

**ALEXANDER CITY BOARD
OF EDUCATION
GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Dr. J. Darrell Cooper, Superintendent
Alexander City Board of Education
Alexander City, Alabama

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 Alexander City Board of Education, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (pages 35 through 38), 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Alexander City Board of Education has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander City Board of Education's 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 (Uniform Guidance)* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 my opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 25, 2018, on my consideration of the Alexander City Board of Education's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alexander City Board of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dianne Naler CPA PC". The signature is fluid and cursive, with the letters "CPA PC" written in a slightly different style than the name.

Dianne Naler, CPA, PC
Alexander City, Alabama

June 25, 2018

Alexander City Board of Education
Statement of Net Position
September 30, 2017

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 7,503,477
Cash with Fiscal Agent	337,352
Investments	67,192
Ad Valorem Property Taxes Receivable	2,510,938
Accounts Receivable	819,010
Inventories	64,049
Capital Assets:	
Nondepreciable	2,433,306
Depreciable, Net	15,130,031
Total Assets	<u>28,865,355</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	1,873,755
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,518,000
Total Deferred Outflows of Resources	<u>4,391,755</u>
<u>Liabilities</u>	
Accounts Payable	79,476
Salaries and Benefits Payable	2,428,844
Unearned Revenue	-
Accrued Interest Payable	45,349
Long Term Liabilities:	
Portion Due or Payable Within One Year	431,678
Portion Due or Payable After One Year	7,208,928
Net Pension Liability	25,724,000
Total Liabilities	<u>35,918,275</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue-Property Taxes	2,510,938
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	667,000
Total Deferred Inflows of Resources	<u>3,177,938</u>
<u>Net Position</u>	
Net Investment in Capital Assets	9,877,382
Restricted for:	
Capital Projects	92,381
Food Services	624,538
Debt Service	356,141
Unrestricted	(16,789,544)
Total Net Position	<u>\$ (5,839,102)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Alexander City Board of Education
Statement of Activities
For the Year Ended September 30, 2017

Program Revenues

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction	\$ 17,751,159	\$ 323,249	\$ 14,989,968
Instructional Support	5,177,087	286,635	2,656,856
Operation and Maintenance	2,132,117	-	11,691
Auxiliary Services:			
Food Service	2,048,995	1,857,724	200,150
Transportation	2,302,137	65,825	831,219
General Administration and Central Support	1,363,369	27,242	154,320
Capital Outlay	100,000	25	-
Other	1,372,501	636,528	629,822
Interest/Long-Term Debt	2,090,307	-	-
Total Governmental Activities	<u>\$ 34,337,671</u>	<u>\$ 3,197,228</u>	<u>\$ 19,474,026</u>

General Revenues

Taxes

Property For General Purpose
Sales and Use for General Purpose
Miscellaneous Taxes
City Council Appropriations/Payments
City Council Fine Arts Program
Investments Earnings
Alexander City Schools Education Foundation
Russell Foundation
Russell Medical Center
Miscellaneous

Special Items

Gain on Sale of Capital Assets
Insurance Recoveries
Total General Revenues

Changes in Net Position

Net Position-Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Net (Expenses)
Revenue and Changes
in Net Position**

Capital Grants and <u>Contributions</u>	Total Governmental <u>Activities</u>
\$ -	\$ (2,437,942)
-	(2,233,596)
2,169	(2,118,257)
22,513	31,392
-	(1,405,093)
-	(1,181,807)
260,278	160,303
455,455	349,304
<u>594,822</u>	<u>(1,495,485)</u>
<u><u>\$ 1,335,237</u></u>	<u><u>(10,331,180)</u></u>
	2,580,317
	3,262,447
	167,233
	820,008
	360,000
	5,020
	84,250
	189,000
	50,000
	1,975,956
	26,582
	-
	<u>9,520,813</u>
	(810,367)
	<u>(5,028,735)</u>
	<u><u>\$ (5,839,102)</u></u>

Alexander City Board of Education
Balance Sheet
Governmental Funds
September 30, 2017

	<u>General Funds</u>	<u>Child Nutrition Program Fund</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 7,007,505	\$ 223,787
Cash with Fiscal Agents	-	-
Investments	-	-
Ad Valorem Property Taxes Receivable	2,510,938	-
Accounts Receivable, Net	121,796	339,451
Due from Other Governments	-	-
Inventories	-	64,049
Other Assets	-	-
Total Assets	<u>9,640,239</u>	<u>627,287</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	73,566	2,749
Deferred Revenue	-	-
Other Payable	<u>2,428,844</u>	<u>-</u>
Total Liabilities	<u>2,502,410</u>	<u>2,749</u>
<u>Deferred Inflow of Resources</u>		
Deferred Property Taxes	<u>2,510,938</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>2,510,938</u>	<u>-</u>
<u>Fund Balances</u>		
Nonspendable		
Inventories	-	64,049
Restricted		
Child Nutrition	-	560,489
Capital Projects	2,048,665	-
Debt Service	-	-
Fleet Renewal	-	-
Assigned		
Other Purposes	550,785	-
Local Schools	-	-
E-Rate	-	-
Unassigned	<u>2,027,441</u>	<u>-</u>
Total Fund Balance	<u>4,626,891</u>	<u>624,538</u>
Total Liabilities and Fund Balances	<u>\$ 9,640,239</u>	<u>\$ 627,287</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 111,170	\$ 161,015	\$ 7,503,477
337,352	-	337,352
-	67,192	67,192
-	-	2,510,938
-	357,763	819,010
-	-	-
-	-	64,049
-	-	-
<u>448,522</u>	<u>585,970</u>	<u>11,302,018</u>
-	3,160	79,475
-	-	-
-	-	2,428,844
<u>-</u>	<u>3,160</u>	<u>2,508,319</u>
-	-	2,510,938
<u>-</u>	<u>-</u>	<u>2,510,938</u>
-	-	64,049
-	-	560,489
26,297	-	2,074,962
356,141	-	356,141
66,084	-	66,084
-	-	550,785
-	557,504	557,504
-	25,306	25,306
-	-	2,027,441
<u>448,522</u>	<u>582,810</u>	<u>6,282,761</u>
<u>\$ 448,522</u>	<u>\$ 585,970</u>	<u>\$ 11,302,018</u>

**Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2017**

Total Fund Balances-Governmental Funds \$ 6,282,761

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
Funds. These assets consist of:

Land and Land Improvements	\$ 525,800	
Building and Improvements	31,279,497	
Equipment and Furniture	5,692,626	
Construction in Progress	2,076,060	
Less: Accumulated Depreciation	<u>(22,010,646)</u>	
Total Capital Assets		17,563,337

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and therefore, are not reported in the governmental funds.

Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	4,391,755
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	<u>(667,000)</u>
	3,724,755

Current liabilities are not due and payable in the current period and
Therefore are not reported liabilities in the funds. These liabilities at
year-end consist of:

	Due or Payable Within One Year <u>Current Liabilities</u>	Due or Payable After One Year <u>Noncurrent Liabilities</u>	
Warrants Payable	\$ 159,071	\$ 2,832,800	
Notes Payable	272,607	876,128	
Series 2017 QZAB Warrant	-	2,500,000	
Series 2011 A Cap QZAB	-	1,000,000	
Accrued Interest Payable	45,349	-	
Net Pension Liability	<u>-</u>	<u>25,724,000</u>	
Total Long-Term Liabilities	\$ 477,027	\$ 32,932,928	<u>(33,409,955)</u>
Total Net Position			
Governmental Activities			<u><u>\$ (5,839,102)</u></u>

Alexander City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2017

<u>Revenues</u>	<u>General Fund</u>	<u>Child Nutrition Program Fund</u>
State	\$ 16,805,607	\$ -
Federal	150,769	1,849,928
Local	6,432,954	328,369
Other	720,937	29,272
Total Revenue	<u>24,110,267</u>	<u>2,207,569</u>
<u>Expenditures</u>		
Current		
Instruction	14,250,906	-
Instructional Support	3,970,320	-
Operation and Maintenance	1,819,062	-
Auxiliary Services:		
Food Service	-	2,048,995
Student Transportation Services	1,013,316	-
General and Administration and Central Support	1,006,581	-
Capital Outlay	-	-
Other Expenditures	953,922	83,032
Debt Service:		
Principal Retirement	-	-
Other	-	-
Interest	-	-
Total Expenditures	<u>23,014,107</u>	<u>2,132,027</u>
Excess(Deficiency) of revenues over Expenditures	1,096,160	75,542
<u>Other Financing Sources (Uses)</u>		
Transfers In	99,963	-
Indirect Cost	132,023	-
Transfers Out	(125,696)	-
Other Funding Sources	26,582	-
Total Other Funding Sources(Uses)	<u>132,872</u>	<u>-</u>
Net Changes in Fund Balances	1,229,032	75,542
Fund Balances-Beginning of Year	<u>3,397,859</u>	<u>548,996</u>
Fund Balances-End of Year	<u>\$ 4,626,891</u>	<u>\$ 624,538</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 843,380	\$ 1,300	\$ 17,650,287
-	2,365,158	4,365,855
1,070,017	849,188	8,680,528
1,435,235	31,131	2,216,575
<u>3,348,632</u>	<u>3,246,777</u>	<u>32,913,245</u>
14,075	2,242,481	16,507,462
138,575	556,769	4,665,664
152,837	117,339	2,089,238
-	-	2,048,995
997,917	32,112	2,043,345
127,144	154,627	1,288,352
100,000	-	100,000
-	272,970	1,309,924
1,824,129	-	1,824,129
55,000	-	55,000
314,061	-	314,061
<u>3,723,738</u>	<u>3,376,298</u>	<u>32,246,170</u>
(375,106)	(129,521)	667,075
129,204	330,390	559,557
-	-	132,023
(140,704)	(238,480)	(504,880)
455,455	-	482,037
<u>443,955</u>	<u>91,910</u>	<u>668,737</u>
68,849	(37,611)	1,335,812
<u>379,673</u>	<u>620,421</u>	<u>4,946,949</u>
<u>\$ 448,522</u>	<u>\$ 582,810</u>	<u>\$ 6,282,761</u>

Alexander City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2017

Reconciliation of the Statement of Revenues, Expenditures and Net Changes in Fund Balance-Total Governmental Funds	\$ 1,335,812
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statements of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlays	\$ 3,310,686	
Depreciation Expense	<u>(952,491)</u>	2,358,195

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	491,829
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Proceeds from the issuance of debt is reported as financing sources in governmental funds and thus contributes 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.	(4,170,455)
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In the Statement of Activities, only the gain or loss on the sale of capital assets is reported whereas, in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances this amount.

Proceeds from the Sale of Capital Assets	\$ (28,419)	
Gain on Disposition of Capital Assets	<u>26,582</u>	(1,837)

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	14,784	
Pension Expense, Current Year (Increase)/Decrease	(800,796)	
Payroll Accrual, Current Year (Increase)/Decrease	<u>(37,900)</u>	(823,912)

Change in Net Position of Governmental Activities	<u>\$ (810,368)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Alexander City Board of Education
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 382,301
Investments	2,467
Receivables	-
Total Assets	<u>384,768</u>
<u>Liabilities</u>	
Accounts Payable	-
Due to Clubs and Class	<u>384,768</u>
Total Liabilities	<u>384,768</u>
<u>Net Position</u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Note 1-Summary of Significant Accounting Policies

The financial statements of the Alexander City Board of Education (the "Board"), a component unit of the City of Alexander City, Alabama have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 government's accounting policies are described below.

A. Reporting Entity

The Governmental Accounting Standards Board establishes standards for defining 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 the legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial burdens on the primary government. There are no component units which should be included as part of the financial reporting entity of the Alexander City Board of Education.

The Alexander City Board of Education (the "Board") is a legally separate agency of the State of Alabama (the "State"). However, for financial reporting the Board is considered a component unit of the City of Alexander City, Alabama (the "City") due to the following reasons:

- 1) The City appoints all members of the governing body of the Board.
- 2) The City issued bonds for the construction of facilities for the Board and the City is obligated for the debt.
- 3) The City makes annual appropriations to the Board.
- 4) The City levied a ¼ cent sales tax and 7-½ mil district ad valorem tax specifically for the operations of the Board.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

B. Basis of Presentation, Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. 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. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as programs revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds, including its fiduciary 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 other governmental funds.

The Board reports the following major governmental funds:

- **General Fund** – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board's General Fund primarily receives revenue from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- **Child Nutrition Program Fund** – This fund is used to account for revenue provided by the National School Lunch Program. These funds are restricted or committed to expenditures for a specified purpose other than debt service or capital projects.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

- **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition and construction of capital facilities and other capital assets.

The Board reports the following fund types in the “Other Governmental Funds” column:

Government Funds Types

- **Special Revenue Funds** – These funds are used to account for the accumulation of resources for and the payment of, the Board’s principal and interest on governmental bonds.
- **Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the Board reports the following fund type:

Fiduciary Fund Type

- **Agency Funds** – These funds are used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year for which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements 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.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

Statutes authorize the Board to invest in obligations of the U.S. Treasury, obligations of any state of the United States, general obligations of any Alabama County or City board of education secured by the pledges of the three-mill school tax and certificates of deposit.

Investments consist of certificate of deposits and are reported at cost. Amounts invested with fiscal agents are reported at fair value.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year end.

Millage rates for property taxes are levied at first regular meeting of the Tallapoosa County Commission in February of each year. Property taxes are assessed for property as 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. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are considered restricted assets because they are maintained separate and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds funds are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., parking lots, stadium lights, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. The Board has no general infrastructure assets.

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25-50 years
Buildings Improvements	\$50,000	7-30 years
Equipment and Furniture	\$ 5,000	5-15 years
Vehicles	\$ 5,000	8-10 years
Equipment Under Capital Lease	\$ 5,000	5-15 years

**Alexander City Board of Education
Notes to the Financial Statement
For Year Ended September 30, 2017**

6. Deferred Outflows of Resources

Deferred outflows of resources are reported on the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental funds types recognize premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Pensions

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

10. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets plus or minus any deferred outflows of resources and deferred inflow of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- A.** Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which the fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B.** Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C.** Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D.** Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E.** Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

**Alexander City Board of Education
Notes to the Financial Statements
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When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and unassigned amounts.

11. Minimum Fund Balance Policies

The Board has established a minimum fund balance policy. The Board's policy states that a General Fund reserve fund balance be maintained of an amount of not less than one month's operating expenditures. Operating expenditures shall include all funds necessary to support the normal operations of the school district for one month. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or the budget amendment will prevent the establishment or maintenance of one month's operating balance. A one-month operating balance shall be determined by dividing the General Fund expenditures and fund transfer out by twelve. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue 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. Also, in the General Fund, sales and ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting, with the exception of the Capital Projects Fund, which adopts project length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the Board of Education. The Superintendent or Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Note 3 – Deposits and Investments

A. Deposits

The custodial risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by provisions contained in the *Code of Alabama 1975*, Sections 41 – 14A – 1 through 41 – 14A – 14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

B. Cash with Fiscal Agents

Statutes authorize the Board to invest in obligations of the U.S. Treasury, obligations of any state of the United States, general obligations of an Alabama county or city board of education secured by pledge of three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

As of September 30, 2017, the Board had cash with fiscal agents invested as follows:

U.S. Treasury Notes, various maturities, with Fair Value of \$337,352

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating, if applicable and available, is presented in the table of investments. The Board does not have an investment policy that addresses credit risk.

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Notes to the Financial Statements
For the Year Ended September 30, 2017**

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board's investment policy does not limit the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Board does not have a formal investment policy that limits the amount the Board may invest in any one issuer.

Note 4– Receivables

On September 30, 2017, receivables for the Board's individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Receivables:				
Sales Tax	\$ 32,862	\$ -	\$ -	\$ 32,862
Advalorem Tax	-	-	-	-
Intergovernmental	6,734	697,214	26,050	729,998
Other	<u>56,150</u>	<u>-</u>	<u>-</u>	<u>56,150</u>
Total Receivables	<u>\$ 95,746</u>	<u>\$697,214</u>	<u>\$ 26,050</u>	<u>\$ 819,010</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2017, there was no deferred revenue.

Note 5– Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, 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.

**Alexander City Board of Education
Notes to the Financial Statements
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B. Benefits Provided

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

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

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered member of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.5% of earnable compensation.

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

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Participating employers' contractually required contribution rate for the year ended September 30, 2017, was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with the 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 \$1,873,755 for the year ended September 30, 2017.

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

At September 30, 2017, the Board reported a liability of \$25,724,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2016, the Board's proportion was .2376136% which was an increase of .003377% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Board recognized pension expense of \$2,699,000. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	\$	\$ 662,000
Changes in assumptions	1,816,000	
Net difference between projected and Actual earnings on pension plan investments	372,000	
Changes in proportion and differences between Employer contributions and proportionate Share of contributions	330,000	5,000
Employer contributions subsequent to the Measurement date	<u>1,873,755</u>	
Total	<u>\$4,391,755</u>	<u>\$ 667,000</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

The \$1,873,755 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, 2018. 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, 2018	\$417,000
2019	\$417,000
2020	\$802,000
2021	\$109,000
2022	\$106,000
Thereafter	\$ -

E. Actuarial Assumptions

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

Inflation	2.75%
Investment Rate of Return(*)	7.75%
Projected Salary Increases	3.25%-5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of 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 were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return(*)</u>
Fixed Income	17.00%	5.00%
U.S. Large Stocks	32.00%	9.00%
U.S. Mid Stocks	9.00%	12.00%
U.S. Small Stocks	4.00%	15.00%
International Developed Market Stocks	12.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Board's proportionate share of Collective net pension liability	\$34,270,000	\$25,724,000	\$18,489,000

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Notes to the Financial Statements
For the Year Ended September 30, 2017**

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated September 22, 2017, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2016, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

B. On-Behalf Payments

The U.S. Department of Health and Human Services makes payments directly to the Public Education Employee's Health Insurance Plan (PEEHIP) on behalf of the Board's Medicare-eligible retirees and dependents enrolled in the Medicare Generation Rx Part D Prescription Drug Program. For the period October 1 through September 30, 2017, these payments totaled \$213,547.

C. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust Fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Note 6 – Other Postemployment Benefits (OPEB)-(continued)

Retired Member Rates

Individual Coverage/Non-Medicare Eligible - \$166
 Family Coverage/Both Retired Member and Dependent(s) are Non-Medicare Eligible-\$421
 Family Coverage/Non-Medicare Eligible Retired Member Dependent, and Spouse-\$521
 Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible-\$280
 Family Coverage/Non-Medicare Eligible Retired Member and Spouse Medicare Eligible-\$310
 Individual Coverage/Medicare Eligible Retired Member - \$25
 Family Coverage/Medicare Eligible Retired Member and Spouse Medicare Eligible-\$169
 Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents-\$280
 Family Coverage/Both Retired Member and Dependent are Medicare Eligible - \$139
 Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dep/Spouse-\$380

Surviving Spouse Rates

Surviving Spouse Non-Medicare Eligible - \$816
 Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$1,028
 Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$1,067
 Surviving Spouse Medicare Eligible - \$430
 Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$720
 Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$759

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5-year period. The tobacco premium is \$50.00 per month for retired members that use tobacco.

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of		Percentage of Required Amount Contributed
			Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	
2017	\$800.00	\$152.57	19.07%	\$800,065	100%
2016	\$780.00	\$211.21	27.08%	\$1,029,096	100%
2015	\$780.00	\$180.76	23.17%	\$851,915	100%

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Notes to the Financial Statements
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Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – Construction and Other Significant Commitments

As of September 30, 2017, the Board has the following construction projects underway:

Jim Pearson Elementary Lighting & Mechanical Upgrades	\$1,876,547
Alexander City Middle Lighting & Mechanical Upgrades	<u>199,514</u>
Total	<u>\$2,076,060</u>

Note 8 – Payables

On September 30, 2017, payables for the Board's individual major funds are as follows:

<u>Governmental Activities</u>	<u>Total</u>
General Fund	\$ 73,566
Special Revenue-Child Nutrition	2,749
Other Governmental Fund	<u>3,160</u>
Total Governmental Activities	<u>\$ 79,475</u>

Note 9 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2017, were as follows:

Transfers In	Transfers Out				Net Activity
	General Fund	Other Governmental Funds	Capital Projects	Agency	
General Fund	(37,232.14)				(37,232.14)
Other Governmental Funds		91,910.41			91,910.41
Agency Funds				(54,678.27)	(54,678.27)
	<u>(37,232.14)</u>	<u>91,910.41</u>	<u>0.00</u>	<u>(54,678.27)</u>	<u>0.00</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on – behalf of local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current year debt requirements.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Note 10 – Long – Term Debt

The following is a summary of general long – term debt transactions for the year ended September 30, 2017:

	Debt Outstanding @ 09/30/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding @ 09/30/2017	Amount Due Within One Year
Governmental Activities					
Warrants					
General Obligation Warrants	\$ 1,954,571	\$ -	\$ 177,700	\$ 1,776,871	\$ 159,071
Series 2011-A Cap Outlay Pool Warrant.QZAB	1,000,000	-	-	1,000,000	-
Series 2017 School Tax Warrant	-	1,215,000	-	1,215,000	-
Series 2017-QZAB School Tax Warrant	-	2,500,000	-	2,500,000	-
Total Bonds/Warrants Payable	2,954,571	3,715,000	177,700	6,491,871	159,071
Notes Payable:					
Note Payable-TAC	86,264	-	86,264	-	-
Note Payable-Buses	360,710	-	45,089	315,621	45,089
Note Payable-Chromebooks	560,436	-	182,776	377,660	186,908
Note Payable-Buses	-	455,455	-	455,455	40,611
Total Notes Payable	1,007,409	455,455	314,129	1,148,735	272,608
Total Bonds/Warrants/Notes Payable	3,961,980	4,170,455	491,829	7,640,606	431,678
Other Liabilities:					
Net Pension Liability	24,514,000	1,210,000	-	25,724,000	-
Governmental Activity Long-Term Liabilities	\$28,475,980	\$5,380,455	\$491,829	\$33,364,606	\$431,678

The City of Alexander City entered into a general Obligation Warrant Issue with Compass Bank of the South. These warrants were issued for the purpose of providing funds to construct and acquire capital improvements for the public schools in the City (including a major expansion of Benjamin Russell High School). These warrants are parity warrants with the Series of General Obligation Warrants previously issued.

Beginning May 1, 1996, the City increased its commitment to pay principal and interest on the various previous school issues out of the sources used currently to pay the 1988, 1991, 1993, and 1996. Those sources are Board's ¼ cent City sales tax, the 7.5 mill school tax, the city's contribution of \$75,000/year from the city's \$90,000 year contribution and the city's \$60,000/year contribution (that accretes 3% per year beginning 1988). The city's obligation to pay this amount will continue until 5/1/2026.

The Alexander City School Board had previously entered into an agreement with the City of Alexander City to pay all principal and interest payments totaling approximately \$350,000 per year until May 1, 2013, at which time the City of Alexander City would pay all principal and interest (approximately \$1,240,000 per annum), relative to issues.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	General Obligation Warrants		Series 2011-A Capital Outlay Pool Warrant QZAB		2017 School Tax Warrant	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2018	\$ 159,071	\$148,220		\$ 46,000		\$ 37,681
2019	156,053	145,017		46,000		37,681
2020	240,497	62,500		46,000		37,681
2021	259,835	45,300		46,000		37,681
2022	280,980	23,100		46,000		37,681
2023-2027	680,435		1,000,000	184,000		188,405
2028-2032						188,405
2033-2037					1,215,000	97,125
Totals	\$1,776,871	\$424,137	\$1,000,000	\$ 414,000	\$ 1,215,000	\$ 662,340

The City of Alexander City issued Series 1998 General Obligation Warrants on May 1, 1998 for the purpose of advanced refunding of the City's Series 1996 Warrants and financing improvements to the schools operated by Alexander City Board of Education. This issue resulted in "other sources" of funds totaling \$341,493 for the Board during F.Y.E. 9/30/98. The Board's debt service requirements however, remained as previously listed as follows:

The Alexander City School Board entered into an agreement with the City of Alexander City to pay all principal and interest payments for each fiscal year on a monthly basis to the City of Alexander City relative to the 1996 and 1991 issues.

On May 10, 2011, the Alexander City Board of Education met and approved the refinancing of the Series 2003 bond held on their behalf by the City of Alexander City. The refinancing would result in a net savings of \$510,439 over the remaining term of the bond. In lieu of a lump sum payment, the Board voted to receive the savings as an annual reduction in their debt payment obligation to the City of Alexander City for the remaining term of the bond.

On January 28, 2014, the Alexander City Board of Education obtained financing to purchase five buses for \$450,887. The note matures January 28, 2024 and is secured by the five buses. The note is payable in 9 annual consecutive principal payments of \$45,088.70 beginning January 28, 2015, plus interest at a rate of 2.75% and one final payment of principal and interest of \$46,345.86 on January 28, 2024.

On February 4, 2016, the Alexander City Board of Education obtained financing to purchase fifteen hundred twenty-five Dell Chromebooks for \$560,436. The note matures February 4, 2019 and is secured by the fifteen hundred twenty-five Chromebooks. The note is payable in 2 annual consecutive principal payments of \$195,026 beginning February 4, 2017, including interest at a rate of 2.15% and one final payment of principal and interest of \$194,854 on February 4, 2019.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Series 2017 QZAB School Tax Warrant		2014 Note Payable Buses		Note Payable Chromebooks		2016 Note Payable Buses		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	To Maturity
		\$ 45,089	\$ 8,800	\$ 186,908	\$ 8,118	\$ 40,611	\$ 11,498	\$ 691,996
		45,089	7,543	190,752	4,102	41,636	10,473	684,346
		45,089	6,286			42,687	9,422	490,162
		45,089	5,042			43,742	8,367	491,056
		45,089	3,771			44,869	7,240	488,730
		90,176	3,771			46,002	6,107	2,198,896
2,500,000						195,908	12,529	2,896,842
								1,312,125
\$2,500,000	\$ -	\$315,621	\$35,213	\$ 377,660	\$12,220	\$455,455	\$65,636	\$ 9,254,153

On December 6, 2016, the Alexander City Board of Education obtained financing to purchase five buses for \$455,455. The note matures December 6, 2026 and is secured by the five buses. The note is payable in 10 annual consecutive principal payments of \$52,109.18 beginning December 6, 2017, including interest at a rate of 2.49%.

Note 11 – Pledged Revenues

On June 2, 2011, the Board entered into a special pool loan agreement for \$1,000,000 with the Alabama Public School and College Authority (the "PSCA"). The PSCA issued bonds known as "qualified zone academy bonds" under Section 54E of the Internal Revenue Code of 1986 in order to finance loans to various local Boards of Education throughout the State of Alabama. The proceeds of these bonds are limited to rehabilitating, repairing or equipping public school facilities. The interest rates on these bonds are 4.6%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. Annual sinking fund deposits of \$50,095.61 are required beginning in fiscal year 2012. The bonds mature on May 1, 2026. The Board has pledged the capital outlay funds allocated to the Board from the Public School Fund pursuant to Section 16-13-234, Code of Alabama (1975), as amended, for the payment of the principal, sinking fund deposits and interest payable on the Capital Outlay Pool Warrants, Series 2011-QZAB. The Board received \$722,122 of Public School Capital Outlay funds of which \$96,095.61 was used to for the sinking fund and interest payments during the fiscal year ending September 30, 2017.

On June 30, 2017, the Board issued Series 2017 School Tax Warrants for the purpose of acquiring and constructing certain energy savings improvements to school buildings and related equipment. The Board pledged to repay the school tax warrants from (1) that certain special 1.5-mill county wide ad valorem tax which was levied for public school purposes pursuant to Sections 269 and 217 of the Constitution of Alabama of 1901, and (2) that certain special 3.0-mill county wide ad valorem tax levied for public school purposes on all property in the County pursuant to Amendment No. 3 and proceedings under Amendment No. 373 to the Constitution of Alabama of 1901. Future revenues of \$1,215,000 are pledged to repay the

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

principal on the warrants at September 30, 2017. The Series 2017 School Tax Warrants will mature in fiscal year 2037. Proceeds of the pledged taxes in the amount of \$1,382,752 were received and used for the interest payment of \$1,884 during the fiscal year ending September 30, 2017.

On August 23, 2017, the Board issued in School Tax Warrants (Qualified Zone Academy Bonds), Series 2017-QZAB, for the purpose of making energy-savings capital improvements to two of its public school facilities in which the Qualified Zone Academy is established. The Board pledged to repay the school tax warrants from (1) that certain special 1.5-mill county wide ad valorem tax which was levied for public school purposes pursuant to Sections 269 and 217 of the Constitution of Alabama of 1901, and (2) that certain special 3.0-mill county wide ad valorem tax levied for public school purposes on all property in the County pursuant to Amendment No. 3 and proceedings under Amendment No. 373 to the Constitution of Alabama of 1901. Future revenues of \$2,500,000 are pledged for annual payments of the sinking fund deposits on the bonds at September 30, 2017. The Series 2017-QZAB Qualified Zone Academy Bonds will mature in fiscal year 2032. Proceeds from the pledged taxes of \$1,382,752 were received during fiscal year ending September 30, 2017 and no interest or sinking fund payments were made on this Series.

Note 12– Risk Management

The Board is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$ 3.5 million. Automobile liability insurance and errors and omissions insurance are purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount coverage requested by pool participants in excess of the coverage provided by the pool.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). 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 determined annually 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 a specified amount monthly to the PEEHIF for each employee. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Alexander City Board
Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 13 – Capital Assets

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

<u>Governmental Activities</u>	Balance 9/30/2016	Additions	Disposals/ Retirements	Balance 9/30/2017
Capital Assets, Not Being Depreciated				
Land	\$ 352,246	5,000	-	\$ 357,246
Construction in Progress	-	2,076,060	-	2,076,060
Total Capital Assets, Not Being Depreciated	352,246	2,081,060	-	2,433,306
Capital Assets Being Depreciated				
Land Improvements	58,900	109,654	-	168,554
Building and Building Improvements	31,279,497	-	-	31,279,497
Equipment and Furniture	4,874,402	1,119,972	301,748	5,692,626
Total Capital Assets Being Depreciated	36,212,799	1,229,626	301,748	37,140,677
Less Accumulated Depreciation for				
Land Improvements	(27,058)	(8,420)	-	(35,478)
Building and Building Improvements	(18,046,180)	(678,562)	-	(18,724,742)
Equipment and Furniture	(3,284,041)	(265,509)	299,124	(3,250,426)
Total Accumulated Depreciation	(21,357,279)	(952,491)	299,124	(22,010,646)
Total Capital Assets, Being Depreciated, Net	14,855,520	277,135	600,872	15,130,031
Total Governmental Activities Capital Assets, Net	\$ 15,207,766	2,358,195	600,872	\$ 17,563,337

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	Current Year Depreciation Expense
Instruction	\$ 294,922
Instructional Support	343,261
Operation and Maintenance	42,879
Auxiliary Services	206,181
General Administration and Central Support	65,249
Total Depreciation Expense	\$ 952,491

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2017**

Note 14 – Contingent Liabilities

A. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustments may be made those grantor agencies. Any disallowed claims, including amounts that are already collected, may result in a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The Board does not expect any such adjustments.

B. Litigation

The Board has no threatened claims or litigation including unasserted claims and assessments of which it is aware.

Note 15 – Subsequent Events

The Board has evaluated events through June 25, 2018, the date which the financial statements were available to be issued.

Required Supplementary Information

Alexander City Board of Education
Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2017

	2017	2016	2015
Employer's proportion of the net pension liability	0.237613%	0.234236%	0.234302%
Employer's proportionate share of the net pension liability	\$25,724,000	\$24,514,000	\$21,285,000
Employer's covered-employee payroll during the measurement period*	\$15,026,651	\$14,928,612	\$14,799,912
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	171.19%	164.21%	143.82%
Plan fiduciary net position as a percentage of the total collective pension liability	67.93%	67.51%	67.51%

* Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016.

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

**Alexander City Board of Education
Schedule of the Employer's Contributions
For the Year Ended September 30, 2017**

	2017	2016	2015
Contractually required contribution	\$1,786,319	\$1,728,465	\$1,724,952
Contributions in relation to the contractually required contribution	\$1,786,319	\$1,728,465	\$1,724,952
Contribution deficiency (excess)	\$0	\$0	\$0
School District's covered-employee payroll	\$15,906,908	\$15,026,651	\$14,928,612
Contributions as a percentage of covered-employee payroll	11.23%	11.50%	11.55%

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

Alexander City Board of Education
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2017

<u>Revenues</u>	Budgeted Amounts	
	<u>Original</u>	<u>Final</u>
State	\$ 16,684,469	\$ 16,684,864
Federal	61,934	61,934
Local	7,740,467	7,887,436
Other	151,828	169,816
Total Revenues	<u>24,638,698</u>	<u>24,804,050</u>
 <u>Expenditures</u>		
Current:		
Instruction	14,579,598	14,522,010
Instructional Support	4,111,658	4,131,121
Operation and Maintenance	2,085,443	2,086,850
Auxiliary Services	1,421,003	1,437,644
General Administration and		
Central Support	1,022,717	1,055,936
Other	900,293	960,427
Capital Outlay	100,000	100,000
Debt Service	-	-
Total Expenditures	<u>24,220,712</u>	<u>24,293,988</u>
Excess(Deficiency) of Revenues		
Over Expenditures	<u>417,986</u>	<u>510,062</u>
 <u>Other Financing Services(Uses)</u>		
Other Sources	205,555	231,121
Other Uses	<u>(62,500)</u>	<u>(76,500)</u>
Total Other Financing		
Sources(Uses)	143,055	154,621
Net Changes on Fund balances	561,041	664,683
Fund Balances at Beginning of Year	<u>5,788,085</u>	<u>5,793,335</u>
Fund Balances at End of Year	<u>\$ 6,349,126</u>	<u>\$ 6,458,018</u>

The accompanying Notes to the Required Supplementary Information are an integral part of this statement.

Budget to GAAP		Actual Amounts	
Differences		GAAP Basis	
Over (Under)			
\$	-	\$	16,805,607
77,764	1	150,769	
(1,570,973)	1	6,432,954	
548,900	1	720,937	
<u>(944,309)</u>		<u>24,110,267</u>	
(1,977,188)	2	14,250,906	
(211,351)	2	3,970,320	
(90,450)	2	1,819,062	
-		1,013,316	
-			
(8,325)	2	1,006,581	
(140,815)	2	953,922	
100,000		-	
		-	
<u>(2,328,129)</u>	3	<u>23,014,107</u>	
<u>(2,328,129)</u>		<u>1,096,160</u>	
-		258,568	
<u>(11,500)</u>		<u>(125,696)</u>	
(11,500)		132,872	
(2,339,629)		1,229,032	
<u>3,297,859</u>		<u>3,397,859</u>	
<u>\$ 958,230</u>		<u>\$ 4,626,891</u>	

Alexander City Board of Education
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Revenue Fund
Child Nutrition Program
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Over (Under)</u>	<u>GAAP Basis</u>
<u>Revenues</u>					
Federal	\$ 1,630,533	\$ 1,777,534	\$ 1,823,813	\$ 26,115	\$ 1,849,928
Local	381,000	327,707	328,369	-	328,369
Other	51,700	51,700	32,874	(3,602)	29,272
Total Revenues	<u>2,063,233</u>	<u>2,156,941</u>	<u>2,185,056</u>	<u>22,513</u>	<u>2,207,569</u>
<u>Expenditures</u>					
Current					
Auxiliary Services:					
Food Services	1,965,069	2,112,000	2,026,482	22,513	2,048,995
Other	86,462	108,718	77,813	5,219	83,032
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>2,051,531</u>	<u>2,220,718</u>	<u>2,104,295</u>	<u>27,732</u>	<u>2,132,027</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>11,702</u>	<u>(63,777)</u>	<u>80,761</u>	<u>(5,219)</u>	<u>75,542</u>
<u>Other Financing Services (Uses)</u>					
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	11,702	(63,777)	80,761	(5,219)	75,542
Fund Balances - Beginning of Year	<u>577,699</u>	<u>360,306</u>	<u>360,306</u>	<u>188,690</u>	<u>548,996</u>
Fund Balances - End of Year	<u>\$ 589,401</u>	<u>\$ 296,529</u>	<u>\$ 441,067</u>	<u>\$ 183,471</u>	<u>\$ 624,538</u>

The accompanying Notes to the Required Supplementary Information are an integral part of this statement.

**Alexander City Board of Education
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017**

Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

On or before October 1 of each year, each board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the City Board of Education. The Superintendent or City Board of Education shall not approve any budget for operations of school for any fiscal year which shall show expenditures in excess of income estimated to be available any balances on hand.

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) Local taxes are not budgeted as revenues unless received in time to pay budgeted expenditures.
- (2) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures in the financial statements.

Net Change in Fund Balance – Budget to GAAP

- (3) The amount reported as “fund balance” on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board’s budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Supplementary Information

Alexander City Board of Education
Schedule of Expenditures of Federal Awards
For Fiscal year Ended September 30, 2017

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Revenue</u>	<u>Federal Expenditures</u>
US Department of Education				
Passed Through State Department of Education				
Individual W/Disabilities (IDEA-Part B)	84.027	N/A	\$ 785,657	\$ 723,168
Individual W/Disabilities (IDEA-Pre-School Part B)	84.173	N/A	21,359	21,359
Vocational Education	84.048A	N/A	70,807	70,807
Title I – Part A	84.010	N/A	1,332,293	1,255,266
Title II – Improving Teacher Quality	84.367	N/A	214,229	178,374
Title VI - Rural Ed	84.358	N/A	82,175	67,850
Title III – English Language Acq	84.365	N/A	28,601	22,352
Title IV –Twenty-First Century Community	84.287	N/A	150,000	103,746
Total US Dept. of Education			<u>2,685,121</u>	<u>2,442,922</u>
HHS - Dependent Care	93.575		2,920	2,920
ROTC	12.357		70,086	70,086
			<u>73,006</u>	<u>73,006</u>
US Dept. of Agriculture				
Passed Through State Dept. of Education				
USDA Fresh Fruits and Vegetable Programs	10.582		78,519	75,946
National School Lunch Program Equipment Assist	10.579		22,513	22,513
Food Donation Program	10.565		124,204	127,805
Child and Adult Care Program	10.558		242,909	242,909
National School Lunch Program	10.555		1,380,754	1,380,754
Total US Dept. of Agriculture			<u>1,848,899</u>	<u>1,849,927</u>
Total Expenditures of Federal Awards			<u>\$ 4,607,026</u>	<u>\$ 4,365,855</u>

The accompanying Notes to the Schedule of Expenditures are an integral part of this statement.

Alexander City Board of Education
Notes to the Schedule of Expenditures
Of Federal Awards
For the Year Ended September 30, 2017

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Alexander Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Alexander City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Alexander City Board of Education.

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* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Alexander City Board of Education did not elect to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

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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

Members of the Board
Alexander City Board of Education
Alexander City, AL 35010

I have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Alexander City Board of Education's basic financial statements and have issued my report thereon, dated June 25, 2018.

Internal Control Over Financial Reporting

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

My 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 over financial reporting that might be material weakness or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance, about whether the Alexander City Board of Education's financial statements are free from material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Dianne Naler CPA, PC
Alexander City, Alabama
June 25, 2018

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

Members of the Board
Alexander City Board of Education
Alexander City, AL 35010

Report on Compliance for Each Major Federal Program

I have audited the Alexander City Board of Education's 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 Alexander City Board of Education's major federal programs for the year ended September 30, 2017. Alexander City Board of Education's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Alexander City Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Alexander City Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Alexander City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Alexander City Board of Education'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, I do not express an opinion on the effectiveness of Alexander City Board of Education's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing on 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.



Dianne Naler CPA, PC
Alexander City, Alabama
June 25, 2018

**Alexander City Board Of Education
Schedule of Findings and Questioned Cost
Year Ended September 30, 2017**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ 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

Significant deficiency(ies) identified?

___ Yes X None reported

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

Unmodified

Any audit findings disclosed that required to be
reported in accordance with 2 CFR
200.516(a) of the *Uniform Guidance*?

___ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program Cluster

84.027

Special Education-Grants to States

84.173

Special Education-Preschool Grants

84.010

Title I Grants to Local Educational Agencies

**Alexander City Board of Education
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017**

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

Auditee qualified as low risk auditee? X Yes No

Section II- Financial Statement Findings (GAGAS)

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.