

**BESSEMER CITY BOARD OF EDUCATION**

**FINANCIAL STATEMENTS**

**WITH INDEPENDENT AUDITOR'S REPORT**

**SEPTEMBER 30, 2019**

**BESSEMER CITY BOARD OF EDUCATION  
BESSEMER, ALABAMA**

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BESSEMER, ALABAMA**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer city Board of Education ("the Board") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**To the Superintendent and Members  
Of the Bessemer City Board of Education  
Bessemer, Alabama  
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**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 13 and 56, as well as the Schedule of Board Pension Contributions and the Schedule of the Board's Proportionate Share of Net Pension Liability on pages 52 through 53; and the Schedule of Board OPEB Contributions and the Schedule of the Board's Proportionate Share of Net OPEB Liability on pages 55 through 56 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, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, on our consideration of 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 the effectiveness of Board's 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 Board's internal control over financial reporting and compliance.

**Sheppard-Harris & Associates  
Birmingham, Alabama  
May 18, 2020**

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

The discussion and analysis of the Bessemer City Board of Education ("the Board") provides an overview of the Board's financial activities for the fiscal year ended September 30, 2019. The intent of this discussion and analysis is to examine the Board's financial performance as a whole, identify changes in the financial position as well as to present basic financial statements. The Basic Financial Statement 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 provides 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, 2019 and contains other supplementary information.

### **Financial Highlights**

Total net positions for the Board increased from \$1,610,257 in fiscal year 2018 to \$2,460,429 in fiscal year 2019, an increase of \$850,172 or 53.80%.

Total revenues increased from \$41,483,538 in fiscal year 2018 to \$43,878,050 in fiscal year 2019, an increase of \$2,394,467 or 5.77%.

Total expenses increased from \$42,405,088 to \$43,027,878 between 2018 and 2019, respectively, an increase of \$622,790 or 1.47%.

### **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 financial 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 including the following:

Instructional includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, professional development, and classroom instructional materials, supplies and equipment.

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

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 12<sup>th</sup> 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 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 increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.



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

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

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

**Governmental funds** – These funds are used to account for the Board's basic services and focus on providing cash flow available for spending. The funds include the General Funds, 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 financials 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 contrasts with 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 the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* on page 19 of this section. These funds are not available to finance Board operations, and are, therefore, not included in the government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

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

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

After the presentation of the basic financial statements and accompanying notes to the basic financial statements, the reporting model requires additional required supplementary information to be presented following the notes to the basic financial statements. The required supplementary 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 for its operations throughout the year.

**Fiscal Analysis of the Board as a Whole**

As indicated earlier, net position may service 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, 2019 AND 2018**

	<u>Governmental Activities 2019</u>	<u>Percent of Total 2019</u>	<u>Governmental Activities 2018</u>	<u>Percent of Total 2018</u>
Current and other assets	\$ 20,020,626	23.82%	\$ 17,277,147	21.07%
Capital assets, net	<u>64,032,857</u>	<u>76.18%</u>	<u>64,730,424</u>	<u>78.93%</u>
Total assets	<u>84,053,483</u>	<u>100.00%</u>	<u>82,007,571</u>	<u>100.00%</u>
Total deferred outflows of resources	<u>7,655,542</u>	<u>100.00%</u>	<u>5,381,884</u>	<u>100.00%</u>
Long-term liabilities	77,876,749	95.18%	72,854,712	96.86%
Other liabilities	<u>3,940,120</u>	<u>4.82%</u>	<u>3,646,920</u>	<u>3.14%</u>
Total liabilities	<u>81,816,869</u>	<u>100.00%</u>	<u>76,501,632</u>	<u>100.00%</u>
Total deferred inflows of resources	<u>7,431,727</u>	<u>100.00%</u>	<u>9,277,566</u>	<u>100.00%</u>
Net position:				
Net investments in capital assets	44,986,269	1828.39%	47,572,938	2954.37%
Unrestricted	<u>(42,525,840)</u>	<u>-1729%</u>	<u>(45,962,681)</u>	<u>-2854.37%</u>
Total net position	<u>\$ 2,460,429</u>	<u>100.00%</u>	<u>\$ 1,610,257</u>	<u>100.00%</u>

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

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

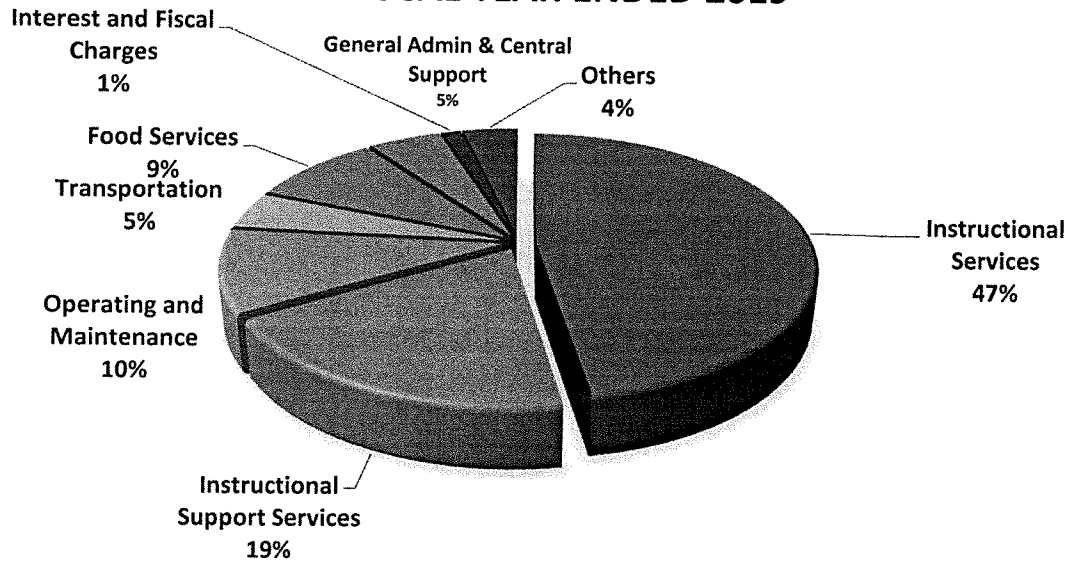
**TABLE 2  
BESSEMER CITY BOARD OF EDUCATION  
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
<b>Program revenues:</b>		
Charges for services	\$ 3,877,938	\$ 3,905,594
Operating grants and contributions	26,844,966	25,088,350
Capital grants and contributions	1,091,338	990,471
<b>General revenue:</b>		
Property taxes for general purposes	10,634,110	10,420,293
Other taxes	748,136	568,175
Grants and contributions (not restricted for specific purpose)	33,564	47,518
Investments earnings	145,777	44,077
Miscellaneous	502,221	419,060
Total revenues	<u>43,878,050</u>	<u>41,483,538</u>
<b>Expenses</b>		
<b>Governmental activities</b>		
Instructional services	20,401,861	20,844,690
Instructional support services	8,183,409	7,915,849
Operating and maintenance	4,318,606	4,129,132
<b>Auxiliary services:</b>		
Transportation	1,931,660	1,989,419
Food services	3,854,625	3,476,350
General administration and central support	2,120,728	2,083,128
Interest and fiscal charges	582,260	573,477
Others	1,634,729	1,393,043
Total expenses	<u>43,027,878</u>	<u>42,405,088</u>
Changes in net position	850,172	(921,550)
Beginning net position	<u>1,610,257</u>	<u>2,531,807</u>
Ending net position	<u><u>\$ 2,460,429</u></u>	<u><u>\$ 1,610,257</u></u>

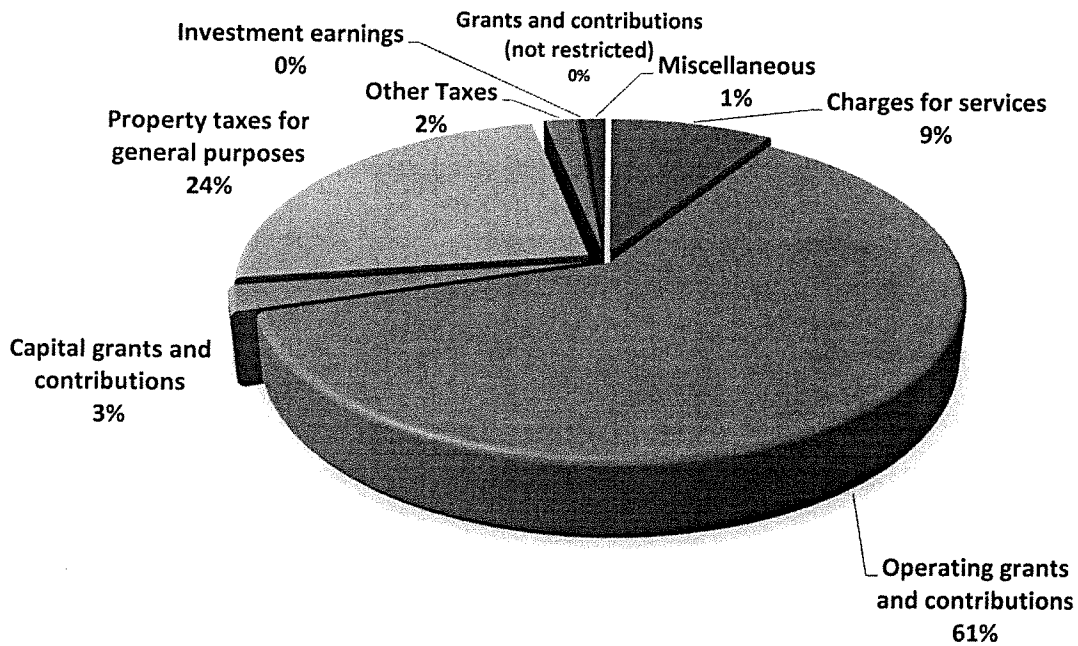
**Governmental Activities** – Governmental activities increased the Board's net position from fiscal year 2018 by \$850,172. A key element of this change was the Board's receipt of \$969,941 for advance and technology. The allocation was received in August 2019 from ALSDE.

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

**EXPENSES  
FOR FISCAL YEAR ENDED 2019**



**REVENUES  
FOR FISCAL YEAR ENDED 2019**



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

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 ENDED SEPTEMBER 30, 2019 AND 2018**

	Total Cost of Service		Net Cost of Service	
	2019	2018	2019	2018
<b>Expenses</b>				
<b>Governmental activities:</b>				
Instructional services	\$ 20,401,861	\$ 20,844,690	\$ (3,889,862)	\$ (4,866,611)
Instructional support services	8,183,409	7,915,849	(2,029,719)	(1,949,075)
Operating and maintenance	4,318,606	4,129,132	(1,874,094)	(2,578,265)
Auxiliary services:				
Transportation	1,890,613	1,989,419	(234,450)	(455,449)
Food Services	3,854,625	3,476,350	(721,938)	(413,104)
Other Auxiliary Services	41,047		(41,047)	
General administration and central support	2,120,728	2,083,128	(1,683,465)	(1,613,642)
Interest and fiscal charges	582,260	573,477	(582,260)	(573,477)
Others	1,634,729	1,393,043	(156,801)	28,950
<b>Total expenses</b>	<b>\$ 43,027,878</b>	<b>\$ 42,405,088</b>	<b>\$ (11,213,636)</b>	<b>\$ (12,420,673)</b>

**Financial Analysis of the Board's Funds**

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Board's major funds: General Fund, and Capital Projects Fund. Financial information for the non-major governmental funds is aggregated and presented in a single column. Individual fund data for each of the non-major governmental funds is presented in the combining statements beginning at September 30, 2019 the Board's governmental funds reported a combined fund balance of \$17,803,625 which is an increase of \$2,753,893. The bulk of increase is due to leverage.

**General Fund** – The general fund is the primary operating fund of the Board. Overall revenues increased \$2,014,512 from the previous year. The increase is primarily due to the advancement and technology funds from the State Department. Expenditures increased by \$779,283 from the previous year. The increase is primarily attributed to a state mandated salary increase. The ending fund balance increased by \$863,639 primarily due to an increase in expenditures, offset to some extent by an increase in revenues.

**Capital Projects** – The capital projects funds constitutes the primary source of revenue for capital projects. The change in fund balance of \$1,391,608 represents an increase from the previous year, due to a state bond issuance.

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

## **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 15<sup>th</sup> of each year. The original budget was adopted on September 13, 2018. On March 19, 2019, the Board revised the annual budget to include federal grants and state allocations that were not available at the time of the original budget approval.

The Board's general fund adopted a budget for the year ended September 30, 2019 with a projected ending balance of 10,938,105. This amount was increased by \$370,277. The majority of the source funding of General fund is \$18,067,847, which was State foundation funding.

The 2018-2019 final budget for revenues was \$33,521,443. Actual revenues for the year were \$33,781,897. The difference was \$260,454, due to changes in state and local sources.

The 2018-2019 final budget for expenditures was \$32,512,259. Actual expenditures as of September 30, 2019 were \$31,432,278. The final budget was under expended by \$1,079,981. The under expenditure of the budget contributes directly to the Board's ability to monitor all expenditures.

## **Capital Assets and Debt Administration**

**Capital Assets** – At September 30, 2019, the Board had approximately \$64,032,857 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings, and equipment under capital lease. The amount is net of accumulated depreciation to date. The net increase in capital assets is due to capital additions of \$1,585,019 in excess of depreciation of \$2,282,586 recorded for the year ended September 30, 2019. A summary of the Board's capital assets, net of depreciation at September 30, 2019 is as follows.

**TABLE 4**  
**BESSEMER CITY BOARD OF EDUCATION**  
**CAPITAL ASSETS**  
**SEPTEMBER 30, 2019 AND 2018**  
**GOVERNMENTAL ACTIVITIES**

	2019	2018
Land	\$ 3,286,311	\$ 3,286,311
Construction in Progress	\$ 1,529,070	
Land improvements	992,262	992,262
Buildings	79,117,658	79,117,658
Buildings improvements	6,754,106	6,754,106
Equipment and furniture	2,600,612	2,550,190
Vehicles	4,017,023	2,939,013
Equipment under capital leases	595,756	595,756
Total capital assets	98,892,798	96,235,296
Accumulated depreciation	(34,859,941)	(30,296,368)
Net capital assets	<u>\$ 64,032,857</u>	<u>\$ 65,938,928</u>
Depreciation expense was charged to government functions as follows:		
<b>Governmental Activities</b>	<u><b>Amount</b></u>	
Instructional	\$ 1,885,917	
Instructional support	22,472	
Operational and maintenance	11,099	
Student transportation	275,856	
Food service	76,646	
General and administrative	10,595	
	<u>\$ 2,282,585</u>	

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

**Long-Term Debt** – At September 30, 2019, the Board had \$79,407,798 in long-term liabilities. The decrease in outstanding debt represents principal payments. The Board, as part of a pooled warrant issuance with other school system within the State of Alabama, issued Capital Improvement Pooled Warrants Series 2019-A in the amount of \$2,561,292. The following is a summary of long-term debt transactions for the year ended September 30, 2019:

**TABLE 5  
BESSEMER CITY BOARD OF EDUCATION  
OUTSTANDING DEBT  
FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Warrants and Bonds Payable</b>				
PSCA Capital Pool Warrants, Series 2015-B	2,613,103	(116,358)	2,496,745	213,779
PSCA Capital Pool Warrants, Series 2017-A	2,860,525	(91,450)	2,769,075	96,100
School Tax Warrants, Series 2011	8,960,000	(625,000)	8,335,000	645,000
School Tax Warrants, Series 2012-B	657,126	(154,910)	502,216	154,910
PSCA Capital Pool Warrants Series 2019		2,561,292	2,561,292	90,694
Unamortized warrants premium	596,491	327,852	924,343	66,632
	<u>15,687,245</u>	<u>1,901,426</u>	<u>17,588,671</u>	<u>1,267,115</u>
<b>Capital Lease</b>				
Municipal asset management	691,990	(166,619)	525,371	170,801
Regions Bank	1,022,014	(90,764)	931,250	93,133
	<u>1,714,004</u>	<u>(257,383)</u>	<u>1,456,621</u>	<u>263,934</u>
<b>RSA</b>				
Net pension liability	30,013,000	183,000	30,196,000	-
Net OPEB liability	26,685,563	3,480,943	30,166,506	-
	<u>56,698,563</u>	<u>3,663,943</u>	<u>60,362,506</u>	<u>-</u>
Total long-term debt	<u>\$ 74,099,812</u>	<u>\$ 5,307,986</u>	<u>\$ 79,407,798</u>	<u>\$ 1,531,049</u>

**Economic Factors and Next Year's Budget**

Because most of the Board's funding comes from the state (53%), two factors must be taken into consideration: local property tax and student attendance during the first 20 days of the school year after Labor Day. There was a decrease of 37 students in the Average Daily Membership (ADM) for fiscal year 2019.

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

In fiscal year 2020, the Board plans to renovate the Quitman Mitchell Building, New Horizon Alternative School, upgrade the system one to one devices for K-12, the Wi-Fi, and the security system, system-wide with an estimated cost of \$1.5 million.

On September 30, 2019, 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 2017-2018 school year is 3,609 which indicates a decrease in ADM of 7 students.

School Year	ADM	Increase/ (Decrease)	Fiscal Year
2018-2019	3,572.00	(37)	2019-2020
2017-2018	3,609.00	(7)	2018-2019
2016-2017	3,615.00	(126)	2017-2018
2015-2016	3,741.00	(237)	2016-2017
2014-2015	3,978.00	(30)	2015-2016
2013-2014	4,008.00	(86)	2014-2015
2012-2013	4,094.00	(317)	2013-2014
2011-2012	4,411.00	(144)	2012-2013

**Contracting 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](mailto:pstewart@bessk12.org)). Our physical address is 1621 – 5<sup>th</sup> Avenue North, Bessemer, AL 35020.



**BESSEMER CITY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 19,507,754
Receivables	384,113
Inventories	122,317
Prepaid expenses	6,442
Capital assets not being depreciated:	
Land	3,286,311
Construction in progress	1,529,070
Capital assets, net of accumulated depreciation:	
Buildings and improvements	57,553,269
Equipment	1,664,207
<b>Total assets</b>	<b>84,053,483</b>
<b>Deferred Outflows of Resources</b>	
Deferred amount on pension	4,873,903
Deferred amount on OPEB	2,192,359
Deferred charges on refunding of debt	589,280
<b>Total deferred outflows of resources</b>	<b>7,655,542</b>
<b>Total assets and deferred outflows</b>	<b>91,709,025</b>
<b>Liabilities</b>	
Accrued payroll and related liabilities	2,217,001
Accrued interest payable	192,070
Noncurrent liabilities:	
Due within one year	1,531,049
Due in more than one year	77,876,749
<b>Total liabilities</b>	<b>81,816,869</b>
<b>Deferred Inflows of Resources</b>	
Deferred amount on pension	4,134,000
Deferred amount on OPEB	3,297,727
<b>Total deferred inflows of resources</b>	<b>7,431,727</b>
<b>Total liabilities and deferred inflows</b>	<b>89,248,596</b>
<b>Net position</b>	
Net investment in capital assets	44,986,269
Unrestricted	(42,525,840)
<b>Total net position</b>	<b>\$ 2,460,429</b>

See Accompanying Notes to the Financial Statements.

**BESSEMER CITY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>Governmental Activities</b>					
	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net Revenue (Expenses) and Changes in Net Assets</b>
		<b>Charges For Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Instructional services	\$ 20,401,861	\$ 160,000	\$ 15,505,131	\$ 846,868	\$ (3,889,862)
Instructional support services	8,183,409	38,374	6,115,316	-	(2,029,719)
Operations and maintenance services	4,318,606	45,188	2,399,324	-	(1,874,094)
Student transportation services	1,890,613	38,626	1,382,940	234,597	(234,450)
Auxillary services	41,047	-	-	-	(41,047)
Food service	3,854,625	2,795,211	337,476	-	(721,938)
General administrative services	2,120,728	9,680	417,710	9,873	(1,683,465)
Interest and fiscal charges	582,260	-	-	-	(582,260)
Other	1,634,729	790,859	687,069	-	(156,801)
<b>Totals</b>	<u>43,027,878</u>	<u>3,877,938</u>	<u>26,844,966</u>	<u>1,091,338</u>	<u>(11,213,636)</u>
<b>General Revenues</b>					
Property taxes					10,634,110
Other taxes					748,136
Grants and contributions not restricted for specific programs					33,564
Investment earnings					145,777
Other general revenues					502,221
<b>Total general revenues</b>					<u>12,063,808</u>
Change in net position					850,172
Net position - beginning of the year					1,610,257
<b>Net position - ending of the year</b>					<u>\$ 2,460,429</u>

**BESSEMER CITY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENT FUNDS  
SEPTEMBER 30, 2019**

	General Fund	(14-8410) Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 12,606,317	\$ 4,433,252	\$ 2,468,185	\$ 19,507,754
Accounts Receivables	77,185	-	306,928	384,113
Due from other funds	1,151	-	51,648	52,799
Prepaid expenses	6,442	-	-	6,442
Inventory	-	-	122,317	122,317
<b>Total Assets</b>	<u>\$ 12,691,095</u>	<u>\$ 4,433,252</u>	<u>\$ 2,949,078</u>	<u>\$ 20,073,425</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accrued payroll and related liabilities	\$ 1,989,182	\$ -	\$ 227,819	\$ 2,217,001
Due to other funds	51,648	-	1,151	52,799
<b>Total Liabilities</b>	<u>2,040,830</u>	<u>-</u>	<u>228,970</u>	<u>2,269,800</u>
<b>Fund Balances</b>				
Nonspendable	-	-	122,317	122,317
Assigned				
Special revenue	-	-	1,788,051	1,788,051
Debt service	-	-	3,631	3,631
Capital projects	-	4,433,252	806,109	5,239,361
Unassigned	10,650,265	-	-	10,650,265
<b>Total Fund Balances</b>	<u>10,650,265</u>	<u>4,433,252</u>	<u>2,720,108</u>	<u>17,803,625</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 12,691,095</u>	<u>\$ 4,433,252</u>	<u>\$ 2,949,078</u>	<u>\$ 20,073,425</u>

**BESSEMER CITY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

Total Fund Balance - Governmental Funds			17,803,625
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			64,032,857
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			589,280
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			739,903
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.			(1,105,368)
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	(1,531,049)		
Noncurrent portion of long-term debt	(77,876,749)		
Total long-term liabilities			(79,407,798)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.			(192,070)
<b>Net Position of Governmental Activities</b>			<b>\$ 2,460,429</b>

**BESSEMER CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	(14-8410) Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State sources	\$ 21,689,289	\$ 443,261	\$ 1,824,269	\$ 23,956,819
Federal sources	383,002	-	6,979,749	7,362,751
Local sources	11,572,973	-	795,149	12,368,122
Other sources	136,633	-	53,725	190,358
<b>Total Revenues</b>	<u>33,781,897</u>	<u>443,261</u>	<u>9,652,892</u>	<u>43,878,050</u>
<b>Expenditures</b>				
<b>Current:</b>				
Instructional services	16,949,056	-	2,356,528	19,305,584
Instructional support services	6,266,790	-	1,903,556	8,170,346
Operations and maintenance services	4,261,181	-	50,973	4,312,154
Student transportation services	1,730,259	-	-	1,730,259
Auxillary services	-	-	41,047	41,047
Food service	-	-	3,810,071	3,810,071
General administrative services	1,786,236	22,315	311,188	2,119,739
Other	438,756	-	1,190,803	1,629,559
Capital outlays	-	1,529,070	55,949	1,585,019
Debt service:				
Principal	-	207,808	1,037,292	1,245,100
Interest and fiscal charges	-	235,454	346,806	582,260
<b>Total Expenditures</b>	<u>31,432,278</u>	<u>1,994,647</u>	<u>11,104,213</u>	<u>44,531,138</u>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<u>2,349,619</u>	<u>(1,551,386)</u>	<u>(1,451,321)</u>	<u>(653,088)</u>
<b>Other Financing Sources (Uses)</b>				
Indirect cost reimbursement	463,987	-	-	463,987
Debt issuance	-	2,942,994	-	2,942,994
Transfers in	32,616	-	1,982,583	2,015,199
Transfers out	(1,982,583)	-	(32,616)	(2,015,199)
<b>Total other financing sources (uses)</b>	<u>(1,485,980)</u>	<u>2,942,994</u>	<u>1,949,967</u>	<u>3,406,981</u>
Net change in fund balances	863,639	1,391,608	498,646	2,753,893
Fund balances - beginning (deficits)	9,786,626	3,041,644	2,221,462	15,049,732
<b>Fund balances - ending (deficits)</b>	<u>\$ 10,650,265</u>	<u>\$ 4,433,252</u>	<u>\$ 2,720,108</u>	<u>\$ 17,803,625</u>

**BESSEMER CITY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$	2,753,893
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Amounts reported for governmental activities in the  
statement of activities are different because:

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.		1,585,019
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Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(2,282,586)
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Repayment of debt principal is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position.		1,245,100
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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.		(2,561,292)
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Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the statement of activities.		(381,702)
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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, current year increase/(decrease)	17,669		
Amortization of bond discounts/premiums/gain or loss on refunding/issuance costs (prepaid insurance)	(399,372)		
Pension expense decrease	(631,146)		
OPEB expense increase	521,109		491,740

Change in net position of governmental activities	\$	850,172
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**BESSEMER CITY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
LOCAL SCHOOLS NON-PUBLIC FUNDS  
SEPTEMBER 30, 2019**

<b>Assets</b>		
Cash and cash equivalents		\$ 23,268
	<b>Total Assets</b>	<u>23,268</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Accounts payable		\$ 105
	<b>Total Liabilities</b>	<u>105</u>
<b>Net Position</b>		
Held in trust for local schools non-public funds		23,163
	<b>Total Net Position</b>	<u>23,163</u>
	<b>Total Liabilities and Net Position</b>	<u>\$ 23,268</u>

**BESSEMER CITY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
LOCAL SCHOOLS NON-PUBLIC FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Additions**

Contributions:

Local sources	\$ 53,434
Other sources	<u>221</u>
<b>Total Additions</b>	<u>53,655</u>

**Deductions**

Instructional services	55,120
Instructional support services	9,182
Operations and maintenance services	400
Auxillary services	367
Other	<u>13,819</u>
<b>Total Deductions</b>	<u>78,888</u>

<b>Net change in net position</b>	(25,233)
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<b>Net position - beginning of the year</b>	<u>48,396</u>
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<b>Net position - ending of the year</b>	<u><u>\$ 23,163</u></u>
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## **BESSEMER CITY BOARD OF EDUCATION NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement 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 the agency's governing body and 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 principles. 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 resented as general revenues.

##### Fund Financial Statements

The fund financial statements provide information about the Board's funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 on the school board on a formula basis.
- (2) Capital Projects Fund (840) – 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
- Food and Nutrition
- 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) Debt Service Fund – The Debts Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- (3) Capital Project Funds – Capital Project 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 in some instances.

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Activities – Bessemer High School Fund
- Non-Public School Activities – Bessemer Middle School Fund
- Non-Public School Activities – Abram Elementary Fund
- Non-Public School Activities – Hard Elementary Fund
- Non-Public School Activities – Greenwood Elementary Fund
- Non-Public School Activities – Jonesboro Elementary Fund
- Non-Public School Activities – Westhills Elementary Fund
- Non-Public School Activities – Bessemer Center for Technology
- Non-Public School Activities – Central Office
- Non-Public School Activities – 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 reported 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 (for giving) equal value in exchange, included 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 effects 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 judgements, are recorded only 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.

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

### **NOTE 1 -**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fiduciary Funds Financial Statements:* Fiduciary funds are reported using an economic resource measurement focus and the accrual basis of accounting. The Statement of Fiduciary Net Position includes information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position for each fiduciary fund type. The Statement of Changes in Fiduciary Net Position includes information about the additions to, deductions from for each fiduciary fund type, and provides information about significant year to year changes in net position.

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 of 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 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 recoded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

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

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 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 the estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land improvement - 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 or resources is an acquisition of assets that is applicable to a future reporting period 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 Obligation

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 amortized portion of these amounts. Long-term obligations are not report 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 stared rate of interest is reported as another financing use.

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Compensated Absences

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

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

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

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

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. The school system provides three additional days of personal leave with pay. If the employee chooses to use any of these additional days, they are required to pay for the cost of the substitute. Professional personnel may receive compensation for the two state funded unused personal leave days at the end of the scholastic year. The employee is required to request, in writing, if they wish to be paid for unused personal leave. Any unused personal leave, as of June 30<sup>th</sup>, 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 1<sup>st</sup>; each January 1<sup>st</sup> 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, 2019, the Board has accrued a liability in the amount of \$1,758,058 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 acquisitions, constructions, or improvement of those assets;
- (b) Restricted net assets – consist of net assets with constraints place 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;

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

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

- (c) Unrestricted net assets – consist of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.

*GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

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

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

**Restricted** – Fund balance should be reported as restricted when constraints placed on the use of resources are either.

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

**Committed** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the Board should be reported as committed fund balances. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type 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 to 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 first.

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

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

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

**NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS**

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

**A. *Explanation of certain difference between the Governmental Fund 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
Construction in Process	\$ 1,529,070
Land improvements	992,263
Buildings	79,117,658
Building improvements	6,754,106
Equipment, furniture and vehicles	6,617,634
Less:	
Accumulated depreciation - land improvements	(692,580)
Accumulated depreciation - buildings	(26,597,455)
Accumulated depreciation - building improvements	(2,020,724)
Accumulated depreciation -equipment and furniture	(2,302,951)
Accumulated depreciation - vehicles	(2,650,475)
Net adjustment to increase total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$ 64,032,857</u>

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

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



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

**NOTE 3 - STEWARTSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of American (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.

**Excess of Expenditures Over Appropriations**

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2019, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amounts</u>
Nonspendable		
Food Services Fund	Inventory	\$ 122,317
Restricted		
Food Services Fund	Food services activity	1,021,946
Nonmajor Governmental Funds	Special revenue activity	766,105
Committed		
Debt Service Fund	To pay long-term debt	3,631
Capital Projects	For construction contracts and capital purchases	5,239,361
Unassigned		
General Fund		<u>10,650,265</u>
Total Fund Balances		<u><u>\$ 17,803,625</u></u>

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

**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, 2019, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$19,507,754 and the bank balance was \$13,683,850.

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, 2019:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Accounts receivable	<u>\$ 77,185</u>	<u>\$ -</u>	<u>\$ 306,928</u>	<u>\$ 384,113</u>

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

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2019, was as follows:

	9/30/2018 Beginning Balance	Increase	Retirements/ Reclassification	9/30/2019 Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,286,311	-	-	\$ 3,286,311
Construction in progress	-	1,529,070	-	1,529,070
Total capital assets, not being depreciated	3,286,311	1,529,070	-	4,815,381
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	2,594,658	5,954	-	2,600,612
Vehicles	3,967,027	49,995	-	4,017,022
Equipment under capital leases	595,756	-	-	595,756
Total capital assets, being depreciated	94,021,467	55,949	-	94,077,416
Less accumulated depreciation				
Land improvements	664,051	28,528	-	692,579
Buildings	25,032,454	1,564,999	-	26,597,453
Building improvements	1,689,373	331,353	-	2,020,726
Equipment and furniture	2,228,514	74,438	-	2,302,952
Vehicles	2,367,206	283,268	-	2,650,474
Equipment under capital leases	595,756	-	-	595,756
Total accumulated depreciation	32,577,354	2,282,586	-	34,859,940
Total capital assets being depreciated, net	61,444,113	(2,226,637)	-	59,217,476
Total governmental activity capital assets, net	\$ 64,730,424	\$ (697,567)	\$ -	\$ 64,032,857

Depreciation expenses was charged to government functions as follows:

	Amounts
Governmental Activities	
Instructional	\$ 1,885,918
Instructional support	22,472
Operational and maintenance	11,099
Student transpiration	275,856
Food service	76,646
General and administrative	10,595
	\$ 2,282,586

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

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2019, is shown below:

**Due to/from other funds:**

<u>Receivable fund</u>	<u>Payable Fund</u>	
General Fund	Nonmajor Governmental Funds	1,151
Nonmajor Governmental Funds	General Fund	<u>51,648</u>
Total		<u>\$ 52,799</u>

**Interfund Transfers:**

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

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

	<u>Transfers In</u>	<u>Transfer Out</u>	
<b>Major funds:</b>			
General Fund	\$ 32,616	\$ (1,982,583)	(a)
Debt Service Fund	-	-	
Nonmajor Governmental Funds	(a) <u>1,982,583</u>	<u>(32,616)</u>	
	<u>\$ 2,015,199</u>	<u>\$ (2,015,199)</u>	

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

**NOTE 8 - LONG-TERM LIABILITIES**

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

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

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

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 Warrants, Series 2015-B, which partially refunded the PSCA Capital Improvement Education Pool Warrants, Series 2008. In order to participate, the Board issued its Capital Outlay Pool Warrants series 2015-B in the Principal amount of \$2,613,103. On each payment date, a payment of principal and interest is made by the Finance Director of the State of Alabama causing an amount of Pledged Capital funds to be transferred from Public School funds to the Education Trust.

The Board deposited with the Trustee sufficient proceeds to pay interest due as well as the redemption price of the PSCA Capital Improvement Education Pool Warrants, 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 loss and immaterial change in future debt service payment.

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

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

As of September 30, 2019, the Board's long-term obligations under the warrants consisted of the following:

PSCA Capital Improvement Pool Warrants, Series 2017-A, bearing interest payable semi-annual at 1.050% to 3.244%, annual principal installments through 2037	2,769,075
School Tax Warrants, Series 2011 bearing interest payable semi-annually at 2.00% to 3.75%, annual principal installments through 2030	8,335,000
School Tax Warrants, Series 2012-B bearing interest payable monthly at 1.80% to 2.50%, annual principal installments through 2022	502,216
PSCA Capital Improvement Pool Warrants, Series 2019-A, bearing interest payable semi-monthly at     to     , annual principal installments through 2039	<u>2,561,292</u>
	16,664,328
Unamortized Warrants Premium	<u>924,338</u>
Total Warrants	<u><u>\$ 17,588,666</u></u>

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

Payments on Capital Improvement Pool Warrants, Series 2015-B, Series 201-A and 2019-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.

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

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

Changes in long-term obligations for the year end September 30, 2019, are as follows:

	<u>Balance at 9/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 9/30/2019</u>	<u>Due Within One Year</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b>Warrants Payable</b>					
PSCA Capital Improvement	-	2,561,292	-	2,561,292	90,694
Pool Warrants, Series 2015-B	2,613,103	-	(116,358)	2,496,745	213,779
PSCA Capital Improvement					
Pool Warrants, Series 2017-A	2,860,525	-	(91,450)	2,769,075	96,100
School Tax Warrants, Series 2011	8,960,000	-	(625,000)	8,335,000	645,000
School Tax Warrants, Series 2012-B	657,126	-	(154,910)	502,216	154,910
Unamortized Warrants Premium	596,491	381,702	(53,855)	924,338	66,632
Total warrants payable, net	<u>15,687,245</u>	<u>2,942,994</u>	<u>(1,041,573)</u>	<u>17,588,666</u>	<u>1,267,115</u>
<b>Capital Leases</b>					
Municipal Asset Management					
due May 21, 2022	691,990	-	(166,614)	525,376	170,801
Regions Equipment Finance Corp					
due January 18, 2028	<u>1,022,014</u>	<u>-</u>	<u>(90,764)</u>	<u>931,250</u>	<u>93,133</u>
	<u>1,714,004</u>	<u>-</u>	<u>(257,378)</u>	<u>1,456,626</u>	<u>263,934</u>
<b>RSA</b>					
Net Pension Liability	30,013,000	183,000	-	30,196,000	-
Net OPEB Liability	<u>26,685,563</u>	<u>3,480,943</u>	<u>-</u>	<u>30,166,506</u>	<u>-</u>
	<u>56,698,563</u>	<u>3,663,943</u>	<u>-</u>	<u>60,362,506</u>	<u>-</u>
Total long-term debt	<u>\$ 74,099,812</u>	<u>\$ 6,606,937</u>	<u>\$ (1,298,951)</u>	<u>\$ 79,407,798</u>	<u>\$ 1,531,049</u>

Interest expense for the fiscal year ending September 30, 2019 was \$582,260. For the fiscal year ending September 30, 2019, the Board did not have any outstanding notes from direct borrowings and direct placements related to governmental activities or any outstanding lines of credit.

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

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

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

	<b>Governmental Activities</b>			
	<b>Warrants</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 1,200,484	\$ 608,105	\$ 263,934	\$ 37,492
2021	1,230,054	573,311	270,652	30,775
2022	1,280,202	528,601	277,541	23,886
2023	1,169,481	483,654	100,617	16,821
2024	1,196,873	439,793	103,244	14,195
2025-2029	6,560,675	1,433,086	440,638	29,122
2030-2034	2,416,857	441,154		
2053-2039	1,609,702	136,651		
	<u>\$ 16,664,328</u>	<u>\$ 4,644,355</u>	<u>\$ 1,456,626</u>	<u>\$ 152,291</u>

The Board has elected to implement the provisions of GASB 65. As a result, debt issuance costs, except prepaid insurance costs, are recognized as an expense in the period incurred. As a result, issuance costs that were previously capitalized related to the Series 2011 Warrants has been removed from the financial statements. For warrants (bonds) and other long-term debt issued after October 1, 2012, the related debt premiums and discounts are amortized using the straight-line method over the life of the debt in the government-wide statements.

In prior years, the Board defeased certain bonds by placing the proceeds of the new bonds in irrevocable trust funds to provide for all the 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, 2019, the following bonds outstanding are considered defeased:

Qualified Zone Academy Bonds (QZAB)	\$2,000,000
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**BESSEMER CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - CAPITAL LEASES**

The Board is obligated under certain leases accounted for as capital leases. These capital leases were obtained to purchase various equipment or vehicles. 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 has entered into capital lease agreements to finance the acquisition of school buses. The net carrying values of assets acquired under capital leases at year-end were as follows:

Vehicles	\$ 2,205,196
Less accumulated depreciation	<u>(1,260,429)</u>
Net total	<u><u>\$ 944,767</u></u>

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

<u>Year ending September 30,</u>	<u>Governmental Activities</u>
2020	\$ 301,426
2021	301,426
2022	301,426
2023	117,439
2024	117,439
2025 and thereafter	<u>469,755</u>
Total minimum lease payments	1,608,911
Less: amount representing interest	<u>(152,291)</u>
Present value of the minimum lease payments	<u><u>\$ 1,456,620</u></u>

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

**NOTE 10 - 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-support 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](http://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 benefits, 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 benefits. 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.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

***Contributions***

Covered members contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS contributed 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS contributed 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 contributed 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2019 was 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,438,000 for the year ended September 30, 2019.

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

At September 30, 2019, the Board reported a liability of \$39,196,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective and net pension liability was based on the employers' share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018, the Board's proportion was .303700%, which was a decrease of 0.001669% from its proportion measured as of September 30, 2017.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended September 30, 2019, the Board recognized pension expense of \$1,912,000. At September 30, 2019, the Board reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Recourses</u>	<u>Deferred Inflows of Recourses</u>
Differences between expected and actual experience	\$ 652,000	\$ 920,000
Changes of assumptions	1,678,000	
Net difference between projected and actual earnings on pension plan investments	-	2,279,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	935,000
Employer contributions subsequent to the measurement date	<u>2,543,903</u>	<u>-</u>
Total	<u>\$ 4,873,903</u>	<u>\$4,134,000</u>

\$4,873,903 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending September 30,**

2020	(137)
2021	(916)
2022	(734)
2023	63
2024	(46)
Thereafter	0

***Actuarial Assumptions***

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

Inflation	2.75%
Investment rate return*	7.70%
Projected salary increases	3.25% - 5.00%

\*Net of pension plan investment expense

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, was based on the results of the experience investigation for the five-year period ending September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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

The long-term expected rate of return on pension plan investments was determined using a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net 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 for each major asset class are as follows:

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

\*Included assumed rates of inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70) than the current rate:

	<b>1% Decrease (6.70%)</b>	<b>Current Rate (7.70%)</b>	<b>1% Increase (8.70%)</b>
Board's proportionate share of collective net pension liability	\$ 42,033,000	\$ 30,196,000	\$ 20,183,000

***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, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019 on the total pension liability, total deferred outflows or resources, total pension expense for the sum of all participating entities as of September 30, 2018 along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**NOTE 11- OTHER POST-EMPLOMENT BENEFITS (OPEB)**

***Summary of Significant Accounting Policies***

The Alabama Retired Education Employee's 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 of the financial statements were issued.

***Plan Description***

The Alabama Retired Education Employee's 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 and irrevocable trust to fund postemployment healthcare benefits to retiree participating PEEHIP. Active and retiree healthcare 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.

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

### NOTE 11 - OTHER POST-EMPLOMENT BENEFITS (OPEB) (CONTINUED)

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the 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 aesthetic, 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, eyeglasses, and contract lens prescriptions.

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

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

### **NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on an annual basis. Retirees have the same benefits in and out-of-network and there is not 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 with 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, and 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 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 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 increase 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.

#### ***OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At September 30, 2019, the Board reported a liability of \$30,166,506 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 0.367046%, which was an increase of 0.007762% from its proportion measured as of September 30, 2017.



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

**NOTE 11 - OTHER POST-EMPLOMENT BENEFITS (OPEB) (CONTINUED)**

For the year ended September 30, 2019, the Board recognized OPEB expense of \$1,601,514. At September 30, 2019, the Board reported deferred outflow of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Recourses</u>	<u>Deferred Inflows of Recourses</u>
Differences between expected and actual experience	\$ 567,943	\$ -
Changes of assumptions		1,469,387
Net difference between projected and actual earnings on pension plan investments	-	161,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	536,912	1,666,708
Employer contributions subsequent to the measurement date	<u>1,087,504</u>	<u>-</u>
Total	<u>\$ 2,192,359</u>	<u>\$ 3,297,727</u>

\$2,192,359 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, 2020.

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

**Year ending September 30,**

2020	(613850)
2021	(613850)
2022	(613850)
2023	(577536)
2024	155,772
Thereafter	70,469

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

**NOTE 11 - OTHER POST-EMPLOMENT BENEFITS (OPEB) (CONTINUED)**

*Actuarial Assumptions*

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

Inflation	2.75%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	4.18%
Municipal bond index rate at the prior measurement date	3.57%
Projected year for Fiduciary Net Position (FNP) to be depleted	2029
Single equivalent interest rate the measurement date	4.44%
Single equivalent interest rate the prior measurement date	4.63%
Healthcare cost trend rate	
Pre-Medicare eligible	7.70%
Medicare eligible	5.00% beginning in 2019
Ultimate trend rate	
Pre-Medicare eligible	4.75% in 2026
Medicare eligible	4.75% in 2024

\*Includes 3.00% wage inflation.

\*\*Compounded annually, net of investment expenses, and includes inflation.

Mortality rates for the period after service retirement are accordingly 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 disable mortality were based on the RP-2000 Disable Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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 on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

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

**NOTE 11 - OTHER POST-EMPLOMENT BENEFITS (OPEB) (CONTINUED)**

The long-term expected return on plan asset 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 assumptions, 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 long-term assumption and is not expected to change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in the future year.

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 for each major asset class is summarized below:

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

\*Geometric mean includes 2.50% 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, 2018 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contributed for each active employee. Approximately 20.31% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money

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

**NOTE 11 - OTHER POST-EMPLOMENT BENEFITS (OPEB) (CONTINUED)**

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 2029. The long-term rate of return is used until the assets are expected to be depleted in 2019, after which the municipal bond rate is used.

***Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Change 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:

	<b>1% Decrease 6.00% decreasing to 3.75% pre- Medicare and decreasing to 3.75% for Medicare Eligible</b>	<b>Current Healthcare Trend Rate 7.00% decreasing to 4.75% pre- Medicare and decreasing to 4.75% for Medicare Eligible</b>	<b>1% Increase 8.00% decreasing to 5.75% pre- Medicare and decreasing to 5.75% for Medicare Eligible</b>
Board's proportionate share of collective net pension liability	\$ 24,797,555	\$ 30,166,506	\$ 37,001,931

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

	<b>1% Decrease (3.44%)</b>	<b>Current Rate (4.44%)</b>	<b>1% Increase (5.44%)</b>
Board's proportionate share of collective net pension liability	\$ 36,036,174	\$ 30,166,506	\$ 25,431,776

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

### **NOTE 12 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, and destructions of assets; errors and omissions; injuries to employees; and natural disaster. 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 purchase automobile liability insurance with coverage of \$3000,000 per occurrence, errors and omissions insurance with coverage up to \$1,000,000 per occurrence and property insurance with coverage 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 the pool participants. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance fund ("PEEHIF") administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set mutually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specific amount monthly to the PEEHIF for each employee. The Board contributions 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 Adjustments. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriate funds at no cost to the Board.

### **NOTE 13 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts ready 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 the 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.

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

**NOTE 14 - 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 15 - DONATED FOOD PROGRAM**

The commodities received from the Federal government in connection with the donated food programs are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$226,430 for 2019. Commodities consumed were approximately \$226,430 for 2019.

**NOTE 16 - FUTURE ACCOUNTING PRONOUNCEMENTS**

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.

**NOTE 17 - SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) as a pandemic. The outbreak in the United States has negatively impacted economies and global financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Because of the uncertainty of the duration or impact of this pandemic, the near- and long-term financial impact on the Organization cannot be reasonably estimated at this time.

**NOTE 18 - DATE OF MANAGEMENT REVIEW**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2020, the date the financial statements were available to be issued.

**BESSEMER CITY BOARD OF EDUCATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' RETIREMENT PLAN OF ALABAMA  
LAST FOUR (4) FISCAL YEARS**

	2019	2018	2017	2016
Contractually required contribution	\$ 2,332,000	\$ 2,277,790	\$ 2,332,000	\$ 2,349,222
Contributions in relation to the contractually required contribution	2,332,000	2,277,790	2,332,000	2,349,222
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Board's covered employee payroll	\$21,752,324	\$ 19,148,943.00	\$ 22,030,788.00	\$ 20,534,196.00
Contributions as a percentage of covered-employee payroll	10.72%	11.90%	11.54%	11.77%

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

**BESSEMER CITY BOARD OF EDUCATION  
SCHEDULE OF PROPORATIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIRMENT PLAN OF ALABAMA  
LAST FOUR (4) FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Board's proportion of the net pension liability	0.303700%	0.305369%	0.310182%	0.318518%
Board's proportionate share of the net pension liability	\$ 30,196,000	\$ 30,013,000	\$ 33,580,000	\$ 33,335,000
Board's covered--employee payroll	\$ 19,148,943	\$ 22,030,788	\$ 20,534,196	\$ 21,752,324
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.69%	136.23%	163.53%	153.25%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	71.50%	67.93%	67.51%

\*The amount 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, 2019**

Contractually required contribution	\$ 2,332,000
Contributions in relation to the contractually required contribution	2,332,000
Contribution deficiency (excess)	<u>\$ -</u>
Board covered-employee payroll	\$ 21,752,324
Contributions as a percentage of covered- employee payroll	10.72%

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, 2018**

Board's proportion of the net OPEB liability	0.367046%
Board's proportionate share of the net OPEB liability	\$ 30,166,506
Board's covered--employee payroll	\$19,148,943
Board's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	158%
Plan fiduciary net position as a percentage of the total OPEB liability	14.81%

\*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 REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
State sources	\$ 20,730,232	\$ 21,900,412	\$ 21,689,289	\$ -	\$ 21,689,289
Federal sources	253,000	253,000	383,002	-	383,002
Local sources	11,209,420	11,209,420	11,572,973	-	11,572,973
Other sources	166,363	158,611	136,633	-	136,633
<b>Total Revenues</b>	<b>32,359,015</b>	<b>33,521,443</b>	<b>33,781,897</b>	<b>-</b>	<b>33,781,897</b>
<b>Expenditures</b>					
<b>Current:</b>					
Instructional services	17,705,760	17,912,115	16,949,056	103,477	17,052,533
Instructional support services	5,677,412	5,934,233	6,266,790	244,575	6,511,365
Operations and maintenance services	3,887,254	4,485,430	4,261,181	24,868	4,286,049
Student transportation services	1,677,740	1,809,150	1,730,259	67,064	1,797,323
Auxiliary services	-	-	-	-	-
Food service	-	-	-	-	-
General administration services	1,656,887	1,801,967	1,786,236	1,394	1,787,630
Other	505,860	505,860	438,756	15,938	454,694
Capital outlays	-	20,000	-	-	-
Debt service:					
Principal	16,829	16,829	-	-	-
Interest and fiscal charges	26,675	26,675	-	-	-
<b>Total Expenditures</b>	<b>31,154,417</b>	<b>32,512,259</b>	<b>31,432,278</b>	<b>457,316</b>	<b>31,889,594</b>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<b>1,204,598</b>	<b>1,009,184</b>	<b>2,349,619</b>	<b>(457,316)</b>	<b>1,892,303</b>
<b>Other Financing Sources (Uses)</b>					
Interest cost reimbursement	552,483	555,919	463,987	-	463,987
Debt issuance	-	-	-	-	-
Transfers in	27,748	27,748	32,616	-	32,616
Transfers out	(2,177,724)	(2,177,724)	(1,982,583)	-	(1,982,583)
<b>Total other financing sources (uses)</b>	<b>(1,597,493)</b>	<b>(1,594,057)</b>	<b>(1,485,980)</b>	<b>-0-</b>	<b>(1,485,980)</b>
Net change in fund balance	(392,895)	(584,873)	863,639	(457,316)	406,323
Fund balances - beginning (deficit), as previously reported	11,331,000	11,893,255	9,786,626	(2,106,628)	7,679,998
Prior period adjustment	-	-	-	-	-
Fund balances - beginning (deficit), as restated	11,331,000	11,893,255	9,786,626	(2,106,628)	7,679,998
<b>Fund balances - ending (deficits)</b>	<b>\$ 10,938,105</b>	<b>\$ 11,308,382</b>	<b>\$ 10,650,265</b>	<b>\$ (2,563,944)</b>	<b>\$ 8,086,321</b>

**Explanation of differences:**

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

**\$ (457,316)**

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Special Revenue Funds				Special Revenue Funds				Bessemer Center for Technology
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary		
<b>Assets</b>									
Cash and cash equivalents	\$ 139,769	\$ 68,649	\$ 37,380	\$ 30,568	\$ 85,656	\$ 76,671	\$ 19,092	\$	58,474
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>139,769</u>	<u>68,649</u>	<u>37,380</u>	<u>30,568</u>	<u>85,656</u>	<u>76,671</u>	<u>19,092</u>		<u>58,474</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accrued payroll and related liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-
Due to other funds	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Assigned	139,769	68,649	37,380	30,568	85,656	76,671	19,092		58,474
<b>Total Fund Balances</b>	<u>139,769</u>	<u>68,649</u>	<u>37,380</u>	<u>30,568</u>	<u>85,656</u>	<u>76,671</u>	<u>19,092</u>		<u>58,474</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 139,769</u>	<u>\$ 68,649</u>	<u>\$ 37,380</u>	<u>\$ 30,568</u>	<u>\$ 85,656</u>	<u>\$ 76,671</u>	<u>\$ 19,092</u>	<u>\$</u>	<u>58,474</u>

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

Special Revenue Funds									
	Central Office	ROTC	REGULAR BASIC GRANT	IDEA PART B	Pre-School Part B Ages 3-5	TITLE X HOMELESS	Title I Part A	Title I Part A School Improvement	
<b>Assets</b>									
Cash and cash equivalents	\$ 101,799	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	101,799	107	-	-	-	-	-	-	-
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accrued payroll and related liabilities	\$ -	\$ -	\$ -	\$ 41,461	\$ 399	\$ -	\$ 61,113	\$ 987	
Due to other funds	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	-	-	-	41,461	399	-	61,113	987	
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Assigned	101,799	107	-	(41,461)	(399)	-	(61,113)	(987)	
<b>Total Fund Balances</b>	101,799	107	-	(41,461)	(399)	-	(61,113)	(987)	
<b>Total Liabilities and Fund Balances</b>	\$ 101,799	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Special Revenue Funds			Special Revenue Funds			Total
	Title II Part A	Title III	Title IV Part A SDE	Vocational Rehabilitation Services	Child and Adult Care	Food and Nutrition Fund	Special Revenue Funds
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 240,267	\$ 802,643	\$ 1,661,075
Receivables	-	-	-	-	25,120	281,808	306,928
Due from other funds	-	-	-	-	-	49,018	49,018
Inventory	-	-	-	-	-	122,317	122,317
<b>Total Assets</b>	-	-	-	-	265,387	1,255,786	2,139,338
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accrued payroll and related liabilities	\$ 13,256	\$ -	\$ -	\$ 231	\$ -	\$ 110,372	\$ 227,819
Due to other funds	-	-	-	-	-	1,151	1,151
<b>Total Liabilities</b>	13,256	-	-	231	-	111,523	228,970
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	122,317	122,317
Assigned	(13,256)	-	-	(231)	265,387	1,021,946	1,788,051
<b>Total Fund Balances</b>	(13,256)	-	-	(231)	265,387	1,144,263	1,910,368
<b>Total Liabilities and Fund Balances</b>	\$ -	\$ -	\$ -	\$ -	\$ 265,387	\$ 1,255,786	\$ 2,139,338

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Capital Projects Funds					Capital Projects Funds		
	Debt Service Fund	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	(14-8411) Capital Projects	Total Capital Projects Funds	Nonmajor Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 3,631	\$ -	\$ 761,910	\$ 41,569	\$ -	\$ 803,479	\$ 2,468,185	
Receivables	-	-	-	-	-	-	306,928	
Due from other funds	-	-	-	2,630	-	2,630	51,648	
Inventory	-	-	-	-	-	-	122,317	
<b>Total Assets</b>	<b>3,631</b>	<b>-</b>	<b>761,910</b>	<b>44,199</b>	<b>-</b>	<b>806,109</b>	<b>2,949,078</b>	
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accrued payroll and related liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,819	
Due to other funds	-	-	-	-	-	-	1,151	
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,970</b>	
<b>Fund Balances</b>								
Nonspendable	-	-	-	-	-	-	122,317	
Assigned	3,631	-	761,910	44,199	-	806,109	2,597,791	
<b>Total Fund Balances</b>	<b>3,631</b>	<b>-</b>	<b>761,910</b>	<b>44,199</b>	<b>-</b>	<b>806,109</b>	<b>2,720,108</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,631</b>	<b>\$ -</b>	<b>\$ 761,910</b>	<b>\$ 44,199</b>	<b>\$ -</b>	<b>\$ 806,109</b>	<b>\$ 2,949,078</b>	

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds					
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary
<b>Revenues</b>						
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
Local sources	248,119	122,588	33,956	26,632	42,468	75,960
Other sources	-	-	-	-	-	-
<b>Total Revenues</b>	<b>248,119</b>	<b>122,588</b>	<b>33,956</b>	<b>26,632</b>	<b>42,468</b>	<b>75,960</b>
<b>Expenditures</b>						
<b>Current:</b>						
Instructional services	161,414	56,404	6,935	7,606	27,637	22,612
Instructional support services	15,899	8,316	5,566	6,894	2,309	11,833
Operations and maintenance services	12,738	2,301	-	-	-	-
Auxiliary services	10,163	2,583	818	404	534	600
Food service	-	-	-	-	-	-
General administrative services	-	-	-	-	-	-
Other	18,304	12,012	7,433	872	4,499	10,387
Capital outlays	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>218,518</b>	<b>81,616</b>	<b>20,752</b>	<b>15,776</b>	<b>34,979</b>	<b>45,432</b>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<b>29,601</b>	<b>40,972</b>	<b>13,204</b>	<b>10,856</b>	<b>7,489</b>	<b>30,528</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(19,776)	(7,473)	(1,163)	(918)	(842)	(696)
<b>Total other financing sources (uses)</b>	<b>(19,776)</b>	<b>(7,473)</b>	<b>(1,163)</b>	<b>(918)</b>	<b>(842)</b>	<b>(696)</b>
Net change in fund balances	9,825	33,499	12,041	9,938	6,647	29,832
Fund balances - beginning (deficits)	129,944	35,150	25,339	20,630	79,009	46,839
<b>Fund balances - ending (deficits)</b>	<b>\$ 139,769</b>	<b>\$ 68,649</b>	<b>\$ 37,380</b>	<b>\$ 30,568</b>	<b>\$ 85,656</b>	<b>\$ 76,671</b>



**BESSEMER CITY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds					
	Bessemer Center for Technology		Central Office	ROTC	REGULAR BASIC GRANT	IDEA PART B
<b>Revenues</b>	Westhills Elementary					
State sources	\$ -	\$ -	\$ -	-	\$ 77,834	\$ 1,098,358
Federal sources	-	-	-	-	-	-
Local sources	25,240	36,947	13,429	-	-	-
Other sources	-	-	-	-	-	-
<b>Total Revenues</b>	<u>25,240</u>	<u>36,947</u>	<u>13,429</u>	<u>-</u>	<u>77,834</u>	<u>1,098,358</u>
<b>Expenditures</b>						
<b>Current:</b>						
Instructional services	9,150	16,621	728	-	74,665	669,446
Instructional support services	2,558	1,389	2,320	-	2,034	271,325
Operations and maintenance services	-	700	-	-	-	-
Auxiliary services	1,340	424	-	-	-	11,771
Food service	-	-	-	-	-	-
General administrative services	-	-	-	-	1,135	24,180
Other	2,200	1,965	-	-	-	163,097
Capital outlays	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>15,248</u>	<u>21,099</u>	<u>3,048</u>	<u>-</u>	<u>77,834</u>	<u>1,139,819</u>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<u>9,992</u>	<u>15,848</u>	<u>10,381</u>	<u>-</u>	<u>-</u>	<u>(41,461)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(951)	(797)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(951)</u>	<u>(797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,041	15,051	10,381	-	-	(41,461)
Fund balances - beginning (deficits)	10,051	43,423	91,418	107	-	-
<b>Fund balances - ending (deficits)</b>	<u>\$ 19,092</u>	<u>\$ 58,474</u>	<u>\$ 101,799</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ (41,461)</u>

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds				
	Pre-School Part B Ages 3-5	TITLE X HOMELESS	Title I Part A	Title I Part A School Improvement	Title II Part A Title III
<b>Revenues</b>					
State sources	-	\$ -	\$ -	\$ -	\$ -
Federal sources	13,554	71,549	2,423,239	311,062	189,345
Local sources	-	-	-	-	-
Other sources	-	-	-	-	-
<b>Total Revenues</b>	<u>13,554</u>	<u>71,549</u>	<u>2,423,239</u>	<u>311,062</u>	<u>27,795</u>
<b>Expenditures</b>					
<b>Current:</b>					
Instructional services	-	-	1,190,614	43,907	17,934
Instructional support services	-	67,506	891,249	263,592	180,415
Operations and maintenance services	-	-	-	-	-
Auxiliary services	-	3,000	9,410	-	-
Food service	-	-	-	-	-
General administrative services	204	1,043	266,843	4,550	2,955
Other	13,749	-	126,236	-	8,418
Capital outlays	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total Expenditures</b>	<u>13,953</u>	<u>71,549</u>	<u>2,484,352</u>	<u>312,049</u>	<u>202,601</u>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<u>(399)</u>	<u>-</u>	<u>(61,113)</u>	<u>(987)</u>	<u>(13,256)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(399)	-	(61,113)	(987)	(13,256)
Fund balances - beginning (deficits)	-	-	-	-	-
<b>Fund balances - ending (deficits)</b>	<u><u>(399)</u></u>	<u><u>-</u></u>	<u><u>(61,113)</u></u>	<u><u>(987)</u></u>	<u><u>(13,256)</u></u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**BESSEMER CITY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds				
	Title IV Part A SDE	Vocational Rehabilitation Services	Child and Adult Care	Food and Nutrition Fund	Total Special Revenue Funds
<b>Revenues</b>					
State sources	\$ -	\$ -	\$ -	\$ -	\$ 1,176,192
Federal sources	185,718	7,420	262,597	3,487,470	6,979,749
Local sources	-	-	-	167,534	792,873
Other sources	-	-	-	53,725	53,725
<b>Total Revenues</b>	<b>185,718</b>	<b>7,420</b>	<b>262,597</b>	<b>3,708,729</b>	<b>9,002,539</b>
<b>Expenditures</b>					
<b>Current:</b>					
Instructional services	18,586	21,456	-	-	2,356,528
Instructional support services	163,132	4,219	-	-	1,903,556
Operations and maintenance services	4,000	-	-	31,234	50,973
Auxiliary services	-	-	-	-	41,047
Food service	-	-	-	3,810,071	3,810,071
General administrative services	-	-	-	-	301,315
Other	-	-	133,825	681,350	1,190,803
Capital outlays	-	-	-	55,949	55,949
Debt service:					
Principal	-	-	-	-	625,000
Interest and fiscal charges	-	-	-	-	288,394
<b>Total Expenditures</b>	<b>185,718</b>	<b>25,675</b>	<b>133,825</b>	<b>4,578,604</b>	<b>9,710,242</b>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<b>-</b>	<b>(18,255)</b>	<b>128,772</b>	<b>(869,875)</b>	<b>(707,703)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	1,069,189	1,069,189
Transfers out	-	-	-	-	(32,616)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,069,189</b>	<b>1,036,573</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(18,255)</b>	<b>128,772</b>	<b>199,314</b>	<b>328,870</b>
<b>Fund balances - beginning (deficits)</b>	<b>-</b>	<b>18,024</b>	<b>136,615</b>	<b>944,949</b>	<b>1,581,498</b>
<b>Fund balances - ending (deficits)</b>	<b>\$ -</b>	<b>\$ (231)</b>	<b>\$ 265,387</b>	<b>\$ 1,144,263</b>	<b>\$ 1,910,368</b>

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Capital Projects Fund					
	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	(14-8411) Capital Projects	Total Capital Projects Funds	Nonmajor Governmental Funds
<b>Revenues</b>						
State sources	\$ 234,597	\$ 400,987	\$ 2,620	\$ 9,873	\$ 648,077	\$ 1,824,269
Federal sources	-	-	-	-	-	6,979,749
Local sources	-	-	-	-	-	795,149
Other sources	-	-	-	-	-	53,725
<b>Total Revenues</b>	<u>234,597</u>	<u>400,987</u>	<u>2,620</u>	<u>9,873</u>	<u>648,077</u>	<u>9,652,892</u>
<b>Expenditures</b>						
<b>Current:</b>						
Instructional services	-	-	-	-	-	2,356,528
Instructional support services	-	-	-	-	-	1,903,556
Operations and maintenance services	-	-	-	-	-	50,973
Auxiliary services	-	-	-	-	-	41,047
Food service	-	-	-	-	-	3,810,071
General administrative services	-	-	-	9,873	9,873	311,188
Other	-	-	-	-	-	1,190,803
Capital outlays	-	-	-	-	-	55,949
Debt service:						-
Principal	257,383	154,909	-	-	412,292	1,037,292
Interest and fiscal charges	28,020	30,392	-	-	58,412	346,806
<b>Total Expenditures</b>	<u>285,403</u>	<u>185,301</u>	<u>-</u>	<u>9,873</u>	<u>480,577</u>	<u>11,104,213</u>
<b>Excess of revenues (deficiency) over (under) expenditures</b>	<u>(50,806)</u>	<u>215,686</u>	<u>2,620</u>	<u>-</u>	<u>167,500</u>	<u>(1,451,321)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	1,982,583
Transfers out	-	-	-	-	-	(32,616)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,949,967</u>
<b>Net change in fund balances</b>	<u>(50,806)</u>	<u>215,686</u>	<u>2,620</u>	<u>-</u>	<u>167,500</u>	<u>498,646</u>
<b>Fund balances - beginning (deficits)</b>	<u>50,806</u>	<u>546,224</u>	<u>41,579</u>	<u>-</u>	<u>638,609</u>	<u>2,221,462</u>
<b>Fund balances - ending (deficits)</b>	<u>\$ -</u>	<u>\$ 761,910</u>	<u>\$ 44,199</u>	<u>\$ -</u>	<u>\$ 806,109</u>	<u>\$ 2,720,108</u>

**BESSEMER CITY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NON-PUBLIC FIDUCIARY FUNDS  
SEPTEMBER 30, 2019**

	Fiduciary Non-Public Funds									
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office	Total Non-Public Funds
<b>Assets</b>										
Cash and cash equivalents	\$ 6,265	\$ 6,051	\$ 707	\$ 1,221	\$ 57	\$ 1,002	\$ 2,816	\$ 776	\$ 4,373	\$ 23,268
<b>Total Assets</b>	<u>6,265</u>	<u>6,051</u>	<u>707</u>	<u>1,221</u>	<u>57</u>	<u>1,002</u>	<u>2,816</u>	<u>776</u>	<u>4,373</u>	<u>23,268</u>
<b>Liabilities and Net Position</b>										
<b>Liabilities</b>										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105	\$ 105
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>105</u>
<b>Net Position</b>										
Held in trust for local schools non-public funds	6,265	6,051	707	1,221	57	1,002	2,816	776	4,268	23,163
<b>Total Net Position</b>	<u>6,265</u>	<u>6,051</u>	<u>707</u>	<u>1,221</u>	<u>57</u>	<u>1,002</u>	<u>2,816</u>	<u>776</u>	<u>4,268</u>	<u>23,163</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 6,265</u>	<u>\$ 6,051</u>	<u>\$ 707</u>	<u>\$ 1,221</u>	<u>\$ 57</u>	<u>\$ 1,002</u>	<u>\$ 2,816</u>	<u>\$ 776</u>	<u>\$ 4,373</u>	<u>\$ 23,268</u>

## Fiduciary Non-Public Funds

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**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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **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.

**To the Superintendent and Members  
Of the Bessemer City Board of Education  
Bessemer, Alabama  
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**Compliance and Other Matters**

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

**Purpose of this Report**

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

**Sheppard-Harris & Associates  
Birmingham, Alabama  
May 18, 2020**



**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, 2019. 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, 2019.

**To the Superintendent and Members  
Of the Bessemer City Board of Education  
Bessemer, Alabama  
Page 2**

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**Report on Internal Control over Compliance**

Management of the **Board** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the **Board's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 **Board's** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

**Sheppard-Harris & Associates  
Birmingham, Alabama  
May 18, 2020**

**BESSEMER CITY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Federal CFDA No.</u>	<u>Program Expenditures</u>
<b>U.S. Department of Education</b>		
Pass Through Alabama Department of Education:		
Title I Grants to local Educational Agencies	84.010	\$ 2,796,400.88
English Language Acquisition State Grants	84.365	27,795
Supporting Effective Instruction State Grants	84.367	202,600
Career and Technical Education-Basic Grants to States	84.048	77,834
Education for Homeless Children and Youth	84.196	71,549
Student Support and Academic Enrichment Program	84.424	185,719
<i>Total passed through the Alabama Department of Education</i>		<u>3,361,898</u>
 <i>Special Education Cluster</i>		
Special Education- Grants to States (IDEA, Part B)	84.027	1,139,819
Special Education- Preschool Grants (IDEA Preschool)	84.173	13,953
<i>Total Special Education Cluster</i>		<u>1,153,772</u>
<i>Total U.S. Department of Education</i>		<u>4,515,669</u>
 <b>U.S. Department of Agriculture</b>		
Pass Through Alabama Department of Education:		
<i>Child Nutrition Cluster</i>		
School Breakfast Program	10.553	1,484,853
National School Lunch Program	10.555	2,188,437
National School Lunch Program- Snack	10.555	69,373
Summer Foods Service Program for Children	10.559	681,350
<i>Total Child Nutrition Cluster</i>		<u>4,424,013</u>
 Pass Through Alabama Department of Education:		
Child and Adult Care Food Program	10.558	132,619
Fresh Fruit and Vegetable Program	10.579	102,940
<i>Total U.S. Department of Agriculture</i>		<u>235,559</u>
 <b>Social Security Administration</b>		
Pass Through Alabama Department of Education:		
Social Security-Disability Insurance	96.001	3,000
<i>Total Social Security Administration</i>		<u>3,000</u>
 <b>Total Expenditures of Federal Awards</b>		<u>9,178,241.52</u>

**Note:** The accompanying schedules of expenditures of Federal Awards is prepared on the accrual basis of accounting. The agency elected to use the 10% de minimis cost rate.

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

**NOTE 1 - BASIS OF PRESENTATION**

The accompany 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, 2019. The information in this Schedule is presented in accordance with the requirement of Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirement, 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, 2019**

**SECTION I     SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

-Material weakness (es) identified?

     Yes   x   No

-Control deficiency (ies) identified that not considered to be material weaknesses?

     Yes   x   None reported

-Noncompliance material to financial statements noted?

     Yes   x   No

**Federal Awards**

Internal control over major programs:

-Material weakness (es) identified?

     Yes   x   No

-Reportable condition(s) identified not considered to be material weaknesses?

     Yes   x   None reported

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

Unmodified

Any audit findings disclosed that are required to be

-reported in accordance with Uniform Guidance,

-Section.501(a)?

     Yes   x   No

**IDENTIFICATION OF MAJOR PROGRAMS:**

**CFDA Numbers**

**Name of Federal Program**

84.010

84,027, 84,173

Title 1 Grants to local Educational Agencies  
Special Education Cluster

Dollar threshold used to distinguish between type A and type B program:

\$750,000

Auditee qualified as low-risk auditee?

     Yes   X   No

**SECTION II     FINDINGS-FINANCIAL STATEMENTS AUDIT**

No matters reported.

**SECTION III     FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No matters reported.

**BESSEMER CITY BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
SEPTEMBER 30, 2019**

There were no audit findings in the prior year.