The board will also be conducting three capital improvement projects with anticipated of cost of \$1.4 million. These projects will consist of the rebuilding of the transportation/bus building, installing HVAC units at three schools and a major parking resurfacing at the middle school. These projects will be funded by General Fund reserve account, capital funds, and insurance payments.

On September 30, 2015, 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 2016-2017 school years is 3,741 which indicates a decrease in ADM of 237 students.

School Year	ADM	Increase/(Decrease)	Fiscal Year
2015 - 2016	3,741	(237)	2016 - 2017
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

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: fdprimm@bessk12.org). Our physical address is: 1621 5th Avenue North, Bessemer, AL 35020.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 11,652,737
Receivables	1,513,048
Inventories	86,917
Capital assets not being depreciated:	
Land	3,286,311
Capital assets net of accumulated depreciation:	
Buildings and Improvements	63,093,748
Equipment	2,360,423
	<hr/>
Total Assets	81,993,183
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on pension-See Note 9	2,378,566
Deferred charges on refunding of debt	312,862
	<hr/>
	2,691,428
	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS	84,684,611
	<hr/> <hr/>
LIABILITIES	
Account payable and other current liabilities	171,459
Accrued payroll and related liabilities	2,444,972
Accrued interest payable	122,832
Noncurrent Liabilities:	
Due within One Year	1,133,155
Due in more than One Year	45,112,837
	<hr/>
Total Liabilities	48,985,255
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pension Net difference between projected and actual earnings on pension plan investments	2,551,000
	<hr/>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	22,494,490
Unrestricted	10,653,866
	<hr/>
Total Net Position	\$ 33,148,356
	<hr/> <hr/>

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Governmental Activities				
	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	and Revenues and Changes in Net Assets
Instructional services	\$ 21,492,305	\$ 394,589	\$ 17,190,803	\$ 758,708	\$ (3,148,205)
Instructional support and services	7,570,488	15,736	5,680,399		(1,874,353)
Operation and maintenance services	3,972,313	40,193	193,709	138,655	(3,599,756)
Student transportation services	1,817,510	54,690	1,151,351	180,000	(431,469)
Food services	4,101,008	2,909,237	175,449		(1,016,322)
General and administrative services	2,361,564	8,232	473,469	167,009	(1,712,854)
Interest and fiscal charges	905,458				(905,458)
Other	1,359,285	374,536	638,072		(346,677)
Total Government Activities	\$ 43,579,930	\$ 3,797,213	\$ 25,503,252	\$ 1,244,372	\$ (13,035,093)

General Revenues	
Property Taxes	\$ 9,182,909
Other Taxes	88,473
Grants and contributions not restricted for specific programs	63,266
Investment Earnings	28,136
Other general revenues	2,505,053
Net loss on disposition/sale of capital assets	(64,797)
Total General Revenues	11,803,040
Change in Net Position	(1,232,053)
Net Position -Beginning as originally stated	64,190,409
Restatement	(29,810,000)
Net Position - Ending	\$ 33,148,356

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Food and Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 10,386,206	\$ 252,240	\$ 1	\$ 1,014,290	\$ 11,652,737
Receivables					
Accounts	-	-			-
Intergovernmental	517,085	546,829		449,134	1,513,048
Due from other funds	-	-			-
Inventory	-	86,917		-	86,917
Prepays	-	-			-
Total Assets	<u>10,903,291</u>	<u>885,986</u>	<u>1</u>	<u>1,463,423</u>	<u>13,252,701</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Account payable and other liabilities	167,001	-		4,458	171,459
Accrued payroll and related liabilities	2,312,594	132,378		-	2,444,972
Due to other funds	-	-			-
Deferred revenue	-	-			-
Total Liabilities	<u>2,479,595</u>	<u>132,378</u>	<u>-</u>	<u>4,458</u>	<u>2,616,431</u>
Fund Balances					
Nonspendable:					
Inventories	-	86,917	-		86,917
Restricted for:					
Special revenue		666,691		470,645	1,137,336
Committed to:					
Debt Service					-
Capital Projects			1	988,320	988,321
Unassigned (deficit)	<u>8,423,696</u>	<u>-</u>	<u></u>	<u></u>	<u>8,423,696</u>
Total Fund Balance	<u>8,423,696</u>	<u>753,608</u>	<u>1</u>	<u>1,458,965</u>	<u>10,636,270</u>
Total Liabilities and Fund Balances	<u>\$ 10,903,291</u>	<u>\$ 885,986</u>	<u>\$ 1</u>	<u>\$ 1,463,423</u>	<u>\$ 13,252,701</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, 2015**

Total fund balances-governmental funds		\$ 10,636,270
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		68,740,482
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources - pension		2,378,566
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 and leases payable-current	1,133,155	
Warrants and leases payable-noncurrent	15,214,047	
Net pension liability	<u>29,403,000</u>	
		(45,750,201)
Total long-term liabilities		
Debt discounts/premiums and are reported as current expenditures in the governmental funds. However, in the Statement of Activities, these items are deferred and amortized over the life debt and are included as deferred charges in the Statement of Net Position.		
Unamortized Premiums		(495,790)
Losses from refunding of debt are reported as deferred outflows of resources and are not available to pay current-period expenditures. However, in the Statement of Activities, these items are deferred and amortized over the life debt and are included as deferred charges in the Statement of Net Position.		
Deferred charges from refunding		312,862
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		(122,832)
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred inflows of resources - pension		<u>(2,551,000)</u>
Net assets of governmental activities		<u>\$ 33,148,356</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, 2015

	General Fund	Food and Nutrition Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
State sources	\$ 20,541,172	\$ -	\$ -	\$ 1,628,888	\$ 22,170,060
Federal sources	449,978	3,250,355	909,428	4,360,211	8,969,972
Local sources	9,319,310	187,891		-	9,507,201
Other sources	340,868	54,739		488,779	884,386
Total Revenues	30,651,328	3,492,985	909,428	6,477,878	41,531,619
EXPENDITURES:					
Current operations:					
Instructional services	16,946,498	-		2,641,522	19,588,020
Instructional support and services	5,883,571	-		1,661,898	7,545,469
Operation and maintenance services	3,749,931	31,710		168,888	3,950,529
Student transportation services	1,525,384	-		56,357	1,581,741
Food		4,030,849			4,030,849
General and administrative services	1,877,263			479,505	2,356,768
Other	566,233	514,695		276,823	1,357,751
Capital Outlay	6,770	58,189	-	-	64,959
Debt Service:					
Principal	-		560,000	361,864	921,864
Interest and Fiscal Charges			349,431	344,818	694,249
Total Expenditures	30,555,650	4,635,443	909,431	5,991,675	42,092,199
Excess of Revenues Over (Under) Expenditures	<u>95,678</u>	<u>(1,142,458)</u>	<u>(3)</u>	<u>486,203</u>	<u>(560,580)</u>
OTHER FINANCING SOURECES (USES)					
Indirect cost reimbursement	430,783				430,783
Proceeds from borrowings				3,210,387	3,210,387
Refunding of debt payment				(3,579,985)	(3,579,985)
Other financing resources				250,297	250,297
Transfers in		1,001,414		-	1,001,414
Transfers out	(1,001,414)	-		-	(1,001,414)
Other	68,748				68,748
Total other financing Sources (Uses)	(501,883)	1,001,414	-	(119,301)	380,230
Net Change in Fund Balances	(406,205)	(141,044)	(3)	366,902	(180,350)
Fund Balance -Beginning	8,829,900	894,652	4	1,092,062	10,816,618
Fund Balance - Ending	\$ 8,423,695	\$ 753,608	\$ 1	\$ 1,458,965	\$ 10,636,270

See independent auditors' report and notes to financial statements.

**BESSEMER 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, 2015**

Net change in fund balances-total governmental funds	\$ (180,350)
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Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	64,959
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Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(2,263,346)
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Repayment of debt principal is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:	
Warrants Payable	705,462
Capital Leases	<u>216,402</u>

Total Repayments	921,864
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Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the statement of Net Position and does not affect the Statement of Activities.	3,718,221
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The issuance of long-term debt(e.g., warrants, bonds, and leases) provides current financial resources to government funds, and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position and does not affect the Statement of Net Activities.	(2,613,102)
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Premiums on debt issuance are reported as other financing sources in governmental funds, but are amortized in the Statement of Activities.	(510,998)
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Debt discounts/refunding 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	(157,251)
Debt refunding amortization expense	(9,597)

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 revenue	68,874

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 payable increase/(decrease)	28,036
Pension expense increase/decrease	(234,566)

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	(64,797)
Change in net assets governmental activities	<u>(1,232,053)</u>

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, 2015**

	<u>2015</u>
ASSETS	
Cash and cash equivalents	<u>\$ 82,134</u>
LIABILITIES	
Accounts payable and other current liabilities	<u>50</u>
NET POSITION	
Held in trust for local Schools non-pulic funds	<u><u>\$ 82,084</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, 2015
(SUPPLEMENTAL INFORMATION)

	<u>2015</u>
ADDITIONS	
Contributions:	
Other sources	\$ 149,380
 DEDUCTIONS	
Instructional services	1,950
Instructional support services	-
Operation and maintenance services	-
Student transportation services	-
Food services	-
General administrative services	153,548
Other	275
Capital Outlays	-
Debt service:	-
Principal	-
Interst and fiscal charges	-
 Total Expenditures	 <u>155,773</u>
 Excess of Revenues (Deficiency)	
Over (Under) Expenditures	(6,393)
 OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	-
Total other financing sources (uses)	<u>-</u>
 Net Change in Net Position	 <u>(6,393)</u>
Net Position-Beginning (Deficits)	<u>88,477</u>
 Net Positon-Ending (Deficits)	 <u><u>82,084</u></u>

See independent auditors' report and notes to financial statements.

BASIC 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, 2015, 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.

Pensions

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

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, 2015 are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Food Services Fund	Inventory	\$ 86,917
Restricted		
Food Services Fund	Food Services Activity	666,691
Nonmajor Governmental Funds	Special Revenue Activity	470,645
Committed		
Debt Service Fund	To pay long-term debt	1
Capital Projects	For Construction Contracts	988,320
Unassigned		
General Fund		8,423,696
Total fund balances		<u>\$ 10,636,270</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, 2015, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$11,652,737 and the bank balance was \$13,677,237.

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	\$ 517,085	546,829	449,134	\$ 1,513,048

The Intergovernmental receivable balance includes \$517,085 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, 2015, was as follows:

	9/30/14			9/30/15
	Beginning		Retirements/	Ending
	Balance	Increases	Reclassifications	Balance
Government Activities:				
Capital Assets not being depreciated:				
Land	\$ 3,286,311	\$ -	\$ -	\$ 3,286,311
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated	3,286,311	-	-	3,286,311
Capital Assets Being Depreciated:				
Land Improvements	801,775	-	-	801,775
Buildings	78,595,264	-	80,996	78,514,268
Building improvements	5,836,842	-	-	5,836,842
Equipment and Furniture	2,446,142	64,959	-	2,511,101
Vehicles	2,939,013	-	-	2,939,013
Buildings under capital leases	-	-	-	-
Equipment under capital leases	595,756	-	-	595,756
Total Capital Assets, being depreciated	91,214,792	64,959	80,996	91,198,755
Less accumulated depreciation				
Land Improvements	564,225	19,004		583,229
Buildings	18,795,611	1,556,994	16,199	20,336,406
Building improvements	436,982	285,489	-	722,471
Equipment and Furniture	1,719,315	157,768		1,877,083
Vehicles	1,594,061	184,515	-	1,778,576
Buildings under capital leases	357,455	59,576	-	417,031
Equipment under capital leases	29,788	-	-	29,788
Total accumulated depreciation	23,497,437	2,263,346	16,199	25,744,584
Total Capital Assets being depreciated, net	67,717,355	(2,198,387)	64,797	65,454,171
Total governmental activity capital assets, net	\$ 71,003,666	\$ (2,198,387)	\$ 64,797	\$ 68,740,482

Depreciation expense was charged to government functions as follows:

GOVERNMENTAL

ACTIVITIES	AMOUNT
Instructional	1,904,285
Instructional support	25,019
Operational and maintenance	21,784
Student transportation	235,769
Food Service	70,159
General and Administrative	4,796
Other	1,534
	<u>\$ 2,263,346</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, 2015 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

	Transfers In	Transfers Out	
Major Funds:			
General Fund	\$ -	\$ 1,001,414	(a)
Food Services Fund (a)	<u>1,001,414</u>	<u>-</u>	
	<u>\$ 1,001,414</u>	<u>\$ 1,001,414</u>	

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

NOTE 8 LONG-TERN 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.

Effective May of 2015, the Board entered into an agreement to participate in the PSCA Capital Improvement Education Pool Bonds, Series 2015-B, which refunded the PSCA Capital Improvement Education Pool Bonds, Series 2008. In order to participate, the Board issued its Capital Outlay Pool Bond Series 2015-B in the Principal amount of \$2,613,102. Payment of the principal and interest on this bond is made by the Finance Director of the State of Alabama causing to be transferred from the Public School Fund to the Education Trust on each payment date an amount of Pledged Capital Outlay funds equal to the principal and interest due on each payment date.

The Board deposited with its Trustee sufficient proceeds to pay interest due as well as the redemption price of the PSCA Capital Improvement Education Pool Bonds, Series 2008. The Bonds were called and refunded with the funds deposited by the Board.

As a result, the Board's, PSCA Capital Improvement Education Pool Bonds, Series 2008 are considered to be defeased and the liability for those Bonds has been removed from the Board's debt payable balance.

The refunding was undertaken to take advantage of a lower interest rate. The advance refunding resulted in a loss of \$(322,459) which is the difference between the reacquisition price and the net carrying amount of the old debt of which was deferred and is being amortized over the life of the new debt. The transaction resulted in an immaterial economic gain and immaterial change in future debt service payments.

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

As of September 30, 2015, the Board's long-term obligations under the warrants consisted of the following:

	2015
PSCA Capital Improvement Pool Warrants, Series 2015-B bearing interest payable	
semi-annually at 3.25% to 4.25%, annual principal installments through 2029	\$ 3,210,387
School Tax Warrants, Series 2011 bearing interest payable	
semi-annually at 2.00% to 3.75%, annual principal installments through 2030	9,790,000
School Tax Warrants, Series 2012-A bearing interest payable	
semi-annually at 1.80% to 2.50%, annual principal installments through 2017	950,000
School Tax Warrants, Series 2012-B bearing interest payable	
monthly at 1.80% to 2.50%, annual principal installments through 2022	1,089,741
	\$ 15,040,128

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

Payments on the Capital Improvement Pool Warrants, Series 2015 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)

Activity during 2015 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2014	Additions	Reductions	Balance at September 30, 2015	Due Within One Year
PSCA Capital					
Improvement Pool					
Warrants, Series 2008	\$ 3,579,985	-	\$ 3,579,985	\$ -	\$ -
PSCA Capital					
Improvement Pool					
Warrants, Series 2015-B		3,210,387		3,210,387	\$ 194,145
School Tax Warrants, Series 2011	9,890,000	-	100,000	9,790,000	100,000
School Tax Warrants, Series 2012-A	1,410,000	-	460,000	950,000	470,000
School Tax Warrants, Series 2012-B	1,235,203		145,462	1,089,741	146,098
Plus unamortized amounts:					
For warrant discount	(157,251)		(157,251)	-	
For warrant Premium	53,666	510,998	68,874	495,790	
Deferred outflow					
For bond issuance refunding	-	(322,459)	9,597	(312,862)	
	<u>16,011,603</u>	<u>3,398,926</u>	<u>4,206,667</u>	<u>15,223,056</u>	<u>910,243</u>
Capital Lease					
Regions Equipment Finance					
due September 1, 2017	199,462	-	65,512	133,950	68,236
Municipal Asset Management					
due May 21, 2022	<u>1,324,014</u>	<u>-</u>	<u>150,889</u>	<u>1,173,125</u>	<u>154,677</u>
	<u>1,523,476</u>	<u>-</u>	<u>216,402</u>	<u>1,307,074</u>	<u>222,913</u>
Net Pension Liability	<u>-</u>	<u>29,403,000</u>		<u>29,403,000</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 17,535,079</u>	<u>\$ 32,801,926</u>	<u>\$ 4,423,069</u>	<u>\$ 45,933,130</u>	<u>\$ 1,133,155</u>

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

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

Warrants				
	Principal		Interest	Total
2016	\$ 923,114	\$	493,672	\$ 1,418,414
2017	949,193		470,126	1,416,786
2018	1,135,219		480,388	1,419,319
2019	1,002,540		374,533	1,615,607
2020	1,035,740		347,054	1,382,794
Thereafter	9,994,322		2,481,978	12,476,300
	<u>15,040,128</u>		<u>4,647,751</u>	<u>19,729,220</u>

Capital Leases				
	Principal		Interest	Total
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
2020	170,801		13,187	183,988
Thereafter	354,571		13,405	367,975
	<u>\$ 1,307,074</u>	<u>\$</u>	<u>126,147</u>	<u>\$ 1,433,221</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>(1,039,909)</u>
Net Total	<u>\$ 1,165,287</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
2016	\$ 256,641
2017	256,641
2018	183,988
2019	183,988
2020	183,988
Thereafter	<u>367,975</u>
Total minimum lease payments	1,433,221
Less: amount representing interest	<u>(126,147)</u>
Present value of the minimum lease payments	<u><u>\$ 1,307,074</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 2011 Warrants has 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.

Unamortized Warrant Premiums activity for the year ended September 30, 2015, was as follows:

	9/30/14 Beginning Balance	Increases	Decreases	9/30/15 Ending Balance
Unamortized Warrant payable discount	\$ 157,251	\$ -	\$ 157,251	\$ -
Unamortized Warrants payable Premiums	53,666	510,997	68,874	495,790
Deferred loss on debt refunding		<u>322,459</u>	<u>9,597</u>	<u>312,862</u>
Total	<u>\$ 210,917</u>	<u>\$ 510,997</u>	<u>\$ 226,125</u>	<u>\$ 495,790</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, 2015, 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

Plan description

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

Benefits provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,538,199 for the year ended September 30, 2015.

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

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

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

At September 30, 2015 the System reported a liability of \$29,403,300 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014 the System's proportion was .32365%, which was an increase (decrease) of (.004408%) from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the System recognized pension expense of \$2,144,000. At September 30, 2015 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	2,205,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	346,000
Employer contributions subsequent to the measurement date	2,378,566	0
Total	\$2,378,566	\$2,551,000

\$2,378,566 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	(632)
2017	(632)
2018	(632)
2019	(632)
2020	(23)
Thereafter	0

BESSEMER CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5% - 8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

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

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current Rate</u> <u>(8.00%)</u>	<u>1% Increases</u> <u>(9.00%)</u>
System's proportionate share of collective net pension liability	\$40,056,000	\$29,403,000	\$20,374,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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.

B. Funding Policy

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 09/30/15
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
Tobacco Surcharge	28.00
Surviving Spouse - Non-Medicare Eligible	700.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	934.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	907.00
Surviving Spouse - Medicare Eligible	354.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	595.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	568.00

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
2015	\$ 780.00	\$ 181.00	23.17%	\$ 1,130,599	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 2015 financial statements for RDS is \$253,250.

**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 \$114,106 for 2015. Commodities consumed were approximately \$118,932 for 2015.

NOTE 15 FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

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

NOTE 16 RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effect on net position of contributions made by the Board during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position for the year ended September 30, 2015 was restated which decreased by \$29,810,000.

**Bessemer City Board of Education
Schedule of Board Contributions
Teachers' Retirement Plan of Alabama**

	Last Fiscal Year*
	<u>2015</u>
Contractually required contribution	\$ 2,349,222
Contributions in relation to the contractually required contribution	<u>2,349,222</u>
Contribution deficiency (excess)	<u>\$ -</u>
System' covered-employee payroll	\$ -
Contributions as a percentage of covered-employee payroll	11.10%

*The amounts presented for each fiscal year were determined as of prior fiscal ending September 30.

See independent auditors' report and notes to financial statements.

Bessemer City Board of Education
Schedule of Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama

	Last Fiscal Year* 2015
System's proportion of the net pension liability	<u>.3233659%</u>
System's proportionate share of net pension liability	\$ 29,403,000
System' covered-employee payroll	\$ 21,159,325
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.96%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

*The amounts presented for each fiscal year were determined as of prior fiscal ending September 30.

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, 2015**

*

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
State	\$ 20,626,921.38	20,626,921.38	20,541,172.46	0.00	20,541,172.46
Federal	235,000.00	235,000.00	449,978.38	0.00	449,978.38
Local	9,109,230.00	9,109,230.00	9,319,309.68	0.00	9,319,309.68
Other	168,000.00	168,000.00	340,867.95	0.00	340,867.95
Total Revenues	30,139,151.38	30,139,151.38	30,651,328.47	0.00	30,651,328.47
Expenditures					
Current:					
Instructional	17,923,343.98	17,923,343.98	17,015,976.36	(69,478.53)	16,946,497.83
Instructional Support	5,680,282.44	5,680,282.44	5,903,662.66	(20,091.04)	5,883,571.62
Operation and Maintenance	3,693,734.00	3,693,734.00	3,752,020.18	(2,088.96)	3,749,931.22
Auxiliary Services:					
Student Transportation	1,551,865.31	1,551,865.31	1,527,303.35	(1,919.09)	1,525,384.26
Food Service	0.00	0.00	0.00	0.00	0.00
General Administrative	1,764,068.90	1,764,068.90	1,871,896.52	5,366.20	1,877,262.72
Other	551,817.48	551,817.48	561,992.89	4,239.85	566,232.74
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Personal Property	782,785.19	782,785.19	6,770.00	0.00	6,770.00
Real Property					
Debt Service:					
Principal Retirement	0.00	0.00	0.00	0.00	0.00
Interest and Fiscal Charges	0.00	0.00	0.00	0.00	0.00
Debt Issuance Costs/Other Debt Service	0.00	0.00	0.00	0.00	0.00
Total Expenditures	31,947,897.30	31,947,897.30	30,639,621.96	(83,971.57)	30,555,650.39
Excess (Deficiency) of Revenues Over Expenditures	(1,808,745.92)	(1,808,745.92)	11,706.51	83,971.57	95,678.08
Other Financing Sources (Uses)					
Indirect Cost	467,823.70	467,823.70	430,782.93	0.00	430,782.93
Long-Term Debt Issued	0.00	0.00	0.00	0.00	0.00
Transfers In	0.00	0.00	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	68,748.09	0.00	68,748.09
Sale of Capital Assets	0.00	0.00	0.00	0.00	0.00
Transfers Out	(1,095,335.00)	(1,095,335.00)	(1,001,413.85)	0.00	(1,001,413.85)
Payment to Refunding Escrow Agent	0.00	0.00	0.00	0.00	0.00
Other Fund Uses	0.00	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)	(627,511.30)	(627,511.30)	(501,882.83)	0.00	(501,882.83)
Net Change in Fund Balances	(2,436,257.22)	(2,436,257.22)	(490,176.32)	83,971.57	(406,204.75)
Fund Balances - Beginning of Year	11,226,466.62	11,226,466.62	11,226,465.62	(2,396,565.83)	8,829,899.79
Fund Balances - End of Year	8,790,209.40	8,790,209.40	10,736,289.30	(2,312,594.26)	8,423,695.04

Explanation of differences:

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

83,971.57

* For budgetary purposes, the Board includes its indirect cost allocation along with operating transfers in/out. However, in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, this is included in other financial sources of revenues. Actual other revenue and operating transfers in have been adjusted to reflect the budgetary grouping for the purposes of this budget to actual comparison.

See independent auditors' report and notes to financial statements.

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

SEPTEMBER 30, 2015

Special Revenue Funds												
	School Activity Bessemer High School	Bessemer Middle School	Bessemer Middle School CIT Model	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC	
ASSETS												
Cash and cash equivalents	\$ 204,855	\$ 60,444	\$ (99,668)	\$ 16,536	\$ 2,309	\$ 75,096	\$ 50,567	\$ 13,481	\$ 35,301	\$ 19,786	\$ 107	
Receivables			99,668									
Inventory												
Total Assets	204,855	60,444	-	16,536	2,309	75,096	50,567	13,481	35,301	19,786	107	
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Interfund payable												
Accounts payable and Other liabilities	2,555	511	-	1,144	-	143	-	-	-	105		
Accrued payroll and related liabilities												
Total Liabilities	2,555	511	-	1,144	-	143	-	-	-	105		
Fund balance												
Reserved for Capital Projects												
Unreserved for Encumbrance	202,299	59,933	-	15,392	2,309	74,953	50,567	13,481	35,301	19,681	107	
Total Fund Equity	202,299	59,933	-	15,392	2,309	74,953	50,567	13,481	35,301	19,681	107	
Total Liabilities and Fund balance	\$ 204,855	\$ 60,444	\$ -	\$ 16,536	\$ 2,309	\$ 75,096	\$ 50,567	\$ 13,481	\$ 35,301	\$ 19,786	\$ 107	

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, 2015

Special Revenue Funds		Bessemer Middle School CIT Model	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	253,744	59,292	25,799	11,808	17,548	61,690	24,178	16,443	18,277	-
Total Revenues	<u>253,744</u>	<u>59,292</u>	<u>25,799</u>	<u>11,808</u>	<u>17,548</u>	<u>61,690</u>	<u>24,178</u>	<u>16,443</u>	<u>18,277</u>	<u>-</u>
EXPENDITURES:										
Current:										
Instructional services										
Instructional support services	188,919	116,647	12,587	14,909	11,367	53,677	21,766	12,372	196	
Operation and maintenance services			750							
Auxiliary Services	2,244	500				2,668	4,770	789	7,409	
General administrative services	4,232	1,700	4,147	365	891	55	375	150	7,367	
Other										
Capital Outlays										
Debt service:										
Principal										
Interest and fiscal charges										
Total Expenditures	<u>195,395</u>	<u>118,847</u>	<u>16,735</u>	<u>15,274</u>	<u>12,258</u>	<u>56,400</u>	<u>26,911</u>	<u>13,311</u>	<u>14,972</u>	<u>-</u>
Excess of Revenues (Deficiency)										
Over (Under) Expenditures	<u>58,348</u>	<u>(59,555)</u>	<u>9,064</u>	<u>(3,466)</u>	<u>5,290</u>	<u>5,290</u>	<u>(2,733)</u>	<u>3,132</u>	<u>3,305</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)										
Long-term debt issued										
Refunding of debt payment										
Other										
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>58,348</u>	<u>(59,555)</u>	<u>9,064</u>	<u>(3,466)</u>	<u>5,290</u>	<u>5,290</u>	<u>(2,733)</u>	<u>3,132</u>	<u>3,305</u>	<u>-</u>
Fund Balances-Beginning (Deficits)	<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>16,376</u>	<u>107</u>
Fund Balances-Ending (Deficits)	<u>\$ 202,299</u>	<u>\$ 59,933</u>	<u>\$ 15,392</u>	<u>\$ 2,309</u>	<u>\$ 74,953</u>	<u>\$ 50,567</u>	<u>\$ 13,481</u>	<u>\$ 35,301</u>	<u>\$ 19,681</u>	<u>\$ 107</u>

See independent auditors' report and notes to financial statements.

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

SEPTEMBER 30, 2015

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	Other Food Ser. Income	Title I Part A	Title II Part A	Vocational Rehabilitation Services	Title III ESL	(12-4164) Other Special Revenue Fund	(12-3335) Other Special Revenue Fund	Total Special Revenue Funds
ASSETS												
Cash and cash equivalents	\$ (46,501)	\$ (47,324)	\$ -		\$ 4,550	\$ (73,069)	\$ (180,056)		\$ (2,107)			\$ 34,306
Receivables	46,501	39,396				73,069	180,056		2,107			440,798
Inventory												-
Total Assets	-	(7,928)	-	-	4,550	-	-	-	-	-	-	475,103
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Interfund payable												-
Accounts payable and Other liabilities												4,458
Accrued payroll and related liabilities												-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	4,458
Fund balance												
Reserved for Capital Projects												-
Unreserved for Encumbrance	-	(7,928)	-	-	4,550	-	-	-	-	-	-	470,645
Total Fund Equity	-	(7,928)	-	-	4,550	-	-	-	-	-	-	470,645
Total Liabilities and Fund balance	\$ -	\$ (7,928)	\$ -	\$ -	\$ 4,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,103

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, 2015

	REGULAR BASIC GRANT	IDEA PART B	IDEA PART B,E,C,& Y	Pre-School Part B Ages 3-5	TITLE X HOMELESS	Other Food Ser. Income	Title I Part A	Title II Part A	Vocational Rehabilitation Services	Title III ESL	(12-4164) Other Special Revenue Fund	(12-3335) Other Special Revenue Fund	Total Special Revenue Funds
REVENUES:													
State sources	86,740	959,998	94,416	12,564	12,017	4,550	2,511,219	547,278	5,040	12,017	500	14,204	\$ 4,360,211
Federal sources													
Local sources													
Other sources													
Total Revenues	86,740	959,998	94,416	12,564	12,017	4,550	2,511,219	547,278	5,040	12,017	500	14,204	4,848,990
EXPENDITURES:													
Current:													
Instructional services	80,531	741,408	100,624	1,000	472		1,286,126	286,664		472	500	14,204	2,512,001
Instructional support services	4,751	180,614			11,342		668,310	249,227	4,955	11,342			1,661,898
Operation and maintenance services													750
Auxiliary Services		37,976											56,357
General administrative services	1,458		1,720	230	203		297,220	9,292	85	203			329,491
Other				11,334			263,191	2,095					276,823
Capital Outlays													-
Debt service:													-
Principal													-
Interest and fiscal charges													-
Total Expenditures	86,740	959,998	102,344	12,564	12,017	-	2,514,847	547,278	5,040	12,017	500	14,204	4,837,320
Excess of Revenues (Deficiency)													
Over (Under) Expenditures	-	-	(7,928)	-	-	4,550	(3,628)	-	-	0	-	-	11,670
OTHER FINANCING SOURCES (USES)													
Long-term debt issued													
Refunding of debt payment													
Other							3,628						3,628
Transfers in													-
Transfers out													-
Total other financing sources (uses)	-	-	-	-	-	-	3,628	-	-	-	-	-	3,628
Net Change in Fund Balances	-	-	(7,928)	-	-	4,550	-	-	-	0	-	-	15,298
Fund Balances-Beginning (Deficits)	-	-	-	-	-	-	-	-	-	-	-	-	455,347
Fund Balances-Ending (Deficits)	\$ -	\$ -	\$ (7,928)	\$ -	\$ -	\$ 4,550	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 470,645

See independent auditors' report and notes to financial statements.

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

SEPTEMBER 30, 2015

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	(14-2227) Capital Projects	(14-2256) Capital Projects	Capital Projects Local Default	Capital Projects County Appropriation	(14-8411) Capital Projects	Capital Projects Bonds Issue Payments	Capital Projects Bonds & Warrants
ASSETS										
Cash and cash equivalents		\$ 495,649	\$ 33,615	\$ 34,287	\$ 55,794	\$ 207,775	\$ 152,863	8,336		
Receivables										
Inventory										
Total Assets	-	495,649	33,615	34,287	55,794	207,775	152,863	8,336	-	-
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Interfund payable										
Accounts payable and Other liabilities										
Accrued payroll and related liabilities										
Total Liabilities	-	-	-	-	-	-	-	-	-	-
Fund balance										
Reserved for Capital Projects		495,649	33,615	34,287	55,794	207,775	152,863	8,336	-	-
Unreserved for Encumbrance	-	-	-	-	-	-	-	-	-	-
Total Fund Equity	-	495,649	33,615	34,287	55,794	207,775	152,863	8,336	-	-
Total Liabilities and Fund balance	\$ -	\$ 495,649	\$ 33,615	\$ 34,287	\$ 55,794	\$ 207,775	\$ 152,863	\$ 8,336	\$ -	\$ -

See independent auditors' report and notes to financial statements.

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

FOR THE YEAR E FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	(14-2227) Capital Projects	(14-2256) Capital Projects	Capital Projects Local Default	Capital Projects County Appropriation	(14-8411) Capital Projects	Capital Projects Bonds Issue Payments	Capital Projects Bonds & Warrants
REVENUES:										
State sources	\$ 180,000	\$ 609,744	\$ 2,873	\$ 162,655				\$ 8,336	\$ 665,280	
Federal sources										
Local sources										
Other sources										
Total Revenues	<u>180,000</u>	<u>609,744</u>	<u>2,873</u>	<u>162,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,336</u>	<u>665,280</u>	<u>-</u>
EXPENDITURES:										
Current:										
Instructional services				128,368			1,153			
Instructional support services										
Operation and maintenance services		112,120				38,894	12,526			4,598
Auxiliary Services										
General administrative services		135,096								
Other										
Capital Outlays									14,918	
Debt service:										
Principal	150,889	110,487							100,488	
Interest and fiscal charges	29,111	135,431							180,276	
Total Expenditures	<u>180,000</u>	<u>493,134</u>	<u>-</u>	<u>128,368</u>	<u>-</u>	<u>38,894</u>	<u>13,679</u>	<u>-</u>	<u>295,682</u>	<u>4,598</u>
Excess of Revenues (Deficiency)										
Over (Under) Expenditures	<u>-</u>	<u>116,610</u>	<u>2,873</u>	<u>34,287</u>	<u>-</u>	<u>(38,894)</u>	<u>(13,679)</u>	<u>8,336</u>	<u>369,598</u>	<u>(4,598)</u>
OTHER FINANCING SOURCES (USES)										
Long-term debt issued									3,210,387	
Refunding of debt payment									(3,579,985)	
Other						246,669				
Transfers in										
Transfers out										
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,669</u>	<u>-</u>	<u>-</u>	<u>(369,598)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>116,610</u>	<u>2,873</u>	<u>34,287</u>	<u>-</u>	<u>207,775</u>	<u>(13,679)</u>	<u>8,336</u>	<u>-</u>	<u>(4,598)</u>
Fund Balances-Beginning (Deficits)	<u>-</u>	<u>379,039</u>	<u>30,742</u>	<u>-</u>	<u>55,794</u>	<u>-</u>	<u>166,542</u>	<u>-</u>	<u>-</u>	<u>4,598</u>
Fund Balances-Ending (Deficits)	<u>\$ -</u>	<u>\$ 495,649</u>	<u>\$ 33,615</u>	<u>\$ 34,287</u>	<u>\$ 55,794</u>	<u>\$ 207,775</u>	<u>\$ 152,863</u>	<u>\$ 8,336</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

Fiduciary-Non-Public Funds

	Fiduciary Non-Public Funds										
	Nonmajor Governmental Funds	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office	Total Non-Public Funds
ASSETS											
Cash and cash equivalents	\$ 1,014,290	\$ 67,346	\$ 1,504	\$ 2,049	\$ 42	\$ 216	\$ 1,162	\$ 3,696	\$ 738	\$ 5,381	\$ 82,134
Receivables	449,134										
Inventory	-										-
Total Assets	<u>1,463,423</u>	<u>67,346</u>	<u>1,504</u>	<u>2,049</u>	<u>42</u>	<u>216</u>	<u>1,162</u>	<u>3,696</u>	<u>738</u>	<u>5,381</u>	<u>82,134</u>
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Interfund payable	-										
Accounts payable and Other liabilities	4,458									50	50
Accrued payroll and related liabilities	-										
Total Liabilities	<u>4,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Fund balance											
Reserved for Capital Projects	-										-
Unreserved for Encumbrance	988,320	67,346	1,504	2,049	42	216	1,162	3,696	738	5,331	82,084
Total Fund Equity	<u>1,458,965</u>	<u>67,346</u>	<u>1,504</u>	<u>2,049</u>	<u>42</u>	<u>216</u>	<u>1,162</u>	<u>3,696</u>	<u>738</u>	<u>5,331</u>	<u>82,084</u>
Total Liabilities and Fund balance	<u>1,463,423</u>	<u>\$ 67,346</u>	<u>\$ 1,504</u>	<u>\$ 2,049</u>	<u>\$ 42</u>	<u>\$ 216</u>	<u>\$ 1,162</u>	<u>\$ 3,696</u>	<u>\$ 738</u>	<u>\$ 5,381</u>	<u>\$ 82,134</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, 2015
Fiduciary-Non-Public Funds

	Nonmajor Governmental Funds	Fiduciary Non-Public Funds										Total Non-Public Funds
		Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office		
REVENUES:												
State sources	\$ 1,628,888		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	4,360,211											-
Local sources	-											-
Other sources	488,779	129,219	5,767			1,095	109	8,688		4,502		149,380
Total Revenues	6,477,878	129,219	5,767	-	-	1,095	109	8,688	-	4,502	-	149,380
EXPENDITURES:												
Current:												
Instructional services	2,641,522		1,950									1,950
Instructional support services	1,661,898											-
Operation and maintenance services	168,888											-
Auxiliary Services	56,357											-
General administrative services	479,505	135,945	4,946			1,328	40	7,401		3,888		153,548
Other	276,823		275									275
Capital Outlays	-											-
Debt service:												
Principal	361,864											-
Interest and fiscal charges	344,818											-
Total Expenditures	5,991,675	135,945	7,171	-	-	1,328	40	7,401	-	3,888	-	155,773
Excess of Revenues (Deficiency) Over (Under) Expenditures	486,203	(6,726)	(1,404)	-	-	(232)	69	1,287	-	614	-	(6,393)
OTHER FINANCING SOURCES (USES)												
Long-term debt issued	3,210,387											-
Refunding of debt payment	(3,579,985)											-
Other	250,297											-
Transfers in	-											-
Transfers out	-											-
Total other financing sources (uses)	(119,301)	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	366,902	(6,726)	(1,404)	-	-	(232)	69	1,287	-	614	-	(6,393)
Fund Balances-Beginning (Deficits)	1,092,062	74,071	2,908	2,049	42	448	1,093	2,409	738	4,718	-	88,477
Fund Balances-Ending (Deficits)	1,458,965	\$ 67,346	\$ 1,504	\$ 2,049	\$ 42	\$ 216	\$ 1,162	\$ 3,696	\$ 738	\$ 5,331	\$ -	\$ 82,084

See independent auditors' report and notes to financial statements.

**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, 2015, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 6, 2016. 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

June 6, 2016



"Moving Forward, Not 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, 2015. 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, 2015.

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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June 6, 2016

**BESSEMER CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Description	CFDA Number	Federal Expenditures
U.S. Department of Education		
Passed through the Alabama Department of Education		
ED-Title I (Part) A	84.010	2,951,091
ED- Advance Placement Program	84.330	4,141
ED-English Language Acquisition	84.365	67,047
ED-Improving Teacher Quality State Grants	84.367	460,154
ED-College Access Challenge Grant	84.378	14,205
ED-VIB Special Education-LEA	84.027	1,184,894
ED-Preschool Grants (3-5-LEA)	84.173	13,703
ED- Basic Grant	84.048	86,740
ED- Homeless Education	84.196	33,000
ED-After School Learning Center	84.287	48,000
ED-After School Safety Planning-LEA	84.184	500
Total U.S. Department of Education		<u>4,863,475</u>
U.S. Department of Agriculture		
Passed through the Alabama Department of Education		
USDA - School Breakfast	10.553	758,233
USDA- National School Lunch Program Snacks	10.555	13,166
USDA- National School Lunch Program	10.555	1,771,761
USDA-Summer Food Meals	10.559	511,516
USDA-Summer Food Sponsor Administration	10.559	52,883
USDA-State Administration Expense	10.560	7,393
USDA-Fresh Fruits and Vegetables Program	10.582	74,299
Total U.S. Department of Agriculture		<u>3,189,251</u>
U.S. Department of Health and Human Services		
Passed through the Alabama Department of Education		
Disability Determination	96.001	3,020
Total U.S. Department of Health and Human Services		<u>3,020</u>
Total Expenditures of Federal Awards		<u>\$ 8,055,746</u>

NOTE 1 - Basis of presentation

General - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Bessemer Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2015.

See independent auditors' report and notes to financial statements.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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.

See independent auditors' report and notes to financial statements.

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2015**

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

84.010	U.S. Department of Education - Title I (Part) A
84.367	U.S. Department of Education - Improving Teacher Quality State Grants
84.027	U.S. Department of Education – Special Education
	<i>Cluster:</i>
10.553	USDA-Commodities- School Breakfast
10.555	USDA-Commodities- National School Lunch Program Snacks
10.555	USDA-Commodities- National School Lunch Program
10.559	USDA-Commodities- Summer Foods

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

Auditee qualified as a low-risk auditee Yes _____ No X

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2015**

Section II - Financial statement findings

None.

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2015**

Section III - Federal Award Findings and Questioned Costs

Findings: None

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2015**

Section III - Federal Award Findings and Questioned Costs

Questioned costs: None