

BESSEMER CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

September 30, 2017

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer City Board of Education (the "Board"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer City Board of Education, as of September 30, 2017, 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 4 through 12 and 47, as well as 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 governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor governmental fund financial statements and the schedule of expenditures of federal awards 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.



To the Superintendent and Members
of the Bessemer City Board of Education
Bessemer, Alabama
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, 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.

Birmingham, Alabama
October 9, 2018

Bank, Finley White & Co.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The discussion and analysis of the Bessemer City Board of Education (“the Board”) provides an overview of the Board's financial activities for the fiscal year ended September 30, 2017. The intent of this discussion and analysis is to examine the Board's financial performance as a whole, identify changes in financial position as well as to present basic financial statements. The Basic Financial Statements should be reviewed by the readers to enhance their understanding of the Board's financial performance as a whole or as an entire operating entity. The Basic Financial Statements contain the following components:

- Government-wide financial statements including the Statement of Net Position and the Statement of Activities, which provide a broad, long-term overview of the Board's finances.
- Fund-level financial statements provide a greater level of detail about the Board's major funds and focus on how well the Board has performed in the short-term in the most significant funds.
- Notes to the Basic Financial Statements.

This report also presents the highlights for the fiscal year ended September 30, 2017 and contains other supplementary information.

Financial Highlights

Total net position for the Board increased from \$32,826,227 in fiscal year 2016 to \$32,972,977 in fiscal year 2017, an increase of \$146,750.

Total revenues increased from \$40,940,847 in fiscal year 2016 to \$44,403,603, an increase of \$3,462,756 or 8.46%.

Total expenses increased from \$41,262,976 to \$44,256,853, an increase of \$2,993,877 or 7.26%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board has prepared its annual financial reports according to the Governmental Accounting Standards Board Statement No. 34 financial reporting model. The management's discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Instructional 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 or 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*** is closely related to a balance sheet. It presents information on all the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them 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.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

- The *Statement of Activities* is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The changes 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. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental funds - These funds are used to account for the Board's basic services and focus on providing cash flow available for spending. The funds include the General Fund, Food and Nutrition Fund, Debt Service Fund and other governmental funds of lesser magnitude. Fund financial statements use the modified-accrual basis of accounting, 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.

Fiduciary funds - The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* on page 19 of this section. These funds are not available to finance Board operations, and are, therefore, not included in the government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Basic Financial Statements - The notes to the basic financial statements provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statement, not an appendage to them. The Notes to the Basic Financial Statements begin following the financial statements.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

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.

**TABLE 1
BESSEMER CITY BOARD OF EDUCATION
CONDENSED STATEMENT OF NET POSITION
September 30, 2017 and 2016**

| | <u>Governmental Activities 2017</u> | <u>Percent of Total 2017</u> | <u>Governmental Activities 2016</u> | <u>Percent of Total 2016</u> |
|---|---|--------------------------------------|---|--------------------------------------|
| Current and other assets | \$ 14,247,614 | 17.77% | \$ 12,233,181 | 15.23% |
| Capital assets, net | <u>65,938,929</u> | 82.23% | <u>68,078,015</u> | 84.77% |
| Total assets | 80,186,543 | 100.00% | 80,311,196 | 100.00% |
| Total deferred outflows of resources | 5,529,304 | 100.00% | 4,833,837 | 100.00% |
| Long-term liabilities | 46,925,009 | 92.52% | 47,842,414 | 93.70% |
| Other liabilities | <u>3,794,861</u> | 7.48% | <u>3,215,093</u> | 6.30% |
| Total liabilities | 50,719,870 | 100.00% | 51,057,507 | 100.00% |
| Total deferred inflows of resources | 2,023,000 | 100.00% | 851,000 | 100.00% |
| Net position: | | | | |
| Invested in capital assets, net of related debt | 51,734,783 | 156.90% | 52,694,507 | 160.53% |
| Unrestricted | <u>(18,761,806)</u> | (56.90)% | <u>(19,868,280)</u> | (60.53)% |
| Total net position | <u>\$ 32,972,977</u> | 100.00% | <u>\$ 32,826,227</u> | 100.00% |

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

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

**TABLE 2
BESSEMER CITY BOARD OF EDUCATION
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended September 30, 2017 and 2016**

| | 2017 | 2016 |
|--|---------------|---------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 3,737,744 | \$ 3,609,945 |
| Operating grants and contributions | 25,791,394 | 25,364,861 |
| Capital grants and contributions | 1,029,538 | 1,086,625 |
| General revenues: | | |
| Property taxes for general purposes | 9,724,288 | 9,054,935 |
| Other taxes | 2,551,092 | 90,250 |
| Grants and contributions (not restricted for specific purpose) | 82,430 | 10,278 |
| Investment earnings | 31,201 | 25,229 |
| Miscellaneous | 1,455,916 | 1,698,724 |
| Net loss on disposition/sale of capital assets | - | - |
| Total revenues | 44,403,603 | 40,940,847 |
| Expenses | | |
| Governmental activities: | | |
| Instructional services | 22,494,708 | 21,215,720 |
| Instructional support services | 7,871,073 | 6,666,656 |
| Operation and maintenance | 4,521,284 | 4,225,633 |
| Auxiliary services: | | |
| Transportation | 1,953,132 | 1,733,171 |
| Food services | 3,678,083 | 3,727,396 |
| General administration and central support | 1,886,198 | 1,951,432 |
| Interest and fiscal charges | 490,637 | 520,495 |
| Other | 1,361,738 | 1,222,473 |
| Total expenses | 44,256,853 | 41,262,976 |
| Change in net position | 146,750 | (322,129) |
| Beginning net position, as restated | 32,826,227 | 33,148,356 |
| Ending net position | \$ 32,972,977 | \$ 32,826,227 |

Government Activities -The cost of services rendered from the Board's governmental activities for the year ended September 30, 2017, was \$44,256,853.

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 citizens to consider the cost of each program in comparison to the benefits they believe are provided.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**TABLE 3
BESSEMER CITY BOARD OF EDUCATION
NET COST OF GOVERNMENT ACTIVITIES
Fiscal years ending September 30, 2017 and 2016**

| | <u>Total Cost of Service 2017</u> | <u>2016</u> | <u>Net Cost of Service 2017</u> | <u>2016</u> |
|---|---|----------------------|---|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| Instruction services | \$ 22,494,708 | \$ 21,215,720 | \$ (5,578,456) | \$ (3,714,151) |
| Instruction support service | 7,871,073 | 6,666,656 | (1,654,321) | (1,230,455) |
| Operation and maintenance | 4,521,284 | 4,225,633 | (3,462,887) | (3,099,487) |
| Auxiliary services: | | | | |
| Transportation | 1,953,132 | 1,733,171 | (343,878) | (142,967) |
| Food services | 3,678,083 | 3,727,396 | (701,877) | (499,522) |
| General administration and central support | 1,886,198 | 1,951,432 | (1,253,390) | (1,367,576) |
| Interest and fiscal charges | 490,637 | 520,495 | (490,637) | (520,495) |
| Other | <u>1,361,738</u> | <u>1,222,473</u> | <u>(212,731)</u> | <u>(216,595)</u> |
| Total expenses | <u>\$ 44,256,853</u> | <u>\$ 41,262,976</u> | <u>\$(13,698,177)</u> | <u>\$(10,791,248)</u> |

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$11,693,340.

General Fund - The general fund is the primary operating fund of the Board which had a \$1,574,733 increase net change in the fund balance.

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 August 29, 2016. On May 16, 2017, 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, 2017, the Board had approximately \$65,938,929 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.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**TABLE 4
BESSEMER CITY BOARD OF EDUCATION
CAPITAL ASSETS
September 30, 2017 and 2016
Governmental Activities**

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 3,286,311 | \$ 3,286,311 |
| Land improvements | 992,262 | 992,262 |
| Buildings | 79,117,659 | 79,065,271 |
| Buildings improvements | 6,754,106 | 6,669,671 |
| Equipment and furniture | 2,550,193 | 2,544,369 |
| Vehicles | 2,939,013 | 2,939,013 |
| Equipment under capital leases | <u>595,756</u> | <u>595,756</u> |
| Total capital assets | 96,235,300 | 96,092,653 |
| Accumulated depreciation | <u>(30,296,371)</u> | <u>(28,014,638)</u> |
| Net capital assets | <u>\$ 65,938,929</u> | <u>\$ 68,078,015</u> |

Depreciation expense was charged to government functions as follows:

| Governmental Activities | <u>Amount</u> |
|--------------------------------|---------------------|
| Instructional | \$ 1,925,466 |
| Instructional support | 22,215 |
| Operational and maintenance | 14,141 |
| Student transportation | 233,230 |
| Food service | 82,582 |
| General and administrative | <u>4,099</u> |
| | <u>\$ 2,281,733</u> |

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**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Long-Term Debt - At year-end, the Board had \$48,050,914 in long-term liabilities. The following is a summary of long-term debt transactions for the year ended September 30, 2017:

**TABLE 5
BESSEMER CITY BOARD OF EDUCATION
OUTSTANDING DEBT
September 30, 2017 and 2016**

| | <u>Beginning Balance</u> | <u>Net Change</u> | <u>Ending Balance</u> | <u>Amounts Due Within One year</u> |
|---|------------------------------|---------------------|---------------------------|--|
| Warrants and Bonds Payable | | | | |
| PSCA Capital Pool Warrants, Series 2008-A | \$ 405,985 | \$ (198,783) | \$ 207,202 | \$ 207,202 |
| PSCA Capital Pool Warrants, Series 2015-B | 2,613,103 | - | 2,613,103 | - |
| School Tax Warrants, Series 2011 | 9,675,000 | (110,000) | 9,565,000 | 605,000 |
| School Tax Warrants, Series 2012-A | 480,000 | (480,000) | - | - |
| School Tax Warrants, Series 2012-B | 955,770 | (147,509) | 808,261 | 151,164 |
| Unamortized warrants premium | <u>459,290</u> | <u>(36,500)</u> | <u>422,790</u> | <u>-</u> |
| Total warrants payable, net | <u>14,589,148</u> | <u>(972,792)</u> | <u>13,616,356</u> | <u>963,366</u> |
| Capital Lease | | | | |
| Regions Bank | 71,073 | (71,073) | - | - |
| Municipal asset management | <u>1,013,117</u> | <u>(158,559)</u> | <u>854,558</u> | <u>162,539</u> |
| | 1,084,190 | (229,632) | 854,558 | 162,539 |
| RSA-Pension | | | | |
| Net pension liability | <u>33,335,000</u> | <u>245,000</u> | <u>33,580,000</u> | <u>-</u> |
| Total long-term debt | <u>\$49,008,338</u> | <u>\$ (957,424)</u> | <u>\$48,050,914</u> | <u>\$ 1,125,905</u> |

Economic Factors and Next Year's Budget

Because most of the Board's funding comes from the state (53%), 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 137 students in the Average Daily Membership (ADM) for fiscal year 2018 which resulted in a loss of 12.66 Foundation Units and \$64,339 in state funding. The system has experienced a net loss of 951 students (21.6%) since school year 2012.

The Board will be conducting two Capital Improvement Project with anticipated cost of \$2.4 million. These project will be consist of reroofing of Bessemer City Middle School and Jonesboro Elementary School. These projects will be funded by PSCA Funds.

In fiscal year 2018, the Board will be purchasing new school buses. The buses will be funded by the General Fund, reserve account and capital funds.

On September 30, 2017, the Board ended the fiscal year based on the modified accrual basis accounting with between four and five months of operating funds exceeding the one month reserve as required by the Alabama State Department of Education.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Student Enrollment – The latest average daily membership (ADM) as of the twenty days after Labor Day Report for the 2016-2017 school year is 3,615 which indicates a decrease in ADM of 126 students.

| School Year | ADM | Increase/(Decrease) | Fiscal Year |
|--------------------|------------|----------------------------|--------------------|
| 2016 - 2017 | 3,615 | (126) | 2017 - 2018 |
| 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 Patricia Stewart, Chief School Financial Officer at 205-432-3029 (email: pstewart@bessk12.org). Our physical address is: 1621-5th Avenue North, Bessemer, AL 35020.

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
September 30, 2017**

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 13,023,788 |
| Receivables | 1,126,126 |
| Inventories | 97,700 |
| Capital assets not being depreciated: | |
| Land | 3,286,311 |
| Capital assets, net of accumulated depreciation: | |
| Buildings and improvements | 61,404,655 |
| Equipment | <u>1,247,963</u> |
| Total Assets | <u>80,186,543</u> |
| Deferred Outflows of Resources | |
| Deferred amount on pension | 5,262,507 |
| Deferred charges on refunding of debt | <u>266,797</u> |
| | 5,529,304 |
| Total Assets and Deferred Outflows | <u>85,715,847</u> |
| Liabilities | |
| Accounts payable and other current liabilities | 267,498 |
| Accrued payroll and related liabilities | 2,274,205 |
| Accrued interest payable | 114,679 |
| Unearned revenue | 12,574 |
| Noncurrent liabilities: | |
| Due within one year | 1,125,905 |
| Due in more than one year | <u>46,925,009</u> |
| Total Liabilities | <u>50,719,870</u> |
| Deferred Inflows of Resources | |
| Deferred amount on pension net difference between projected and actual earnings on pension plan investments | <u>2,023,000</u> |
| Total Liabilities and Deferred Inflows | <u>52,742,870</u> |
| Net Position | |
| Invested in capital assets, net of related debt | 51,734,783 |
| Unrestricted | <u>(18,761,806)</u> |
| Total Net Position | <u>\$ 32,972,977</u> |

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017**

| | Governmental Activities | | | | Net Revenue (Expense) and Changes in Net Assets |
|---|--------------------------------|-------------------------------------|---|---|--|
| | Program Revenues | | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Instructional services | \$ 22,494,708 | \$ 433,665 | \$ 15,720,148 | \$ 762,439 | \$ (5,578,456) |
| Instructional support and services | 7,871,073 | 22,129 | 6,186,018 | 8,605 | (1,654,321) |
| Operation and maintenance services | 4,521,284 | 64,305 | 920,927 | 73,165 | (3,462,887) |
| Student transportation services | 1,953,132 | 94,659 | 1,329,517 | 185,078 | (343,878) |
| Food services | 3,678,083 | 2,709,181 | 267,025 | - | (701,877) |
| General and administrative services | 1,886,198 | 11,852 | 620,956 | - | (1,253,390) |
| Interest and fiscal charges | 490,637 | - | - | - | (490,637) |
| Other | <u>1,361,738</u> | <u>401,953</u> | <u>746,803</u> | <u>251</u> | <u>(212,731)</u> |
| Totals | <u>\$44,256,853</u> | <u>\$ 3,737,744</u> | <u>\$ 25,791,394</u> | <u>\$ 1,029,538</u> | (13,698,177) |
| General Revenues | | | | | |
| Property taxes | | | | | 9,724,288 |
| Other taxes | | | | | 2,551,092 |
| Grants and contributions not restricted for specific programs | | | | | 82,430 |
| Investment earnings | | | | | 31,201 |
| Other general revenues | | | | | 1,455,916 |
| Net loss on disposition/sale of capital assets | | | | | <u>-</u> |
| Total General Revenues | | | | | <u>13,844,927</u> |
| Change in Net Position | | | | | 146,750 |
| Net Position - Beginning of year | | | | | <u>32,826,227</u> |
| Net Position - Ending of year | | | | | <u>\$ 32,972,977</u> |

**BESSEMER CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

| | <u>General Fund</u> | <u>Food and Nutrition Fund</u> | <u>Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|----------------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 12,375,950 | \$ 382,766 | \$ 276 | \$ 264,799 | \$ 13,023,791 |
| Receivables | | | | | |
| Accounts | 88,753 | 3,975 | - | - | 92,728 |
| Intergovernmental | 141,269 | 262,931 | - | 629,198 | 1,033,398 |
| Due from other funds | - | 2,566 | - | - | 2,566 |
| Inventory | - | 97,701 | - | - | 97,701 |
| Total Assets | <u>\$ 12,605,972</u> | <u>\$ 749,939</u> | <u>\$ 276</u> | <u>\$ 893,997</u> | <u>\$ 14,250,184</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Account payable and other liabilities | \$ 255,703 | \$ - | \$ - | \$ 24,369 | \$ 280,072 |
| Accrued payroll and related liabilities | 2,153,855 | 120,351 | - | - | 2,274,206 |
| Due to other funds | <u>2,566</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,566</u> |
| Total Liabilities | 2,412,124 | 120,351 | - | 24,369 | 2,556,844 |
| Fund balances: | | | | | |
| Inventories | - | 97,700 | - | - | 97,700 |
| Special revenue | - | 531,888 | - | 467,677 | 999,565 |
| Debt service | - | - | 276 | - | 276 |
| Capital projects | - | - | - | 401,951 | 401,951 |
| Unassigned | <u>10,193,848</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,193,848</u> |
| Total Fund Balances | <u>10,193,848</u> | <u>629,588</u> | <u>276</u> | <u>869,628</u> | <u>11,693,340</u> |
| Total Liabilities and Fund Balances | <u>\$ 12,605,972</u> | <u>\$ 749,939</u> | <u>\$ 276</u> | <u>\$ 893,997</u> | <u>\$ 14,250,184</u> |

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2017**

| | | |
|--|---------------------|----------------------|
| Total fund balances - governmental funds | | \$ 11,693,340 |
| Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 65,938,928 |
| Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and therefore, are deferred on the statement of net position | | |
| Deferred outflows of resources - refunding of debt | | 266,797 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, there, are not reported in the governmental funds. | | |
| Deferred outflows of resources - pension | | 5,262,507 |
| Deferred inflows of resources - pension | | (2,023,000) |
| 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 | (1,125,905) | |
| Warrants and leases payable - noncurrent | (13,345,011) | |
| Net pension liability | <u>(33,580,000)</u> | |
| Total long-term liabilities | | (48,050,916) |
| Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditures when due | | <u>(114,679)</u> |
| Net assets of governmental activities | | <u>\$ 32,972,977</u> |

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2017

| | <u>General Fund</u> | <u>Food and Nutrition Fund</u> | <u>Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|----------------------------------|--|---|
| REVENUES | | | | | |
| State sources | \$ 20,939,649 | \$ - | \$ 134,248 | \$ 883,272 | \$ 21,957,169 |
| Federal sources | 467,165 | 3,149,491 | - | 4,228,787 | 7,845,443 |
| Local sources | 12,369,620 | 167,537 | 910,853 | 541,089 | 13,989,099 |
| Other sources | <u>370,586</u> | <u>50,583</u> | <u>-</u> | <u>-</u> | <u>421,169</u> |
| Total Revenues | <u>34,147,020</u> | <u>3,367,611</u> | <u>1,045,101</u> | <u>5,653,148</u> | <u>44,212,880</u> |
| EXPENDITURES | | | | | |
| Current operations: | | | | | |
| Instructional services | 17,494,056 | - | - | 2,592,712 | 20,086,768 |
| Instructional support and services | 6,308,564 | - | - | 1,434,435 | 7,742,999 |
| Operation and maintenance services | 4,393,345 | 35,181 | - | 49,736 | 4,478,262 |
| Student transportation services | 1,655,221 | - | - | 49,420 | 1,704,641 |
| Food | - | 3,903,783 | - | - | 3,903,783 |
| General and administrative services | 1,610,815 | - | - | 338,213 | 1,949,028 |
| Other | 561,706 | 457,884 | - | 358,669 | 1,378,259 |
| Capital outlay | 142,647 | - | - | - | 142,647 |
| Debt service: | | | | | |
| Principal | - | - | 698,758 | 467,164 | 1,165,922 |
| Interest and fiscal changes | <u>-</u> | <u>-</u> | <u>346,071</u> | <u>162,850</u> | <u>508,921</u> |
| Total expenditures | <u>32,166,354</u> | <u>4,396,848</u> | <u>1,044,829</u> | <u>5,453,199</u> | <u>43,061,230</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,980,666</u> | <u>(1,029,237)</u> | <u>272</u> | <u>199,949</u> | <u>1,151,650</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Indirect cost reimbursement | 457,754 | - | - | - | 457,754 |
| Transfers in | 109 | 1,054,522 | - | 1,000 | 1,055,631 |
| Transfers out | (1,054,522) | - | - | (1,109) | (1,055,631) |
| Other | <u>190,726</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>190,726</u> |
| Total other financing sources (uses) | <u>(405,933)</u> | <u>1,054,522</u> | <u>-</u> | <u>(109)</u> | <u>648,480</u> |
| Net change in fund balances | 1,574,733 | 25,285 | 272 | 199,840 | 1,800,130 |
| Fund balance - beginning | <u>8,619,115</u> | <u>604,304</u> | <u>4</u> | <u>669,787</u> | <u>9,893,210</u> |
| Fund balance - ending | <u>\$ 10,193,848</u> | <u>\$ 629,589</u> | <u>\$ 276</u> | <u>\$ 869,627</u> | <u>\$ 11,693,340</u> |

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2017**

| | | |
|---|----------------|-------------------|
| Net change in fund balances - total governmental funds | | \$ 1,800,130 |
| 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. | | 142,647 |
| Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities. | | (2,281,733) |
| 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 | 936,290 | |
| Capital leases | <u>229,632</u> | |
| Total repayments | | 1,165,922 |
| 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 | | 13,467 |
| 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) | | 4,817 |
| Pension expense increase/decrease | | <u>(698,500)</u> |
| Change in net assets of governmental activities | | <u>\$ 146,750</u> |

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
September 30, 2017**

ASSETS

Cash and cash equivalents \$ 42,698

LIABILITIES

Accounts payable and other current liabilities 50

NET POSITION

Held in trust for local schools non-public funds \$ 42,648

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
For the year ended September 30, 2017**

ADDITIONS

Contributions:

| | |
|---------------|-----------|
| Local sources | \$ 53,421 |
| Other sources | 35 |

DEDUCTIONS

| | |
|--------------------------------|------------|
| Instructional services | 37,642 |
| Instructional support services | 25 |
| Auxiliary services | 918 |
| Other | <u>339</u> |

| | |
|--------------------|---------------|
| Total expenditures | <u>38,924</u> |
|--------------------|---------------|

| | |
|----------------------------|--------|
| Net change in net position | 14,532 |
|----------------------------|--------|

| | |
|----------------------------------|---------------|
| Net position - beginning of year | <u>28,116</u> |
|----------------------------------|---------------|

| | |
|-------------------------------|------------------|
| Net position - ending of year | <u>\$ 42,648</u> |
|-------------------------------|------------------|

**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.

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.

GASB has established 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 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 Board.

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

The financial statements of the Board include local school funds. These funds consist of local school activity funds and other funds under the control of school principals. Local school public funds are included in special revenue funds.

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Board reports the following major governmental funds:

- (1) 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 Alabama Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- (2) 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.
- (3) Debt Service Fund -- This fund is used to account for the accumulation of resources for and the payment of the Board's general long-term debt principal and interest.

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:

- IDEA Part B, E, C, & Y
 - Pre-School Part B Ages 3-5
 - Regular Basic Grant IDEA Part B
 - Vocational Rehabilitation Services
 - Title I, Part A
 - Title I, Part A-School Improvement
 - Title II Part A
 - Title III ESL
 - Title X Homeless
 - Child and Adult Care
 - School Activity - Bessemer High School Fund
 - School Activity- Bessemer Middle School Fund
 - School Activity- Abrams 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
- (2) Capital Projects Funds-- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, or capital renovation/maintenance of existing facilities in some instances.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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- Abrams 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

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 sixty (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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 Outflows/Inflows of Resources

The Board has deferred outflows and inflows of resources. Deferred outflows of resources is a consumption of assets that is applicable to a future reporting period and consist of charges on refunding of debt, the net difference between projected and actual earnings on pension plan investments, and pension employer contributions subsequent to the September 30, 2016 measurement date. Deferred inflows of resources is an acquisition of assets that is applicable to a future reporting period and consist of the difference between projected and actual earnings on pension plan investments, pension-related changes in proportion and differences between employer contributions and proportionate share of contributions.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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, 2017, the Board has accrued a liability for compensated absences as part of the Board's overall payroll liabilities accrual.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS

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

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

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

B. *Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities*

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between the *total net change in fund balances-governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

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.

Excess of Expenditures Over Appropriations

The General Fund and Capital Projects Fund, exceeded appropriations. The remaining shortages were covered by available fund balances in the funds.

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2017, are as follows:

| <u>Classification/Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-----------------------------|----------------------------|----------------------|
| Nonspendable | | |
| Food Services Fund | Inventory | \$ 97,700 |
| Restricted | | |
| Food Services Fund | Food Services Activity | 531,888 |
| Nonmajor Governmental Funds | Special Revenue Activity | 467,677 |
| Committed | | |
| Debt Service Fund | To pay long-term debt | 276 |
| Capital Projects | For Construction Contracts | 401,951 |
| Unassigned | | |
| General Fund | | <u>10,193,848</u> |
| Total Fund Balances | | <u>\$ 11,693,340</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, 2017, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$13,023,788 and the bank balance was \$13,677,237.

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

NOTE 4 - CASH AND CASH EQUIVALENTS (CONT'D)

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.

NOTE 5 - RECEIVABLES

Receivables of the Board's individual major funds and non-major funds in the aggregate were as follows at September 30, 2017:

| | General Fund | Food and Nutrition Fund | Nonmajor Governmental Funds | Total |
|------------------------------|-------------------------|--|--|--------------|
| Intergovernmental receivable | \$141,269 | \$262,931 | \$629,198 | \$1,033,398 |

The intergovernmental receivable balance includes \$141,269 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.

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

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2017, was as follows:

| | <u>9/30/15 Beginning Balance</u> | <u>Increases</u> | <u>Retirements/ Reclassification</u> | <u>9/30/16 Ending Balance</u> |
|---|--|--------------------|--|---------------------------------------|
| 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 | 992,262 | - | - | 992,262 |
| Buildings | 79,065,271 | 52,388 | - | 79,117,659 |
| Building improvements | 6,669,671 | 84,435 | - | 6,754,106 |
| Equipment and furniture | 2,544,369 | 5,824 | - | 2,550,193 |
| Vehicles | 2,939,013 | - | - | 2,939,013 |
| Buildings under capital leases | - | - | - | - |
| Equipment under capital leases | 595,756 | - | - | 595,756 |
| Total capital assets, being depreciated | 92,806,342 | 142,647 | - | 92,948,989 |
| Less accumulated depreciation | | | | |
| Land improvements | 606,995 | 28,528 | - | 635,523 |
| Buildings | 21,898,100 | 1,567,728 | - | 23,465,828 |
| Building improvements | 1,028,780 | 329,241 | - | 1,358,021 |
| Equipment and furniture | 2,015,083 | 118,030 | - | 2,133,113 |
| Vehicles | 1,959,285 | 178,630 | - | 2,137,915 |
| Buildings under capital leases | 417,031 | - | - | 417,031 |
| Equipment under capital leases | 89,364 | 59,576 | - | 148,940 |
| Total accumulated depreciation | 28,014,638 | 2,281,733 | - | 30,296,371 |
| Total capital assets being depreciated, net | 64,791,704 | (2,139,086) | - | 62,652,618 |
| Total governmental activity capital assets, net | <u>\$ 68,078,015</u> | <u>(2,139,086)</u> | <u>-</u> | <u>\$ 65,938,929</u> |

Depreciation expense was charged to government functions as follows:

| Governmental Activities | <u>Amount</u> |
|--------------------------------|---------------------|
| Instructional | \$ 1,925,466 |
| Instructional support | 22,215 |
| Operational and maintenance | 14,141 |
| Student transportation | 233,230 |
| Food service | 82,582 |
| General and administrative | 4,099 |
| | <u>\$ 2,281,733</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, 2017, is shown below:

Due to/from other funds:

| | | |
|----------------------|------------------------|----------|
| <u>Due to</u> | <u>Due from</u> | |
| Food and Nutrition | General Fund | \$ 2,566 |

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.

| | <u>Transfers In</u> | <u>Transfer Out</u> |
|-----------------------------|--------------------------------|--------------------------------|
| Major funds: | | |
| General Fund | \$ 109 | \$ 1,054,522 (a) |
| Food Services Fund | (a) 1,054,522 | - |
| Nonmajor Governmental Funds | 1,000 | 1,109 |
| | <u>\$ 1,055,631</u> | <u>\$ 1,055,631</u> |

NOTE 8 - LONG-TERM LIABILITIES

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

On December 1, 2011 and January 1, 2012, respectively, the Board issued its Series 2011 School Tax Warrants (in the principal amount of \$9,985,000) and Series 2012-A Warrants (in the principal amount of \$2,290,000). The purpose of issuances were 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.

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

NOTE 8 - LONG-TERM LIABILITIES (CONT'D)

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 partially 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 \$2,613,103. 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.

As of September 30, 2017, the Board's long-term obligations under the warrants consisted of the following:

| | |
|--|----------------------|
| PSCA Capital Improvement Pool Warrants, Series 2008-A bearing interest payable semi-annually at 3.25% to 4.25%, annual principal installments through 2028 | \$ 207,202 |
| PSCA Capital Improvement Pool Warrants, Series 2015-B bearing interest payable semi-annually at 1.27% to 3.23%, annual principal installments through 2029 | 2,613,103 |
| School Tax Warrants, Series 2011 bearing interest payable semi-annually at 2.00% to 3.75%, annual principal installments through 2030 | 9,565,000 |
| School Tax Warrants, Series 2012-B bearing interest payable monthly at 1.80% to 2.50%, annual principal installments through 2022 | <u>808,261</u> |
| | <u>\$ 13,193,566</u> |

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

NOTE 8 - LONG-TERM LIABILITIES (CONT'D)

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

Payments on the Capital Improvement Pool Warrants, Series 2008-A and Series 2015-B 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.

Activity during 2017 related to long-term debt principal obligations is as follows:

| | <u>Balance at September 30, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at September 30, 2017</u> | <u>Due Within One Year</u> |
|--|--|------------------|-------------------|--|------------------------------------|
| PSCA Capital Improvement | | | | | |
| Pool Warrants, Series 2008-A | \$ 405,985 | - | 198,783 | \$ 207,202 | \$ 207,202 |
| PSCA Capital Improvement | | | | | |
| Pool Warrants, Series 2015-B | 2,613,103 | - | - | 2,613,103 | - |
| School Tax Warrants, Series 2011 | 9,675,000 | - | 110,000 | 9,565,000 | 605,000 |
| School Tax Warrants, Series 2012-A | 480,000 | - | 480,000 | - | - |
| School Tax Warrants, Series 2012-B | 955,770 | - | 147,509 | 808,261 | 151,164 |
| Plus unamortized amounts: | | | | | |
| For warrant premium | <u>459,290</u> | <u>-</u> | <u>36,500</u> | <u>422,790</u> | <u>-</u> |
| | 14,589,148 | - | 972,792 | 13,616,356 | 963,366 |
| Capital Lease | | | | | |
| Regions Equipment Finance due September 1, 2017 | 71,073 | - | 71,073 | - | - |
| Municipal Asset Management due May 21, 2022 | <u>1,013,117</u> | <u>-</u> | <u>158,559</u> | <u>854,558</u> | <u>162,539</u> |
| | 1,084,190 | - | 229,632 | 854,558 | 162,539 |
| Net pension liability | <u>33,335,000</u> | <u>245,000</u> | <u>-</u> | <u>33,580,000</u> | <u>-</u> |
| Total long-term debt | <u>\$ 49,008,338</u> | <u>245,000</u> | <u>1,202,424</u> | <u>\$ 48,050,914</u> | <u>\$ 1,125,905</u> |

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

NOTE 8 - LONG-TERM LIABILITIES (CONT'D)

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

| | <u>Warrants Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------------|---------------------|----------------------|
| 2018 | \$ 963,366 | \$ 455,904 | \$ 1,419,270 |
| 2019 | 896,267 | 430,579 | 1,326,846 |
| 2020 | 1,017,527 | 401,873 | 1,419,400 |
| 2021 | 1,046,888 | 367,676 | 1,414,564 |
| 2022 | 1,087,170 | 332,260 | 1,419,430 |
| 2023-2027 | 5,140,426 | 1,116,279 | 6,256,705 |
| 2028-2030 | <u>3,041,922</u> | <u>171,590</u> | <u>3,213,512</u> |
| | <u>\$ 13,193,566</u> | <u>\$ 3,276,161</u> | <u>\$ 16,469,727</u> |

| | <u>Capital Leases Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|---|------------------|-------------------|
| 2018 | \$ 162,539 | \$ 21,449 | \$ 183,988 |
| 2019 | 166,619 | 17,369 | 183,988 |
| 2020 | 170,801 | 13,187 | 183,988 |
| 2021 | 175,088 | 8,900 | 183,988 |
| 2022 | <u>179,511</u> | <u>4,477</u> | <u>183,988</u> |
| | <u>\$ 854,558</u> | <u>\$ 65,382</u> | <u>\$ 919,940</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>(1,260,429)</u> |
| Net total | <u>\$ 944,767</u> |

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

NOTE 8 - LONG-TERM LIABILITIES (CONT'D)

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 |
|---|------------------------------------|
| 2018 | \$ 183,988 |
| 2019 | 183,988 |
| 2020 | 183,988 |
| 2021 | 183,988 |
| 2022 | <u>183,988</u> |
| Total minimum lease payments | 919,940 |
| Less: amount representing interest | <u>(65,382)</u> |
| Present value of the minimum lease payments | <u>\$ 854,558</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.

| | 9/30/16 Beginning Balance | Increases | Decreases | 9/30/17 Ending Balance |
|---------------------------------------|--|------------------|------------------|---------------------------------------|
| Unamortized warrants payable premiums | \$ <u>459,290</u> | <u>-</u> | <u>36,500</u> | \$ <u>422,790</u> |
| Total | <u>\$ 459,290</u> | <u>-</u> | <u>36,500</u> | <u>\$ 422,790</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, 2017, 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 ("TRS"), 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 post-retirement 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 creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement 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 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.

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,630,836 for the year ended September 30, 2017.

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

At September 30, 2017, the Board reported a liability of \$33,580,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard rollforward techniques. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2016, the Board's proportion was 0.310182%, which was a decrease of 0.008336% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Board recognized pension expense of \$3,075,000. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 865 |
| Changes of assumptions | 2,371 | - |
| Net difference between projected and actual earnings on pension plan investments | 485 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 1,158 |
| Employer contributions subsequent to the measurement date | <u>2,406,507</u> | <u>-</u> |
| Total | <u>\$ 2,409,363</u> | <u>\$ 2,023</u> |

\$2,406,507 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. 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 | |
|--------------------------------|-------|
| 2018 | 97 |
| 2019 | 97 |
| 2020 | 684 |
| 2021 | (113) |
| 2022 | 68 |
| Thereafter | 0 |

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--------------|
| Inflation | 3.00% |
| Investment rate 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, 2015, were based on the results of an actuarial experience study for the period October 1, 2005 - 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:

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

*Includes assumed rate of inflation of 2.50%.

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in The Discount Rate

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

| | 1% Decrease (6.75%) | Current Rate (7.75%) | 1% Increase (8.75%) |
|---|--------------------------------|---------------------------------|--------------------------------|
| Board's proportionate share of collective net pension liability | \$44,736,000 | \$33,580,000 | \$24,135,000 |

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, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated March 27, 2017 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, 2016 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)

Plan Description

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit post-employment 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.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONT'D)

Funding Policy

Code of Alabama 1975, Section 16-25A-8 provides the authority to set the contribution requirements for plan members and employers. The code section provides the PEEHIP explicit authority to set the plan member rate. Retirees are required to contribute monthly as follows:

| | Fiscal Year Ending 09/30/17 |
|---|--|
| <i>Retired Member Rates</i> | |
| Individual Coverage -Non-Medicare Eligible | \$166 |
| Individual Coverage- Medicare Eligible | \$25 |
| Family Coverage - Non-Medicare Eligible Retired Member without Spouse and Non-Medicare Eligible Dependent(s) | \$421 |
| Family Coverage- Non-Medicare Eligible Retired Member with Spouse and Non-Medicare Eligible Dependent(s) | \$521 |
| Family Coverage- Non-Medicare Eligible Retired Member with Spouse and Medicare Eligible Dependent(s) | \$310 |
| Family Coverage - Non-Medicare Eligible Retired Member without Spouse and Medicare Eligible Dependent(s) | \$280 |
| Family Coverage - Medicare Eligible Retired Member without Spouse and Non-Medicare Eligible Dependent(s) | \$280 |
| Family Coverage - Medicare Eligible Retired Member with Spouse and Non-Medicare Eligible Dependent(s) | \$380 |
| Family Coverage - Medicare Eligible Retired Member without Spouse and Medicare Eligible Dependent(s) | \$139 |
| Family Coverage - Medicare Eligible Retired Member with Spouse and Medicare Eligible Dependent(s) | \$169 |
| Tobacco Surcharge | \$50 |
| PEEHIP Supplemental Plan | \$-0- |
| <i>Surviving Spouse Rates</i> | |
| Non-Medicare Eligible | \$816 |
| Non-Medicare Eligible and Dependent Non-Medicare Eligible | \$1,028 |
| Non-Medicare Eligible and Dependent Medicare Eligible | \$1,067 |
| Medicare Eligible | \$430 |
| Medicare Eligible and Dependent Non-Medicare Eligible | \$720 |
| Medicare Eligible and Dependent Medicare Eligible | \$759 |

Optional Plans (Hospital Indemnity, Cancer, Dental, Vision)-up to two optional plans can be taken by retirees at no cost if the retiree is not also taking one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of \$38 or \$50 for family dental.

Members who retired on or after October 1, 2005, and before January 1, 2012, pay 2% of the employer premium for each year under 25 years of service, and for each over 25 years of service, the retiree premium is reduced by 2%.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONT'D)

Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012, are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree become Medicare eligible, the age and subsidy premiums no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five-year period.

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 2016 financial statements for RDS is \$253,250.

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.

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

NOTE 11- RISK MANAGEMENT (CONT'D)

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.

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 \$144,652 for 2017. Commodities consumed were approximately \$144,652 for 2017.

NOTE 15 - FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interspersion equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement is effective for fiscal years beginning after December 15, 2016.

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

NOTE 15- FUTURE ACCOUNTING PRONOUNCEMENTS (CONT'D)

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources--resources other than the proceeds of refunding debt--are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for fiscal years beginning after June 15, 2017.

NOTE 16 - SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is October 9, 2018. The financial statements were available to be issued at that time.

**BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' RETIREMENT PLAN OF ALABAMA
Last Three (3) Fiscal Years**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 2,332,000 | \$ 2,349,222 | \$ 2,349,222 |
| Contributions in relation to the contractually required contribution | <u>2,332,000</u> | <u>2,349,222</u> | <u>2,349,222</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board covered-employee payroll | \$ 20,216,028 | \$ 19,966,161 | \$ 21,159,325 |
| Contributions as a percentage of covered-employee payroll | 11.54% | 11.77% | 11.10% |

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

**BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN OF ALABAMA
Last Three (3) Fiscal Years**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|
| Board's proportion of the net pension liability | .310182% | .318518% | .3233659% |
| Board's proportionate share of net pension liability | \$ 33,580,000 | \$ 33,335,000 | \$ 29,403,000 |
| Board's covered-employee payroll | \$ 19,966,161 | \$ 21,043,959 | \$ 21,159,325 |
| Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 168.18% | 158.41% | 138.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.93% | 67.51% | 71.01% |

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

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2017

| | <u>Budget Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> | <u>Budget to</u> <u>GAAP</u> | <u>Actual</u> <u>Amounts</u> |
|---|-----------------------|---------------------|--|---------------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Basis)</u> | <u>Differences</u> | <u>GAAP Basis</u> |
| Revenues | | | | | |
| State | \$ 21,002,920 | \$ 21,002,920 | \$ 20,939,649 | \$ - | \$ 20,939,649 |
| Federal | 227,000 | 227,000 | 467,167 | - | 467,167 |
| Local | 8,882,390 | 8,882,390 | 12,369,619 | - | 12,369,619 |
| Other | 61,000 | 61,000 | 370,586 | - | 370,586 |
| Total Revenues | <u>30,173,310</u> | <u>30,173,310</u> | <u>34,147,021</u> | <u>-</u> | <u>34,147,021</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instructional services | 17,141,868 | 17,141,868 | 16,883,390 | 610,667 | 17,494,057 |
| Instructional support | 6,154,103 | 6,154,103 | 6,191,771 | 116,794 | 6,308,565 |
| Operation and maintenance | 4,006,504 | 4,006,504 | 4,406,930 | (13,585) | 4,393,345 |
| Auxiliary services: | | | | | |
| Student transportation | 1,521,808 | 1,521,808 | 1,665,573 | (10,352) | 1,655,221 |
| Food service | - | - | - | - | - |
| General administrative | 1,509,767 | 1,509,767 | 1,615,446 | (4,632) | 1,610,814 |
| Other | 586,975 | 586,975 | 567,261 | (5,555) | 561,706 |
| Capital outlay | | | | | |
| Personal property | - | - | - | - | - |
| Real property | - | - | 142,647 | - | 142,647 |
| Total Expenditures | <u>30,921,025</u> | <u>30,921,025</u> | <u>31,473,018</u> | <u>693,337</u> | <u>32,166,355</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | <u>(747,715)</u> | <u>(747,715)</u> | <u>2,674,003</u> | <u>(693,337)</u> | <u>1,980,666</u> |
| Other Financing Sources (Uses) | | | | | |
| Indirect cost | 488,569 | 488,569 | 457,754 | - | 457,754 |
| Transfers In | - | - | 109 | - | 109 |
| Other financing sources | - | - | 190,726 | - | 190,726 |
| Transfers Out | (1,155,514) | (1,155,514) | (1,054,522) | - | (1,054,522) |
| Total Other Financing Sources (Uses) | <u>(666,945)</u> | <u>(666,945)</u> | <u>(405,933)</u> | <u>-</u> | <u>(405,933)</u> |
| Net Change in Fund Balances | (1,414,660) | (1,414,660) | 2,268,070 | (693,337) | 1,574,733 |
| Fund Balances, beginning of the year | <u>10,079,632</u> | <u>10,079,632</u> | <u>10,079,632</u> | <u>(1,460,517)</u> | <u>8,619,115</u> |
| Fund Balances, end of the year | <u>\$ 8,664,972</u> | <u>\$ 8,664,972</u> | <u>\$ 12,347,702</u> | <u>\$ (2,153,854)</u> | <u>\$ 10,193,848</u> |

Explanation of differences:

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

\$ (693,337)

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2017**

| | Special Revenue Funds | | | |
|--|----------------------------|------------------------------|----------------------|--------------------|
| | Bessemer High School | Bessemer Middle School | Abrams Elementary | Hard Elementary |
| Assets | | | | |
| Cash and cash equivalents | \$ 153,217 | \$ 34,490 | \$ 32,130 | \$ 21,355 |
| Receivables | - | - | - | - |
| Inventory | - | - | - | - |
| Total Assets | <u>\$ 153,217</u> | <u>\$ 34,490</u> | <u>\$ 32,130</u> | <u>\$ 21,355</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable and other liabilities | \$ 463 | \$ 406 | \$ 614 | \$ - |
| Total Liabilities | <u>463</u> | <u>406</u> | <u>614</u> | <u>-</u> |
| Fund Balances | | | | |
| Reserved for capital projects | - | - | - | - |
| Unreserved for encumbrance | 152,754 | 34,084 | 31,516 | 21,355 |
| Total Fund Balances | <u>152,754</u> | <u>34,084</u> | <u>31,516</u> | <u>21,355</u> |
| Total Liabilities and Fund Balances | <u>\$ 153,217</u> | <u>\$ 34,490</u> | <u>\$ 32,130</u> | <u>\$ 21,355</u> |

Special Revenue Funds

| Greenwood Elementary | Jonesboro Elementary | Westhills Elementary | Bessemer Center for Technology | Central Office | ROTC | REGULAR BASIC GRANT | IDEA PART B |
|-------------------------|-------------------------|-------------------------|---|-------------------|---------------|---------------------------|----------------|
| \$ 76,601 | \$ 36,150 | \$ 8,202 | \$ 42,155 | \$ 40,828 | \$ 107 | \$ 8,011 | \$ (32,492) |
| - | - | - | - | - | - | - | 32,492 |
| - | - | - | - | - | - | - | - |
| <u>\$ 76,601</u> | <u>\$ 36,150</u> | <u>\$ 8,202</u> | <u>\$ 42,155</u> | <u>\$ 40,828</u> | <u>\$ 107</u> | <u>\$ 8,011</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ 324</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,011</u> | <u>\$ -</u> |
| - | 324 | - | - | - | - | 8,011 | - |
| - | - | - | - | - | - | - | - |
| 76,601 | 35,826 | 8,202 | 42,155 | 40,828 | 107 | - | - |
| <u>76,601</u> | <u>35,826</u> | <u>8,202</u> | <u>42,155</u> | <u>40,828</u> | <u>107</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| <u>\$ 76,601</u> | <u>\$ 36,150</u> | <u>\$ 8,202</u> | <u>\$ 42,155</u> | <u>\$ 40,828</u> | <u>\$ 107</u> | <u>\$ 8,011</u> | <u>\$ -</u> |

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2017**

Special Revenue Funds

| | IDEA PART B, E, C & Y | Pre-School Part B Ages 3-5 | TITLE X HOMELESS | Title I Part A | Title I Part A School Improvement |
|--|-----------------------------|----------------------------------|---------------------|-------------------|--|
| Assets | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 1,977 | \$ (333,302) | \$ (143,984) |
| Receivables | - | - | - | 333,302 | 143,984 |
| Inventory | - | - | - | - | - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,977</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ 1,977 | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>1,977</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | |
| Reserved for capital projects | - | - | - | - | - |
| Unreserved for encumbrance | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,977</u> | <u>\$ -</u> | <u>\$ -</u> |

Special Revenue Funds

| Title II Part A | Title III | Vocational Rehabilitation Services | Child and Adult Care | Total Special Revenue Funds |
|--------------------|------------------|--|-------------------------|--------------------------------------|
| \$ (96,408) | \$ 12,574 | \$ 2,785 | \$ (1,548) | \$ (137,152) |
| 96,408 | - | 1,773 | 21,239 | 629,198 |
| - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 12,574</u> | <u>\$ 4,558</u> | <u>\$ 19,691</u> | <u>\$ 492,046</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ 12,574</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,369</u> |
| - | 12,574 | - | - | 24,369 |
| | | | | |
| - | - | - | - | - |
| - | - | 4,558 | 19,691 | 467,677 |
| - | - | 4,558 | 19,691 | 467,677 |
| | | | | |
| <u>\$ -</u> | <u>\$ 12,574</u> | <u>\$ 4,558</u> | <u>\$ 19,691</u> | <u>\$ 492,046</u> |

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2017**

| | Capital Projects funds | | | |
|--|--|--|--|----------------------------------|
| | Capital Projects Transportation Fleet | Capital Projects PSF-Capital Outlay | Capital Projects PSF Interest | (14-2227) Capital Projects |
| Assets | | | | |
| Cash and cash equivalents | \$ 50,830 | \$ 312,172 | \$ 38,949 | \$ - |
| Receivables | - | - | - | - |
| Inventory | - | - | - | - |
| Total Assets | <u>\$ 50,830</u> | <u>\$ 312,172</u> | <u>\$ 38,949</u> | <u>\$ -</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | |
| Unreserved | 50,830 | 312,172 | 38,949 | - |
| Total Fund Equity | <u>50,830</u> | <u>312,172</u> | <u>38,949</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 50,830</u> | <u>\$ 312,172</u> | <u>\$ 38,949</u> | <u>\$ -</u> |

Capital Projects Funds

| (14-2256) Capital Projects | Capital Projects Local Default | Capital Projects County Appropriation | (14-8410) State On Behalf Payments | (14-8411) Capital Projects | Capital Projects Bonds & Warrants | Total Capital Projects Funds | Nonmajor Governmental Funds |
|----------------------------------|---|--|---|----------------------------------|--|---------------------------------------|-----------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 401,951 | \$ 264,799 |
| - | - | - | - | - | - | - | 629,198 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 401,951</u> | <u>\$ 893,997</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,369</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,369</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>401,951</u> | <u>869,628</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>401,951</u> | <u>869,628</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 401,951</u> | <u>\$ 893,997</u> |

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2017

Special Revenue Funds

| | Bessemer High School | Bessemer Middle School | Abrams Elementary | Hard Elementary |
|--|----------------------------|------------------------------|----------------------|--------------------|
| Revenues | | | | |
| State sources | \$ - | \$ - | \$ - | \$ - |
| Federal sources | - | - | - | - |
| Local sources | <u>229,663</u> | <u>90,823</u> | <u>34,468</u> | <u>37,687</u> |
| Total Revenues | <u>229,663</u> | <u>90,823</u> | <u>34,468</u> | <u>37,687</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instructional services | 245,473 | 83,921 | 30,172 | 35,042 |
| Instructional support services | 1,732 | 892 | 189 | - |
| Operation and maintenance services | 3,350 | 1,275 | - | - |
| Auxiliary services | 20,180 | 5,660 | 1,878 | 2,040 |
| General administrative services | - | - | - | - |
| Other | 849 | 945 | - | - |
| Capital outlays | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>271,584</u> | <u>92,693</u> | <u>32,239</u> | <u>37,082</u> |
| Excess of revenues (deficiency) over (under) expenditures | <u>(41,921)</u> | <u>(1,870)</u> | <u>2,229</u> | <u>605</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other | - | - | - | - |
| Transfers in | - | 1,000 | - | - |
| Transfers out | <u>(1,109)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(1,109)</u> | <u>1,000</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (43,030) | (870) | 2,229 | 605 |
| Fund balances - beginning (deficit) | <u>195,784</u> | <u>34,954</u> | <u>29,287</u> | <u>20,750</u> |
| Fund balances - ending (deficits) | <u>\$ 152,754</u> | <u>\$ 34,084</u> | <u>\$ 31,516</u> | <u>\$ 21,355</u> |

Special Revenue Funds

| Greenwood Elementary | Jonesboro Elementary | Westhills Elementary | Bessemer Center for Technology | Central Office | ROTC | REGULAR BASIC GRANT | IDEA PART B |
|-------------------------|-------------------------|-------------------------|---|-------------------|---------------|---------------------------|----------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | 87,216 | 895,475 |
| <u>23,432</u> | <u>49,907</u> | <u>19,570</u> | <u>31,435</u> | <u>24,104</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>23,432</u> | <u>49,907</u> | <u>19,570</u> | <u>31,435</u> | <u>24,104</u> | <u>-</u> | <u>87,216</u> | <u>895,475</u> |
| 19,920 | 49,419 | 18,119 | 22,112 | 3,331 | - | 85,163 | 687,164 |
| 523 | 18 | 411 | - | 11,277 | - | 212 | 182,292 |
| - | - | - | - | - | - | - | - |
| 2,528 | 2,980 | 4,388 | 2,211 | 265 | - | - | 286 |
| - | - | - | 2,425 | - | - | 1,841 | 25,733 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>22,971</u> | <u>52,417</u> | <u>22,918</u> | <u>26,748</u> | <u>14,873</u> | <u>-</u> | <u>87,216</u> | <u>895,475</u> |
| 461 | (2,510) | (3,348) | 4,687 | 9,231 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 461 | (2,510) | (3,348) | 4,687 | 9,231 | - | - | - |
| <u>76,140</u> | <u>38,336</u> | <u>11,550</u> | <u>37,468</u> | <u>31,597</u> | <u>107</u> | <u>-</u> | <u>-</u> |
| \$ <u>76,601</u> | \$ <u>35,826</u> | \$ <u>8,202</u> | \$ <u>42,155</u> | \$ <u>40,828</u> | \$ <u>107</u> | \$ <u>-</u> | \$ <u>-</u> |

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2017**

Special Revenue Funds

| | IDEA PART B, E, C & Y | Pre-School Part B Ages 3-5 | TITLE X HOMELESS | Title I Part A | Title I Part A School Improvement |
|--|-----------------------------|----------------------------------|---------------------|-------------------|--|
| Revenues | | | | | |
| State sources | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal sources | - | 16,059 | 24,023 | 2,537,783 | 211,939 |
| Local sources | - | - | - | - | - |
| Total Revenues | <u>-</u> | <u>16,059</u> | <u>24,023</u> | <u>2,537,783</u> | <u>211,939</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instructional services | - | - | 5,530 | 1,112,920 | 85,955 |
| Instructional support services | - | - | 17,979 | 833,111 | 125,984 |
| Operation and maintenance services | - | - | - | - | - |
| Auxiliary services | - | - | - | 7,004 | - |
| General administrative services | - | - | 514 | 299,582 | - |
| Other | - | 16,059 | - | 285,166 | - |
| Capital outlays | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>16,059</u> | <u>24,023</u> | <u>2,537,783</u> | <u>211,939</u> |
| Excess of revenues (deficiency) over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Other | - | - | - | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | - | - | - |
| Fund balances - beginning (deficit) | - | - | - | - | - |
| Fund balances - ending (deficits) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Special Revenue Funds

| Title II Part A | Title III | Vocational Rehabilitation Services | Child and Adult Care | Total Special Revenue Funds |
|--------------------|---------------|--|-------------------------|--------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 364,408 | 15,689 | 8,291 | 67,904 | 4,228,787 |
| - | - | - | - | 541,089 |
| <u>364,408</u> | <u>15,689</u> | <u>8,291</u> | <u>67,904</u> | <u>4,769,876</u> |
| 93,810 | 14,661 | - | - | 2,592,712 |
| 255,353 | 720 | 3,742 | - | 1,434,435 |
| - | - | - | - | 4,625 |
| - | - | - | - | 49,420 |
| 7,810 | 308 | - | - | 338,213 |
| 7,435 | - | - | 48,215 | 358,669 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>364,408</u> | <u>15,689</u> | <u>3,742</u> | <u>48,215</u> | <u>4,778,074</u> |
| - | - | 4,549 | 19,689 | (8,198) |
| - | - | - | - | - |
| - | - | - | - | 1,000 |
| - | - | - | - | (1,109) |
| - | - | - | - | (109) |
| - | - | 4,549 | 19,689 | (8,307) |
| - | - | 9 | - | 475,982 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,558</u> | <u>\$ 19,689</u> | <u>\$ 467,675</u> |

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2017

| | Capital Projects Funds | | | |
|--|--|--|--|----------------------------------|
| | Capital Projects Transportation Fleet | Capital Projects PSF-Capital Outlay | Capital Projects PSF Interest | (14-2227) Capital Projects |
| Revenues | | | | |
| State sources | \$ 50,830 | \$ 482,645 | \$ 2,623 | \$ - |
| Federal sources | - | - | - | - |
| Local sources | - | - | - | - |
| Total Revenues | <u>50,830</u> | <u>482,645</u> | <u>2,623</u> | <u>-</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instructional services | - | - | - | - |
| Instructional support services | - | - | - | - |
| Operation and maintenance services | - | 36,283 | - | - |
| Auxiliary services | - | - | - | - |
| General administrative services | - | - | - | - |
| Other | - | - | - | - |
| Capital outlays | - | - | - | - |
| Debt service: | | | | |
| Principal | - | 212,588 | - | - |
| Interest and fiscal charges | - | 23,287 | - | - |
| Total Expenditures | <u>-</u> | <u>272,158</u> | <u>-</u> | <u>-</u> |
| Excess of revenues (deficiency) over (under) expenditures | <u>50,830</u> | <u>210,487</u> | <u>2,623</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 50,830 | 210,487 | 2,623 | - |
| Fund balances - beginning (deficit) | <u>-</u> | <u>101,686</u> | <u>36,326</u> | <u>-</u> |
| Fund balances - ending (deficits) | <u>\$ 50,830</u> | <u>\$ 312,173</u> | <u>\$ 38,949</u> | <u>\$ -</u> |

Capital Projects funds

| (14-2256) Capital Projects | Capital Projects Local Default | Capital Projects County Appropriation | (14-8410) State On-Behalf Payments | (14-8411) Capital Projects | Capital Projects Bonds & Warrants | Total Capital Projects Funds | Nonmajor Governmental Funds |
|----------------------------------|---|--|---|----------------------------------|--|---------------------------------------|-----------------------------------|
| \$ - | \$ - | \$ - | \$ 338,346 | \$ 8,828 | \$ - | \$ 883,272 | \$ 883,272 |
| - | - | - | - | - | - | - | 4,228,787 |
| - | - | - | - | - | - | - | 541,089 |
| - | - | - | 338,346 | 8,828 | - | 883,272 | 5,653,148 |
| - | - | - | - | - | - | - | 2,592,712 |
| - | - | - | - | - | - | - | 1,434,435 |
| - | - | - | - | 8,828 | - | 45,111 | 49,736 |
| - | - | - | - | - | - | - | 49,420 |
| - | - | - | - | - | - | - | 338,213 |
| - | - | - | - | - | - | - | 358,669 |
| - | - | - | - | - | - | - | - |
| 55,793 | - | - | 198,783 | - | - | 467,164 | 467,164 |
| - | - | - | 139,563 | - | - | 162,850 | 162,850 |
| 55,793 | - | - | 338,346 | 8,828 | - | 675,125 | 5,453,199 |
| (55,793) | - | - | - | - | - | 208,147 | 199,949 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 1,000 |
| - | - | - | - | - | - | - | (1,109) |
| - | - | - | - | - | - | - | (109) |
| (55,793) | - | - | - | - | - | 208,147 | 199,840 |
| 55,793 | - | - | - | - | - | 193,805 | 669,787 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 401,952 | \$ 869,627 |

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FIDUCIARY - NON-PUBLIC FUNDS
 September 30, 2017**

| | Bessemer High School | Bessemer Middle School | Abrams Elementary |
|--|----------------------------|------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 26,129 | \$ 5,079 | \$ 707 |
| Total Assets | <u>\$ 26,129</u> | <u>\$ 5,079</u> | <u>\$ 707</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Interfund payable | \$ - | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | |
| Unreserved for encumbrance | 26,129 | 5,079 | 707 |
| Total Fund Equity | <u>26,129</u> | <u>5,079</u> | <u>707</u> |
| Total liabilities and fund balances | <u>\$ 26,129</u> | <u>\$ 5,079</u> | <u>\$ 707</u> |

Fiduciary
Non-Public Funds

| Hard Elementary | Jonesboro Elementary | Westhills Elementary | ROTC | Bessemer Center for Technology | Central Office | Total Non-Public Funds |
|--------------------|-------------------------|-------------------------|-----------------|---|-------------------|------------------------------|
| \$ 393 | \$ 547 | \$ 873 | \$ 3,551 | \$ 776 | \$ 4,643 | \$ 42,698 |
| <u>\$ 393</u> | <u>\$ 547</u> | <u>\$ 873</u> | <u>\$ 3,551</u> | <u>\$ 776</u> | <u>\$ 4,643</u> | <u>\$ 42,698</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50 | \$ 50 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>50</u> | <u>50</u> |
| 393 | 547 | 873 | 3,551 | 776 | 4,593 | 42,648 |
| <u>393</u> | <u>547</u> | <u>873</u> | <u>3,551</u> | <u>776</u> | <u>4,593</u> | <u>42,648</u> |
| <u>\$ 393</u> | <u>\$ 547</u> | <u>\$ 873</u> | <u>\$ 3,551</u> | <u>\$ 776</u> | <u>\$ 4,643</u> | <u>\$ 42,698</u> |

**BESSEMER CITY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FIDUCIARY - NON-PUBLIC FUNDS
 For the year ended September 30, 2017**

| | Bessemer High School | Bessemer Middle School | Abrams Elementary |
|--|----------------------------|------------------------------|----------------------|
| Revenues | | | |
| Federal sources | \$ - | \$ - | \$ - |
| Local sources | 42,681 | 7,566 | - |
| Other sources | - | - | - |
| Total Revenues | <u>42,681</u> | <u>7,566</u> | <u>-</u> |
| Expenditures | | | |
| Current: | | | |
| Instructional services | 27,256 | 6,603 | 394 |
| Instructional support services | - | - | - |
| Auxiliary services | 794 | - | - |
| Other | 339 | - | - |
| Total Expenditures | <u>28,389</u> | <u>6,603</u> | <u>394</u> |
| Excess of revenues (deficiency) over (under) expenditures | <u>14,292</u> | <u>963</u> | <u>(394)</u> |
| Net change in fund balances | 14,292 | 963 | (394) |
| Fund balances - beginning (deficit) | <u>11,837</u> | <u>4,116</u> | <u>1,101</u> |
| Fund balances - ending (deficits) | <u>\$ 26,129</u> | <u>\$ 5,079</u> | <u>\$ 707</u> |

Fiduciary
Non-Public Funds

| Hard Elementary | Jonesboro Elementary | Westhills Elementary | ROTC | Bessemer Center for Technology | Central Office | Total Non-Public Funds |
|--------------------|-------------------------|-------------------------|-----------------|---|-------------------|------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1,189 | 1,620 | 29 | 136 | - | 200 | 53,421 |
| - | - | - | - | - | 35 | 35 |
| <u>1,189</u> | <u>1,620</u> | <u>29</u> | <u>136</u> | <u>-</u> | <u>235</u> | <u>53,456</u> |
| 838 | 600 | 181 | - | - | 1,770 | 37,642 |
| - | 25 | - | - | - | - | 25 |
| - | - | - | 124 | - | - | 918 |
| - | - | - | - | - | - | 339 |
| <u>838</u> | <u>625</u> | <u>181</u> | <u>124</u> | <u>-</u> | <u>1,770</u> | <u>38,924</u> |
| 351 | 995 | (152) | 12 | - | (1,535) | 14,532 |
| 351 | 995 | (152) | 12 | - | (1,535) | 14,532 |
| <u>42</u> | <u>(448)</u> | <u>1,025</u> | <u>3,539</u> | <u>776</u> | <u>6,128</u> | <u>28,116</u> |
| <u>\$ 393</u> | <u>\$ 547</u> | <u>\$ 873</u> | <u>\$ 3,551</u> | <u>\$ 776</u> | <u>\$ 4,593</u> | <u>\$ 42,648</u> |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer City Board of Education ("the Board") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 9, 2018

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.



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

Page 2

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.

Birmingham, Alabama

October 9, 2018

Bank, Finley White Co.

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

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 the Bessemer City Board of Education's ("the Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.



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 Boards's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Boards's internal control over compliance.

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

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

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

Birmingham, Alabama
October 9, 2018

Bank, Finley White Co.

**BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017**

| | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|-------------------------|
| U.S. Department of Education | | |
| Passed Through the Alabama Department of Education: | | |
| Title I Grants to local Educational Agencies | 84.010 | \$ 2,583,302 |
| Supporting Effective Instruction State Grants | 84.367 | 139,585 |
| Career and Technical Education--Basic Grants to States | 84.048 | 87,216 |
| Education for Homeless Children and Youth | 84.196 | 24,023 |
| <i>Special Education Cluster</i> | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 934,491 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | <u>16,700</u> |
| <i>Total Special Education Cluster</i> | | <u>951,191</u> |
| <i>Total U.S. Department of Education</i> | | <u>3,785,317</u> |
| U.S. Department of Agriculture | | |
| Passed through the Alabama Department of Education: | | |
| <i>Child Nutrition Cluster</i> | | |
| School Breakfast Program | 10.553 | 1,083,448 |
| National School Lunch Program | 10.555 | 2,615,220 |
| National School Lunch Program - Snack | 10.555 | 37,360 |
| Summer Foods Service Program for Children | 10.559 | <u>457,882</u> |
| <i>Total Child Nutrition Cluster</i> | | <u>4,193,910</u> |
| Passed through the Alabama Department of Education: | | |
| Fresh Fruit and Vegetable Program | 10.582 | <u>116,376</u> |
| <i>Total U.S. Department of Agriculture</i> | | <u>4,310,286</u> |
| Social Security Administration | | |
| Passed through the Alabama Department of Education: | | |
| Social Security--Disability Insurance | 96.001 | <u>3,020</u> |
| <i>Total Social Security Administration</i> | | <u>3,020</u> |
| Total Expenditures of Federal Awards | | <u>\$ 8,098,623</u> |

BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Bessemer City Board of Education (the Board) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Board has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**BESSEMER CITY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2017**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Control deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniformed Guidance? _____ Yes X No

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> |
|--|--|
| 10.553, 10.555, 10.559 84.027, 84.173 | Child Nutrition Cluster Special Education Cluster |

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

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

Section II--Financial Statement Findings

No matters reported.

Section III--Federal Award Findings and Questioned Costs

No matters reported.