BESSEMER CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

September 30, 2018

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2018, the Board adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 52, as well as the Schedule of Board Pension Contributions and the Schedule of the Board's Proportionate Share of Net Pension Liability on pages 47 through 48; and the Schedule of Board OPEB Contributions and the Schedule of the Board's Proportionate Share of Net OPEB Liability on pages 49 through 50 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 and fiduciary 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, the combining fiduciary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 9, 2019, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
August 9, 2019

Banks, Finley White & Co.

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, 2018. 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, 2018 and contains other supplementary information.

Financial Highlights

Total net position for the Board decreased from $2,531,807 in fiscal year 2017 to $1,610,257 in fiscal year 2018, a decrease of $921,550 or 36.40%.

Total revenues decreased from $44,403,603 in fiscal year 2017 to $41,483,538 in fiscal year 2018, a decrease of $2,920,065 or 6.58%.

Total expenses decreased from $44,256,853 to $42,405,088 between 2017 and 2018, respectively, a decrease of $1,851,765 or 4.18%.

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:

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.

- 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.

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 the 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, 2018 and 2017

	Governmental Activities 2018	Percent of Total 2018	Governmental Activities 2017	Percent of Total 2017
Current and other assets	$ 17,277,147	21.07 %	$ 14,247,614	17.77 %
Capital assets, net	64,730,424	78.93 %	65,938,929	82.23 %
Total assets	82,007,571	100.00 %	80,186,543	100.00 %
Total deferred outflows of resources	5,381,884	100.00 %	6,401,489	100.00 %
Long-term liabilities	72,854,712	96.86 %	78,238,364	95.37 %
Other liabilities	3,646,920	3.14 %	3,794,861	4.63 %
Total liabilities	76,501,632	100.00 %	82,033,225	100.00 %
Total deferred inflows of resources	9,277,566	100.00 %	2,023,000	100.00 %
Net position:				
Net investment in capital assets	47,572,938	2,954.37 %	51,734,783	2,043.39 %
Unrestricted	(45,962,681)	(2,854.37)%	(49,202,976)	(1,943.39)%
Total net position	$ 1,610,257	100.00 %	$ 2,531,807	100.00 %

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, 2018 and 2017

	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 3,905,594	$ 3,737,744
Operating grants and contributions	25,088,350	25,791,394
Capital grants and contributions	990,471	1,029,538
General revenues:		
Property taxes for general purposes	10,420,293	9,724,288
Other taxes	568,175	2,551,092
Grants and contributions (not restricted for specific purpose)	47,518	82,430
Investment earnings	44,077	31,201
Miscellaneous	419,060	1,455,916
Total revenues	41,483,538	44,403,603
Expenses		
Governmental activities:		
Instructional services	20,844,690	22,494,708
Instructional support services	7,915,849	7,871,073
Operation and maintenance	4,129,132	4,521,284
Auxiliary services:		
Transportation	1,989,419	1,953,132
Food services	3,476,350	3,678,083
General administration and central support	2,083,128	1,886,198
Interest and fiscal charges	573,477	490,637
Other	1,393,043	1,361,738
Total expenses	42,405,088	44,256,853
Change in net position	(921,550)	146,750
Beginning net position, as restated **(See NOTE 16)**	2,531,807	2,385,057
Ending net position	$ 1,610,257	$ 2,531,807

Governmental Activities - Governmental activities decreased the Board's net position from fiscal year 2017 by $921,550. A key element of this change was the Board's receipt of $2.5 million from the Jefferson County Commission in fiscal year 2017. This amount represented the Board's proportionate share of a $69 million savings resulting from the Commission's refinance of long-term debt obligations originally incurred to fund capital projects for county schools.

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.

TABLE 3
BESSEMER CITY BOARD OF EDUCATION
NET COST OF GOVERNMENT ACTIVITIES
Fiscal years ending September 30, 2018 and 2017

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Expenses				
Governmental activities:				
Instructional services	$ 20,844,690	$ 22,494,708	$ (4,866,611)	$ (5,578,456)
Instructional support services	7,915,849	7,871,073	(1,949,075)	(1,654,321)
Operation and maintenance	4,129,132	4,521,284	(2,578,265)	(3,462,887)
Auxiliary services:				
Transportation	1,989,419	1,953,132	(455,449)	(343,878)
Food services	3,476,350	3,678,083	(413,104)	(701,877)
General administration and central support	2,083,128	1,886,198	(1,613,642)	(1,253,390)
Interest and fiscal charges	573,477	490,637	(573,477)	(490,637)
Other	1,393,043	1,361,738	28,950	(212,731)
Total expenses	$ 42,405,088	$ 44,256,853	$(12,420,673)	$(13,698,177)

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 $15,049,732.

General Fund - The general fund is the primary operating fund of the Board which had a $407,222 decrease 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 September 17, 2017. On June 12, 2018, 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, 2018, the Board had approximately $64,730,424 invested in capital assets including land, buildings, equipment costing $5,000 or more, vehicles, buildings and equipment under capital lease. This amount is net of accumulated depreciation to date.

TABLE 4
BESSEMER CITY BOARD OF EDUCATION
CAPITAL ASSETS
September 30, 2018 and 2017
Governmental Activities

	2018	2017
Land	$ 3,286,311	$ 3,286,311
Land improvements	992,262	992,262
Buildings	79,117,658	79,117,658
Buildings improvements	6,754,106	6,754,106
Equipment and furniture	2,594,658	2,550,190
Vehicles	3,967,027	2,939,013
Equipment under capital leases	595,756	595,756
Total capital assets	97,307,778	96,235,296
Accumulated depreciation	(32,577,354)	(30,296,368)
Net capital assets	$ 64,730,424	$ 65,938,928

Depreciation expense was charged to government functions as follows:

Governmental Activities	Amount
Instructional	$ 1,905,782
Instructional support	22,635
Operational and maintenance	11,913
Student transportation	254,542
Food service	78,265
General and administrative	7,850
	$ 2,280,987

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Long-Term Debt - At year-end, the Board had $74,099,812 in long-term liabilities. The following is a summary of long-term debt transactions for the year ended September 30, 2018:

TABLE 5
BESSEMER CITY BOARD OF EDUCATION
OUTSTANDING DEBT
September 30, 2018 and 2017

	Beginning Balance	Net Change	Ending Balance	Amounts Due Within One year
Warrants and Bonds Payable				
PSCA Capital Pool Warrants, Series 2008-A	$ 207,202	$ (207,202)	$ -	$ -
PSCA Capital Pool Warrants, Series 2015-B	2,613,103	-	2,613,103	116,357
PSCA Capital Pool Warrants, Series 2017-A	-	2,860,525	2,860,525	91,450
School Tax Warrants, Series 2011	9,565,000	(605,000)	8,960,000	625,000
School Tax Warrants, Series 2012-B	808,290	(151,164)	657,126	154,910
Unamortized warrants premium	422,790	173,701	596,491	-
Total warrants payable, net	13,616,385	2,070,860	15,687,245	987,717
Capital Lease				
Municipal asset management	854,529	(162,539)	691,990	166,619
Regions Bank	-	1,022,014	1,022,014	90,764
	854,529	859,475	1,714,004	257,383
RSA				
Net pension liability	33,580,000	(3,567,000)	30,013,000	-
Net OPEB liability	31,313,355	(4,627,792)	26,685,563	-
	64,893,355	(8,194,792)	56,698,563	-
Total long-term debt	$79,364,269	$ (5,264,457)	$74,099,812	$ 1,245,100

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 7 students in the Average Daily Membership (ADM) for fiscal year 2018.

In fiscal year 2019, the Board plans the following projects: 1) renovate Greenwood Elementary, 2) improve parking and lighting at Bessemer City High, and 3) pave the adjacent lot to the transportation facility and retrofit a school bus to deliver meals for the summer feeding program, with an estimated cost of $450,000.

On September 30, 2018, 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.

Student Enrollment – The latest average daily membership (ADM) as of the twenty days after Labor Day Report for the 2017-2018 school year is 3,609 which indicates a decrease in ADM of 7 students.

School Year	ADM	Increase/(Decrease)	Fiscal Year
2017 - 2018	3,609	(7)	2018-2019
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, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	$ 15,218,381
Receivables	1,921,910
Inventories	136,856
Capital assets not being depreciated:	
Land	3,286,311
Capital assets, net of accumulated depreciation:	
Buildings and improvements	59,478,149
Equipment	1,965,964
Total assets	82,007,571
Deferred Outflows of Resources	
Deferred amount on pension	4,229,758
Deferred amount on OPEB	908,363
Deferred charges on refunding of debt	243,763
Total deferred outflows of resources	5,381,884
Total assets and deferred outflows	87,389,455
Liabilities	
Accounts payable and other current liabilities	10,420
Accrued payroll and related liabilities	2,216,999
Accrued interest payable	174,401
Noncurrent liabilities:	
Due within one year	1,245,100
Due in more than one year	72,854,712
Total liabilities	76,501,632
Deferred Inflows of Resources	
Deferred amount on pension	4,304,001
Deferred amount on OPEB	4,973,565
Total deferred inflows of resources	9,277,566
Total liabilities and deferred inflows	85,779,198
Net position	
Net investment in capital assets	47,572,938
Unrestricted	(45,962,681)
Total net position	$ 1,610,257

See Accompanying Notes to the Financial Statements.

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	Governmental Activities				
		Program Revenues			Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional services	$ 20,844,690	$ 291,216	$ 14,889,016	$ 797,847	$ (4,866,611)
Instructional support and services	7,915,849	24,793	5,941,981	-	(1,949,075)
Operation and maintenance services	4,129,132	52,907	1,497,960	-	(2,578,265)
Student transportation services	1,989,419	38,591	1,311,416	183,963	(455,449)
Food services	3,476,350	2,802,934	260,312	-	(413,104)
General and administrative services	2,083,128	5,127	455,698	8,661	(1,613,642)
Interest and fiscal charges	573,477	-	-	-	(573,477)
Other	1,393,043	690,026	731,967	-	28,950
Totals	$ 42,405,088	$ 3,905,594	$ 25,088,350	$ 990,471	(12,420,673)

General Revenues	
Property taxes	10,420,293
Other taxes	568,175
Grants and contributions not restricted for specific programs	47,518
Investment earnings	44,077
Other general revenues	419,060
Total general revenues	11,499,123
Change in net position	(921,550)
Net position - Beginning of the year, as restated **(See NOTE 16)**	2,531,807
Net position - Ending of the year	$ 1,610,257

See Accompanying Notes to the Financial Statements.

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

	General Fund	Food and Nutrition Fund	(14-8410) Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 10,314,190	$ 622,925	$ 3,041,644	$ 1,239,628	$ 15,218,387
Receivables					
Accounts	165,898	296,668	-	1,459,344	1,921,910
Due from other funds	1,425,849	23	-	2,630	1,428,502
Inventory	-	136,857	-	-	136,857
Total assets	$ 11,905,937	$ 1,056,473	$ 3,041,644	$ 2,701,602	$ 18,705,656
LIABILITIES AND FUND BALANCES					
Liabilities:					
Account payable and other liabilities	$ 10,031	$ -	$ -	$ 391	$ 10,422
Accrued payroll and related liabilities	2,106,627	110,373	-	-	2,217,000
Due to other funds	2,653	1,151	-	1,424,698	1,428,502
Total liabilities	2,119,311	111,524	-	1,425,089	3,655,924
Fund balances:					
Nonspendable	-	136,856	-	-	136,856
Special revenue	-	808,093	-	636,549	1,444,642
Debt service	-	-	-	1,355	1,355
Capital projects	-	-	3,041,644	638,609	3,680,253
Unassigned	9,786,626	-	-	-	9,786,626
Total fund balances	9,786,626	944,949	3,041,644	1,276,513	15,049,732
Total liabilities and fund balances	$ 11,905,937	$ 1,056,473	$ 3,041,644	$ 2,701,602	$ 18,705,656

See Accompanying Notes to the Financial Statements.

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

Total fund balances - governmental funds		$ 15,049,732
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		64,730,424
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		243,763
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(74,243)
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(4,065,206)
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:		
Current portion of long-term debt	$ (1,245,099)	
Noncurrent portion of long-term debt	(72,854,713)	
Total long-term liabilities		(74,099,812)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditures when due.		(174,401)
Net position of governmental activities		$ 1,610,257

See Accompanying Notes to the Financial Statements.

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2018

	General Fund	Food and Nutrition Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State sources	$ 20,031,827	$ -	$ 391,734	$ 598,760	$ 21,022,321
Federal sources	363,614	3,314,446	-	4,684,943	8,363,003
Local sources	11,078,649	171,203	-	474,273	11,724,125
Other sources	293,295	85,179	9,444	-	387,918
Total revenues	31,767,385	3,570,828	401,178	5,757,976	41,497,367
EXPENDITURES					
Current operations:					
Instructional services	16,620,623	-	-	2,279,104	18,899,727
Instructional support and services	6,040,633	-	-	1,901,907	7,942,540
Operation and maintenance services	4,042,371	31,422	-	29,244	4,103,037
Student transportation services	1,670,213	-	-	50,220	1,720,433
Food service	-	3,712,569	-	-	3,712,569
General and administrative services	1,705,588	-	39,139	380,795	2,125,522
Other	523,099	571,221	-	347,132	1,441,452
Capital outlay	50,468	-	-	1,022,014	1,072,482
Debt service:					
Principal	-	-	207,202	918,703	1,125,905
Interest and fiscal changes	-	-	193,976	343,303	537,279
Total expenditures	30,652,995	4,315,212	440,317	7,272,422	42,680,946
Excess of revenues over (under) expenditures	1,114,390	(744,384)	(39,139)	(1,514,446)	(1,183,579)
OTHER FINANCING SOURCES (USES)					
Indirect cost reimbursement	437,174	-	-	-	437,174
Capital leases	-	-	-	1,022,014	1,022,014
Debt issuance	-	-	2,860,525	-	2,860,525
Premiums on debt issuance	-	-	220,258	-	220,258
Transfers in	33,363	1,059,744	-	911,088	2,004,195
Transfers out	(1,992,149)	-	-	(12,046)	(2,004,195)
Total other financing sources (uses)	(1,521,612)	1,059,744	3,080,783	1,921,056	4,539,971
Net change in fund balances	(407,222)	315,360	3,041,644	406,610	3,356,392
Fund balance - beginning	10,193,848	629,589	-	869,903	11,693,340
Fund balance - ending	$ 9,786,626	$ 944,949	$ 3,041,644	$ 1,276,513	$ 15,049,732

See Accompanying Notes to the Financial Statements.

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, 2018

Net change in fund balances - total governmental funds		$ 3,356,392
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.		1,072,482
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(2,280,987)
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.		1,125,905
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the statement of net position but does not affect the statement of activities.		(3,882,539)
Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the statement of activities.		(220,258)
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)	(59,723)	
Amortization of bond discounts/premiums/gain or loss on refunding/issuance costs (prepaid insurance)	23,524	
Pension expense decrease	253,250	
OPEB expense increase	(309,596)	(92,545)
Change in net position of governmental activities		$ (921,550)

See Accompanying Notes to the Financial Statements.

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
September 30, 2018

ASSETS	
Cash and cash equivalents	$ 48,501
LIABILITIES	
Accounts payable and other current liabilities	105
NET POSITION	
Held in trust for local schools non-public funds	$ 48,396

See Accompanying Notes to the Financial Statements.

BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
For the year ended September 30, 2018

ADDITIONS	
Contributions:	
Local sources	$ 72,968
Other sources	2,651
Total revenue	75,619
DEDUCTIONS	
Instructional services	60,291
Instructional support services	975
Auxiliary services	309
Other	8,296
Total expenditures	69,871
Net change in net position	5,748
Net position - beginning of the year	42,648
Net position - ending of the year	$ 48,396

See Accompanying 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.

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) Capital Projects Fund (8410)-- The Capital Projects Funds are used to account for financial resources to be used for the acquisition of school buses.

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 IV, Part A SDE
-- 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.

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.

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.

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

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 receivable, intergovernmental receivables* and *other receivables,* in the fund financial statements. Intergovernmental receivables include amounts due from grantors for grants issued for specific programs and local taxes due from the County tax collector.

Property Tax Calendar
The Jefferson County Commission levies property taxes for all jurisdictions, including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

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

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

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.

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

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:

Asset	Capitalization Threshold	Estimated Useful Life
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, 2017 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 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.

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

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, 2018, the Board has accrued a liability for compensated absences as part of the Board's overall payroll liabilities accrual.

Equity Classification

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

(a) Net investment in capital assets - 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.

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

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

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

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

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

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

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

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

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

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.

NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS (CONT'D)

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

The governmental fund balance sheet includes a reconciliation between *fund balances-governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds." The details of this $64,730,424 are as follows:

Land	$ 3,286,311
Land improvements	992,263
Buildings	79,117,658
Building improvements	6,754,106
Equipment, furniture and vehicles	7,157,439
Less:	
Accumulated depreciation - land improvements	(664,051)
Accumulated depreciation - buildings	(25,032,453)
Accumulated depreciation - building improvements	(1,689,373)
Accumulated depreciation - equipment and furniture	(2,228,514)
Accumulated depreciation - vehicles	(2,962,962)
Net adjustment to increase total fund balance-governmental funds to arrive at net position - governmental activities	$ 64,730,424

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.

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.

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

Excess of Expenditures Over Appropriations

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2018, are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Food Services Fund	Inventory	$ 136,856
Restricted		
Food Services Fund	Food services activity	808,093
Nonmajor Governmental Funds	Special revenue activity	636,549
Committed		
Debt Service Fund	To pay long-term debt	1,355
Capital Projects	For construction contracts and capital purchases	3,680,253
Unassigned		
General Fund		9,786,626
Total Fund Balances		$ 15,049,732

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, 2018, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was $15,218,387 and the bank balance was $17,449,318.

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, 2018:

	General Fund	Food and Nutrition Fund	Nonmajor Governmental Funds	Total
Accounts receivable	$165,898	$296,668	$1,459,344	$1,921,910

NOTE 6 - CAPITAL ASSETS

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

	9/30/17 Beginning Balance	Increases	Retirements/ Reclassification	9/30/18 Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land	$ 3,286,311	-	-	$ 3,286,311
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	3,286,311	-	-	3,286,311
Capital assets being depreciated:				
Land improvements	992,262	-	-	992,262
Buildings	79,117,658	-	-	79,117,658
Building improvements	6,754,106	-	-	6,754,106
Equipment and furniture	2,550,190	44,468	-	2,594,658
Vehicles	2,939,013	1,028,014	-	3,967,027
Equipment under capital leases	595,756	-	-	595,756
Total capital assets, being depreciated	92,948,985	1,072,482	-	94,021,467
Less accumulated depreciation				
Land improvements	635,523	28,528	-	664,051
Buildings	23,465,828	1,566,626	-	25,032,454
Building improvements	1,358,021	331,352	-	1,689,373
Equipment and furniture	2,133,113	95,401	-	2,228,514
Vehicles	2,137,914	229,292	-	2,367,206
Equipment under capital leases	565,969	29,787	-	595,756
Total accumulated depreciation	30,296,368	2,280,986	-	32,577,354
Total capital assets being depreciated, net	62,652,617	(1,208,504)	-	61,444,113
Total governmental activity capital assets, net	$ 65,938,928	(1,208,504)	-	$ 64,730,424

Depreciation expense was charged to government functions as follows:

Governmental Activities	Amount
Instructional	$ 1,905,782
Instructional support	22,635
Operational and maintenance	11,913
Student transportation	254,542
Food service	78,265
General and administrative	7,850
	$ 2,280,987

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, 2018, is shown below:

Due to/from other funds:

Receivable fund	Payable fund	
General Fund	Nonmajor Governmental Funds	$ 1,424,698
General Fund	Food and Nutrition Fund	1,151
Food and Nutrition Fund	General Fund	23
Nonmajor Governmental Funds	General Fund	2,630
Total		$ 1,428,502

Interfund Transfers:

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

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

		Transfers In	Transfer Out	
Major funds:				
General Fund		$ 33,363	$ (1,992,149)	(a)
Food Services Fund	(a)	1,059,744	-	
Nonmajor Governmental Funds		911,088	(12,046)	
		$ 2,004,195	$ (2,004,195)	

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.

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

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

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

Effective May 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, 2018, the Board's long-term obligations under the warrants consisted of the following:

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
PSCA Capital Improvement Pool Warrants, Series 2017-A bearing interest payable semi-annually at 1.050% to 3.244%, annual principal installments through 2037	2,860,525
School Tax Warrants, Series 2011 bearing interest payable semi-annually at 2.00% to 3.75%, annual principal installments through 2030	8,960,000
School Tax Warrants, Series 2012-B bearing interest payable monthly at 1.80% to 2.50%, annual principal installments through 2022	657,126
	$ 15,090,754

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 2015-B and Series 2017-A 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 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 2018 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2017	Additions	Reductions	Balance at September 30, 2018	Due Within One Year
PSCA Capital Improvement Pool Warrants, Series 2008-A	$ 207,202	-	207,202	$ -	$ -
PSCA Capital Improvement Pool Warrants, Series 2015-B	2,613,103	-	-	2,613,103	116,357
PSCA Capital Improvement Pool Warrants, Series 2017-A	-	2,860,525	-	2,860,525	91,450
School Tax Warrants, Series 2011	9,565,000	-	605,000	8,960,000	625,000
School Tax Warrants, Series 2012-B	808,290	-	151,164	657,126	154,910
Plus unamortized amounts:					
For warrant premium	422,790	220,258	46,557	596,491	-
	13,616,385	3,080,783	1,009,923	15,687,245	987,717
Capital Lease					
Municipal Asset Management due May 21, 2022	854,529	-	162,539	691,990	166,619
Regions Equipment Finance Corp due January 18, 2028	-	1,022,014	-	1,022,014	90,764
	854,529	1,022,014	162,539	1,714,004	257,383
RSA					
Net pension liability	33,580,000	-	3,567,000	30,013,000	-
Net OPEB liability	31,313,355	-	4,627,792	26,685,563	-
Total long-term debt	$ 79,364,269	4,102,797	9,367,254	$ 74,099,812	$ 1,245,100

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

	Warrants Principal	Interest	Total
2019	$ 987,717	$ 538,729	$ 1,526,446
2020	1,113,627	505,334	1,618,961
2021	1,147,638	466,215	1,613,853
2022	1,193,345	425,626	1,618,971
2023	1,078,212	385,022	1,463,234
2024-2028	5,956,711	1,196,071	7,152,782
2029-2033	2,688,929	224,924	2,913,853
2034-2037	924,575	73,028	997,603
	$ 15,090,754	$ 3,814,949	$ 18,905,703

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

	Capital Leases Principal	Interest	Total
2019	$ 257,383	$ 17,369	$ 274,752
2020	263,934	13,187	277,121
2021	270,652	8,900	279,552
2022	277,541	4,505	282,046
2023	100,617	16,821	117,438
2024-2028	543,877	43,317	587,194
	$ 1,714,004	$ 104,099	$ 1,818,103

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	(1,260,429)
Net total	$ 944,767

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
2019	$ 274,752
2020	277,121
2021	279,552
2022	282,046
2023	117,439
2024 and thereafter	587,193
Total minimum lease payments	1,818,103
Less: amount representing interest	(104,099)
Present value of the minimum lease payments	$ 1,714,004

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.

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

	9/30/17 Beginning Balance	Increases	Decreases	9/30/18 Ending Balance
Unamortized warrants payable premiums	$ 422,790	220,258	46,557	$ 596,491
Total	$ 422,790	220,258	46,557	$ 596,491

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, 2018, the following bonds outstanding are considered defeased:

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

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.

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

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.

Participating employers' contractually required contribution rate for the year ended September 30, 2018 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 $2,182,891 for the year ended September 30, 2018.

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

At September 30, 2018, the Board reported a liability of $30,013,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 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, 2017, the Board's proportion was 0.305369%, which was a decrease of 0.004813% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the Board recognized pension expense of $1,929,641. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,287
Changes of assumptions	1,791	-
Net difference between projected and actual earnings on pension plan investments	-	1,794
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,223
Employer contributions subsequent to the measurement date	2,438,757	-
Total	$ 2,440,548	$ 4,304

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

$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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30	
2019	(703)
2020	(124)
2021	(908)
2022	(726)
2023	(52)
Thereafter	0

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%
Investment rate return*	7.875%
Projected salary increases	3.375% - 5.125%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of the experience investigation for the five year period ending September 30, 2015. The revised assumptions were adopted by the Board on September 13, 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. the rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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

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

*Includes assumed rate of inflation of 2.50%.

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	$41,398,000	$30,013,000	$20,383,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated January 31, 2018 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2017 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. this includes purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

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

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retiree participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

Benefits Provided

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

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

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostics and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery and not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to maximum of $1,250 per year for individual coverage and $1,000 per person for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

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

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

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

Contributions

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

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

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

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

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

At September 30, 2018, the Board reported a liability of $26,685,563 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the Board's proportion was 0.359284%, which was a decrease of 0.030562% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the Board recognized OPEB expense of $4,786,368. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	2,770,760
Net difference between projected and actual earnings on pension plan investments	-	142,076
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,060,729
Employer contributions subsequent to the measurement date	908,363	-
Total	$ 908,363	$ 4,973,565

$908,363 reported as deferred outflows of resources related to OPEB resulting from the Board's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

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

Year ended September 30,	
2019	(959,322)
2020	(959,322)
2021	(959,322)
2022	(959,322)
2023	(923,803)
Thereafter	(212,474)

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	3.57%
Municipal bond index rate at the prior measurement date	2.93%
Projected year for Fiduciary Net Position (FNP) to be depleted	2042
Single equivalent interest rate the measurement date	4.63%
Single equivalent interest rate the prior measurement date	4.01%
Healthcare cost trend rate	
Pre-Medicare eligible	7.75%
Medicare eligible	5.00%
Ultimate trend rate	
Pre-Medicare eligible	7.75%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

*Includes 3.00% wage inflation.
**Compounded annually, net of investment expense, and includes inflation.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There are no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

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

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

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
Total	100.00 %	

*Geometric mean includes 2.50% inflation.

Discount rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2017 was 4.63%. The discount rate used to measure to total OPEB liability at the prior measurement date was 4.01%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

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

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare Eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare Eligible, and 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for pre-Medicare, 6% Medicare Eligible, and 3% for Optional Plans)
Board's proportionate share of collective net pension liability	$21,545,427	$26,685,563	$33,317,748

Sensitivity of the Employer's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease (3.63%)	Current discount rate (4.63%)	1% Increase (5.63%)
Board's proportionate share of collective net pension liability	$32,257,294	$26,685,563	$22,244,198

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.

NOTE 11 - RISK MANAGEMENT (CONT'D)

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund ("PEEHIF") administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set mutually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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 2018. Commodities consumed were approximately $144,652 for 2018.

NOTE 15 - FUTURE ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This statement is effective for reporting periods beginning after June 15, 2018. The Board is currently evaluating the impact, if any, of implementation.

NOTE 15 - FUTURE ACCOUNTING PRONOUNCEMENTS (CONT'D)

The GASB issued Statement No. 84, *Fiduciary Activities,* which establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally 1) whether the government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement is effective for reporting periods beginning after December 15, 2018. The Board is currently evaluating the impact, if any, of implementation.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, whose primary objective is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Board is currently evaluating the impact, if any, of implementation.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

As a result of implementing GASB Statement No. 75, *Accounting and Financial Report for Post-Employment Benefit Plans Other Than Pensions* (OPEB), net position was restated at October 1, 2017. With the adoption of GASB 75, the Board is reporting the difference between the net OPEB obligation calculation and the net OPEB liability calculation as a reduction to the prior year net position.

October 1, 2017, as previously reported	$ 32,972,977
Adjustment for GASB 75	(30,441,170)
October 1, 2017, as restated	$ 2,531,807

NOTE 17 - SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is August 9, 2019. 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 Four (4) Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	$ 2,277,790	$ 2,332,000	$ 2,349,222	$ 2,349,222
Contributions in relation to the contractually required contribution	2,277,790	2,332,000	2,349,222	2,349,222
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board covered-employee payroll	$ 19,148,943	$ 22,030,788	$ 20,534,196	$ 21,752,324
Contributions as a percentage of covered-employee payroll	11.90%	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 Four (4) Fiscal Years

	2018	2017	2016	2015
Board's proportion of the net pension liability	.305369%	.310182%	.318518%	.3233659%
Board's proportionate share of net pension liability	$ 30,013,000	$ 33,580,000	$ 33,335,000	$ 29,403,000
Board's covered-employee payroll	$ 22,030,788	$ 20,534,196	$ 21,752,324	$ 21,159,325
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.23%	163.53%	153.25%	138.96%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	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
SCHEDULE OF BOARD CONTRIBUTIONS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the fiscal year ended September 30, 2018

Contractually required contribution	$ 2,349,222
Contributions in relation to the contractually required contribution	2,349,222
Contribution deficiency (excess)	$ -
Board's covered-employee payroll	$ 21,159,325
Contributions as a percentage of covered-employee payroll	11.10%

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

BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the fiscal year ended September 30, 2017

Board's proportion of the net OPEB liability	.359284%
Board's proportionate share of the net OPEB liability	$ 26,685,563
Board's covered-employee payroll	$ 22,030,788
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	121.13%
Plan fiduciary net position as a percentage of the total OPEB liability	0.60%

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

Changes in actuarial assumptions

Alabama Retired Education Employees' Health Care Trust. In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rate of rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

Alabama Retired Education Employees' Health Care Trust. Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of pay
Remaining Amortization Period	27 year, closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.75%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2019 for Pre-Medicare Eligible 2017 for Medicare Eligible
Investment Rate of Return	5.00% including inflation

BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	Budget Amounts		Actual Amounts (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
State	$ 19,680,203	$ 19,985,854	$ 20,031,828	$ -	$ 20,031,828
Federal	283,000	283,000	363,614	-	363,614
Local	9,922,710	10,942,710	11,078,650	-	11,078,650
Other	90,000	117,834	293,295	-	293,295
Total revenues	29,975,913	31,329,398	31,767,387	-	31,767,387
Expenditures					
Current:					
Instructional services	16,105,762	16,191,547	16,624,269	(3,858)	16,620,411
Instructional support	5,694,328	5,755,119	6,086,194	(47,765)	6,038,429
Operation and maintenance	3,500,402	3,693,553	4,042,547	2,248	4,044,795
Auxiliary services:					
Student transportation	1,440,050	1,440,050	1,682,001	(11,789)	1,670,212
Food service	-	-	-	-	-
General administrative	1,602,252	1,602,252	1,705,672	(87)	1,705,585
Other	397,216	554,966	509,072	14,025	523,097
Capital outlay					
Personal property	5,600	65,600	-	-	-
Real property	-	-	50,468	-	50,468
Total expenditures	28,745,610	29,303,087	30,700,223	(47,226)	30,652,997
Excess (deficiency) of revenues over (under) expenditures	1,230,303	2,026,311	1,067,164	47,226	1,114,390
Other financing sources (uses)					
Indirect cost	438,688	449,455	437,174	-	437,174
Transfers In	26,940	48,257	33,364	-	33,364
Other financing sources	-	-	-	-	-
Transfers out	(1,134,044)	(2,066,449)	(1,992,149)	-	(1,992,149)
Total other financing sources (uses)	(668,416)	(1,568,737)	(1,521,611)	-	(1,521,611)
Net change in fund balances	561,887	457,574	(454,447)	47,226	(407,221)
Fund balances, beginning of the year	10,048,317	12,347,702	12,347,702	(2,153,854)	10,193,848
Fund balances, end of the year	$ 10,610,204	$ 12,805,276	$ 11,893,255	$ (2,106,628)	$ 9,786,627

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. $ (47,226)

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds			
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary
Assets				
Cash and cash equivalents	$ 129,944	$ 35,150	$ 25,339	$ 20,630
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	$ 129,944	$ 35,150	$ 25,339	$ 20,630
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other liabilities	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances				
Unreserved	129,944	35,150	25,339	20,630
Total Fund Balances	129,944	35,150	25,339	20,630
Total Liabilities and Fund Balances	$ 129,944	$ 35,150	$ 25,339	$ 20,630

Special Revenue Funds							
Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC	REGULAR BASIC GRANT	IDEA PART B
$ 79,009	$ 46,839	$ 10,051	$ 43,423	$ 91,446	$ 107	$ 363	$ -
-	-	-	-	-	-	-	190,455
-	-	-	-	-	-	-	-
$ 79,009	$ 46,839	$ 10,051	$ 43,423	$ 91,446	$ 107	$ 363	$ 190,455
$ -	$ -	$ -	$ -	$ 28	$ -	$ 363	$ -
-	-	-	-	-	-	-	190,455
-	-	-	-	28	-	363	190,455
79,009	46,839	10,051	43,423	91,418	107	-	-
79,009	46,839	10,051	43,423	91,418	107	-	-
$ 79,009	$ 46,839	$ 10,051	$ 43,423	$ 91,446	$ 107	$ 363	$ 190,455

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	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	$ -	$ -	$ -	$ -	$ -
Receivables	-	-	15,416	870,255	202,534
Due from other funds	-	-	-	-	-
Total Assets	$ -	$ -	$ 15,416	$ 870,255	$ 202,534
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other liabilities	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	15,416	870,255	202,534
Total Liabilities	-	-	15,416	870,255	202,534
Fund Balances					
Unreserved for encumbrance	-	-	-	-	-
Total Fund Balances	-	-	-	-	-
Total Liabilities and Fund Balances	$ -	$ -	$ 15,416	$ 870,255	$ 202,534

Special Revenue Funds					
Title II Part A	Title III	Title IV Part A SDE	Vocational Rehabilitation Services	Child and Adult Care	Total Special Revenue Funds
$ -	$ -	$ -	$ 16,251	$ 103,742	$ 602,294
71,516	22,790	51,732	1,773	32,873	1,459,344
-	-	-	-	-	-
$ 71,516	$ 22,790	$ 51,732	$ 18,024	$ 136,615	$ 2,061,638
$ -	$ -	$ -	$ -	$ -	$ 391
71,516	22,790	51,732	-	-	1,424,698
71,516	22,790	51,732	-	-	1,425,089
-	-	-	18,024	136,615	636,549
-	-	-	18,024	136,615	636,549
$ 71,516	$ 22,790	$ 51,732	$ 18,024	$ 136,615	$ 2,061,638

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

		Capital Projects Funds		
	Debt Service Fund	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest
Assets				
Cash and cash equivalents	$ 1,355	$ 50,806	$ 546,224	$ 38,949
Receivables	-	-	-	-
Due from other funds	-	-	-	[illegible]
Total Assets	$ 1,355	$ 50,806	$ 546,224	$ [illegible]
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other liabilities	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	[illegible]
Fund Balances				
Unreserved	1,355	50,806	546,224	41,579
Total Fund Equity	1,355	50,806	546,224	41,579
Total liabilities and fund balances	$ 1,355	$ 50,806	$ 546,224	$ 41,579

Capital Projects Funds						
(14-2256) Capital Projects	Capital Projects Local Default	Capital Projects County Appropriation	(14-8411) Capital Projects	Capital Projects Bonds & Warrants	Total Capital Projects Funds	Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 635,979	$ 1,239,628
-	-	-	-	-	-	1,459,344
-	-	-	-	-	2,630	2,630
$ -	$ -	$ -	$ -	$ -	$ 638,609	$ 2,701,602
$ -	$ -	$ -	$ -	$ -	$ -	$ 391
-	-	-	-	-	-	1,424,698
-	-	-	-	-	-	1,425,089
-	-	-	-	-	638,609	1,276,513
-	-	-	-	-	638,609	1,276,513
$ -	$ -	$ -	$ -	$ -	$ 638,609	$ 2,701,602

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	Special Revenue Funds			
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary
Revenues				
State sources	$ -	$ -	$ -	$ -
Federal sources	-	-	-	-
Local sources	142,171	116,630	41,135	15,102
Total Revenues	142,171	116,630	41,135	15,102
Expenditures				
Current:				
Instructional services	119,329	91,127	38,348	14,741
Instructional support services	11,971	6,931	893	148
Operation and maintenance services	15,800	6,050	-	-
Auxiliary services	3,660	3,979	5,550	347
General administrative services	-	-	-	-
Other	8,678	5,658	1,530	-
Capital outlays	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	159,438	113,745	46,321	15,236
Excess of revenues (deficiency) over (under) expenditures	(17,267)	2,885	(5,186)	(134)
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(5,543)	(1,819)	(991)	(591)
Total other financing sources (uses)	(5,543)	(1,819)	(991)	(591)
Net change in fund balances	(22,810)	1,066	(6,177)	(725)
Fund balances - beginning (deficit)	152,754	34,084	31,516	21,355
Fund balances - ending (deficits)	$ 129,944	$ 35,150	$ 25,339	$ 20,630

Special Revenue Funds

Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC	REGULAR BASIC GRANT	IDEA PART B
$ -	$ -	$ -	$ -	$ -	$ -	$ 67,713	$ 925,573
18,180	38,370	16,977	31,515	53,114	-	-	-
18,180	38,370	16,977	31,515	53,114	-	67,713	925,573
18,180	38,370	16,977	31,515	53,114	-	67,713	925,573
12,648	24,567	11,415	23,278	1,464	-	65,138	651,200
-	2,121	475	75	1,060	-	1,824	223,737
-	-	-	-	-	-	-	-
626	158	1,397	6,835	-	-	-	15,043
-	-	-	-	-	-	751	35,593
1,807	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,081	26,846	13,287	30,188	2,524	-	67,713	925,573
3,099	11,524	3,690	1,327	50,590	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(691)	(511)	(1,841)	(59)	-	-	-	-
(691)	(511)	(1,841)	(59)	-	-	-	-
2,408	11,013	1,849	1,268	50,590	-	-	-
76,601	35,826	8,202	42,155	40,828	107	-	-
$ 79,009	$ 46,839	$ 10,051	$ 43,423	$ 91,418	$ 107	$ -	$ -

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	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	-	13,192	40,369	2,744,555	202,534
Local sources	-	-	-	-	-
Total Revenues	-	13,192	40,369	2,744,555	202,534
Expenditures					
Current:					
Instructional services	-	-	2,102	1,163,681	32,172
Instructional support services	-	4,088	37,821	1,063,157	168,119
Operation and maintenance services	-	-	-	-	-
Auxiliary services	-	-	-	12,625	-
General administrative services	-	-	446	325,763	2,243
Other	-	9,104	-	179,329	-
Capital outlays	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	-	13,192	40,369	2,744,555	202,534
Excess of revenues (deficiency) over (under) expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Capital leases	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances - beginning (deficit)	-	-	-	-	-
Fund balances - ending (deficits)	$ -	$ -	$ -	$ -	$ -

Special Revenue Funds					
Title II Part A	Title III	Title IV Part A SDE	Vocational Rehabilitation Services	Child and Adult Care	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -
338,741	35,365	62,655	17,332	236,914	4,684,943
-	-	-	-	-	473,194
338,741	35,365	62,655	17,332	236,914	5,158,137
-	27,894	-	-	-	2,279,104
314,824	6,230	54,567	3,866	-	1,901,907
-	-	7,394	-	-	29,244
-	-	-	-	-	50,220
3,752	392	694	-	-	369,634
20,165	849	-	-	119,988	347,108
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
338,741	35,365	62,655	3,866	119,988	4,977,217
-	-	-	13,466	116,926	180,920
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(12,046)
-	-	-	-	-	(12,046)
-	-	-	13,466	116,926	168,874
-	-	-	4,558	19,689	467,675
$ -	$ -	$ -	$ 18,024	$ 136,615	$ 636,549

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

		Capital Projects Funds		
	Debt Service Fund	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest
Revenues				
State sources	$ 183,987	$ -	$ 403,482	$ 2,630
Federal sources	-	-	-	-
Local sources	1,079	-	-	-
Total Revenues	185,066	-	403,482	2,630
Expenditures				
Current:				
Instructional services	-	-	-	-
Instructional support services	-	-	-	-
Operation and maintenance services	-	-	-	-
Auxiliary services	-	-	-	-
General administrative services	-	-	2,500	-
Other	-	24	-	-
Capital outlays	-	-	-	-
Debt service:				
Principal	767,539	-	151,164	-
Interest and fiscal charges	327,536	-	15,767	-
Total Expenditures	1,095,075	24	169,431	-
Excess of revenues (deficiency) over (under) expenditures	(910,009)	(24)	234,051	2,630
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	-	-
Transfers in	911,088	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	911,088	-	-	-
Net change in fund balances	1,079	(24)	234,051	2,630
Fund balances - beginning (deficit)	276	50,830	312,173	38,949
Fund balances - ending (deficits)	$ 1,355	$ 50,806	$ 546,224	$ 41,579

Capital Projects funds						
(14-2256) Capital Projects	Capital Projects Local Default	Capital Projects County Appropriation	(14-8411) Capital Projects	Capital Projects Bonds & Warrants	Total Capital Projects Funds	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 8,661	$ -	$ 414,773	$ 598,760
-	-	-	-	-	-	4,684,943
-	-	-	-	-	-	474,273
-	-	-	8,661	-	414,773	5,757,976
-	-	-	-	-	-	2,279,104
-	-	-	-	-	-	1,901,907
-	-	-	-	-	-	29,244
-	-	-	-	-	-	50,220
-	-	-	8,661	-	11,161	380,795
-	-	-	-	-	24	347,132
-	1,022,014	-	-	-	1,022,014	1,022,014
-	-	-	-	-	151,164	918,703
-	-	-	-	-	15,767	343,303
-	1,022,014	-	8,661	-	1,200,130	7,272,422
-	(1,022,014)	-	-	-	(785,357)	(1,514,446)
-	1,022,014	-	-	-	1,022,014	1,022,014
-	-	-	-	-	-	911,088
-	-	-	-	-	-	(12,046)
-	1,022,014	-	-	-	1,022,014	1,921,056
-	-	-	-	-	236,657	406,610
-	-	-	-	-	402,228	869,903
$ -	$ -	$ -	$ -	$ -	$ 638,885	$ 1,276,513

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FIDUCIARY - NON-PUBLIC FUNDS
September 30, 2018

	Bessemer High School	Bessemer Middle School	Abrams Elementary
Assets			
Cash and cash equivalents	$ 31,252	$ 6,100	$ 707
Total Assets	$ 31,252	$ 6,100	$ 707
Liabilities and Fund Balances			
Liabilities			
Interfund payable	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Balances			
Unreserved for encumbrance	31,252	6,100	707
Total Fund Equity	31,252	6,100	707
Total liabilities and fund balances	$ 31,252	$ 6,100	$ 707

Fiduciary Non-Public Funds						
Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office	Total Non-Public Funds
$ 393	$ 417	$ 972	$ 3,325	$ 776	$ 4,559	$ 48,501
$ 393	$ 417	$ 972	$ 3,325	$ 776	$ 4,559	$ 48,501
$ -	$ -	$ -	$ -	$ -	$ 105	$ 105
-	-	-	-	-	105	105
393	417	972	3,325	776	4,454	48,396
393	417	972	3,325	776	4,454	48,396
$ 393	$ 417	$ 972	$ 3,325	$ 776	$ 4,559	$ 48,501

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, 2018

	Bessemer High School	Bessemer Middle School	Abrams Elementary
Revenues			
Local sources	$ 63,375	$ 7,252	$ -
Other sources	-	-	-
Total Revenues	63,375	7,252	-
Expenditures			
Current:			
Instructional services	51,144	4,280	-
Instructional support services	625	-	-
Auxiliary services	249	-	-
Other	6,234	1,951	-
Total Expenditures	58,252	6,231	-
Excess of revenues (deficiency) over (under) expenditures	5,123	1,021	-
Net change in fund balances	5,123	1,021	-
Fund balances - beginning (deficit)	26,129	5,079	707
Fund balances - ending (deficits)	$ 31,252	$ 6,100	$ 707

Fiduciary Non-Public Funds						
Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office	Total Non-Public Funds
$ -	$ 220	$ 232	$ 1,676	$ -	$ 213	$ 72,968
-	-	-	-	-	2,651	2,651
-	220	232	1,676	-	2,864	75,619
-	-	133	1,731	-	3,003	60,291
-	350	-	-	-	-	975
-	-	-	60	-	-	309
-	-	-	111	-	-	8,296
-	350	133	1,902	-	3,003	69,871
-	(130)	99	(226)	-	(139)	5,748
-	(130)	99	(226)	-	(139)	5,748
393	547	873	3,551	776	4,593	42,648
$ 393	$ 417	$ 972	$ 3,325	$ 776	$ 4,454	$ 48,396

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 9, 2019.

Internal Control Over Financial Reporting

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

617 THIRTY-SEVENTH STREET SOUTH • BIRMINGHAM, AL 35222 • (205) 326-6660

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
August 9, 2019

Banks, Finley White & Co.

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018. 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, 2018.

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
August 9, 2019

Banks, Finley White & Co.

BESSEMER CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2018

	Federal CFDA Number	Expenditures
U.S. Department of Education		
Passed Through the Alabama Department of Education:		
Title I Grants to local Educational Agencies	84.010	$ 2,994,528
English Language Acquisition State Grants	84.365	35,365
Supporting Effective Instruction State Grants	84.367	338,741
Career and Technical Education-Basic Grants to States	84.048	69,783
Education for Homeless Children and Youth	84.196	40,369
Student Support and Academic Enrichment Program	84.424	62,655
Total passed through the Alabama Department of Education		3,541,441
Special Education Cluster		
Special Education - Grants to States (IDEA, Part B)	84.027	958,605
Special Education - Preschool Grants (IDEA Preschool)	84.173	14
Total Special Education Cluster		958,619
Total U.S. Department of Education		4,500,060
U.S. Department of Agriculture		
Passed through the Alabama Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	1,053,148
National School Lunch Program	10.555	2,542,081
National School Lunch Program - Snack	10.555	36,315
Summer Foods Service Program for Children	10.559	571,211
Total Child Nutrition Cluster		4,202,755
Passed through the Alabama Department of Education:		
Child and Adult Care Food Program	10.558	119,989
Fresh Fruit and Vegetable Program	10.582	122,429
Total U.S. Department of Agriculture		4,445,173
Social Security Administration		
Passed through the Alabama Department of Education:		
Social Security-Disability Insurance	96.001	3,700
Total Social Security Administration		3,700
Total Expenditures of Federal Awards		$ 8,948,933

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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, 2018

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
· Material weakness(es) identified?	_____ Yes	__X__ No
· 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:

CFDA Numbers	Name of Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_____ Yes	__X__ No

Section II--Financial Statement Findings

No matters reported.

Section III--Federal Award Findings and Questioned Costs

No matters reported.