

**ALEXANDER CITY BOARD
OF EDUCATION
GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

Table of Contents

	Page
Independent Auditor's Report	
Management's Discussion and Analysis	Exhibit 1
Statement of Net Position	1
Statement of Activities	2
Balance Sheet-Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Fiduciary Net Position – Fiduciary Funds	10
Notes to the Financial Statements	11
<u>Required Supplementary Information</u>	34
Schedule of the Employer's Proportionate Share of the Net Pension Liability	35
Schedule of the Employer's Contributions	36
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund For the Year Ended September 30, 2015	37
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual -- Special Revenue Fund Child Nutrition Program Fund For the Year Ended September 30, 2015	39
Notes to the Required Supplementary Information	40
<u>Supplementary Information</u>	41
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	43

Table of Contents

	Page
Additional Information	44
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	45
Independent Auditor's Report on Compliance For Each Major Federal Program and Report On Internal Control Over Compliance Required By OMB Circular A-133.	47
Schedule of Findings and Questioned Costs	49

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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, 2015, 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 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, 2015,

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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, for fiscal year ended September 30, 2015, the Alexander City Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions* – amendment of GASB Statement Number 27. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information (Exhibit 1 and pages 36 and 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 assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 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 27, 2016, 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 written in a cursive, flowing style.

Dianne Naler, CPA, PC
Alexander City, Alabama

June 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exhibit #1

**Alexander City Board of Education
Management Discussion and Analysis (MD&A)
September 30, 2015**

Our discussion and analysis of the Alexander City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2015. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Alexander City Board of Education's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using the Financial Statements - An Overview for the User

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves. The financial section consists of five parts- *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

Government-wide financial statements – The first two statements are government-wide financial statements – the *Statement of Net Assets* and the *Statement of Activities*. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the Board reported in the *government-wide financial statements* are classified as governmental activities. These *activities* include the following:

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.

Instructional support includes salaries and benefits for school principals, assistant principals librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.

Operation and maintenance includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.

Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks', cashiers' and servers' salaries and benefits, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.

General administration and central support includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

Interest and Fiscal Charges includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Other includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net assets* (on page 1) is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net assets reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities* (on page 2) is most closely related to an income statement. It presents information showing how the Board's net assets changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net assets for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net assets may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The new reporting model still requires the School Board to present financial statements on a fund basis, but with some modifications. All of the funds of the School Board can be classified into two categories: governmental funds, and fiduciary funds.

Governmental Funds - Governmental fund financial statements begin on page 4. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the new reporting model, the new *fund financial statements* presented herein displayed information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the School Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, the Child Nutrition Program Fund, and the Capital Projects Fund.

The *fund financial statements* are still measured on the modified-accrual basis of accounting as reported in previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 6 and 9 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

Fiduciary Funds - The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control, and administration of its schools. Fiduciary funds also include the balances of agency funds, such as accounts payable clearing and payroll clearing funds. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 10 of this section. These funds are not available to the Board to finance its operations, and therefore are not included in the *government-wide financial statements*. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position, and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 11 in this section.

After the presentation of the *basic financial statements*, the additional *Required Supplementary Information* (RSI) is presented following the notes to the basic financial statements. The required supplementary information begins on page 34. The implementation of GASB 68 requires two additional exhibits to be reflected – the Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of the Employer's Contributions. The RSI also consists of a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Financial Analysis of the Board's as a Whole

As indicated earlier, over time net assets may serve as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net assets. The Board's liabilities exceeded assets by \$6.26 million at September 30, 2015.

- Of this figure, \$11.68 million reflects the Board's investment in capital assets (e.g. land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.
- Restricted net assets are reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use those net assets for day-to day-operations. Approximately \$.36 million is restricted for food service needs and \$.30 million is restricted for capital projects
- The remaining balance of unrestricted net assets is a deficit balance of (\$18.60) million. This deficit is due to the implementation of GASB Number 68 which requires governmental employers with pension plans administered through trusts to pick up their respective Net Pension Liability on their Statement of Net Assets. The result was a decrease in Net Position at October 1, 2014, of \$21,129,000.

Table 1: Summary of Net Assets
As of September 30, 2015
(in millions)

	Governmental Activities September 30, 2015	Governmental Activities September 30, 2014
Assets		
Current Assets	\$ 5.59	\$ 7.43
Non-current Assets	<u>15.60</u>	<u>16.35</u>
Total Assets	\$ 21.19	\$ 23.78
Deferred Outflows of Resources		
Employer Pension Contribution	\$ 1.72	\$ 0.00
Proportionate Share of Outflows Related To Net Pension Liability	<u>0.12</u>	<u>0.00</u>
Total Deferred Outflows	\$ 1.84	\$ 0.00
Liabilities		
Current Liabilities	\$ 2.96	\$ 2.86
Non-current Liabilities	<u>24.68</u>	<u>3.85</u>
Total Liabilities	\$ 27.64	\$ 6.71
Deferred Inflows of Resources		
Unavailable Revenue-Property Tax	\$ 2.37	\$ 2.32
Proportionate Share of Inflows Related To Net Pension Liability	<u>1.60</u>	<u>0.00</u>
Total Deferred Inflows	\$ 3.97	\$ 2.32
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 11.68	\$ 11.89
Restricted:		
Capital Projects	0.23	0.19
Food Service	0.36	0.31
Debt Service	0.07	0.09
Unrestricted	<u>(18.60)</u>	<u>2.26</u>
Total Net Assets	\$ (6.26)	\$ 14.74

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

Table 2: Summary of Changes in Net Assets from Operating Results
Fiscal Year Ended September 30, 2015
(in millions)

	Governmental Activities September 30, 2015	Governmental Activities September 30, 2014
Revenues		
General Revenues:		
Taxes		
Property Taxes for General Purposes	\$ 2.65	\$ 2.62
Sales & Use Tax for General Purpose	1.46	1.43
Miscellaneous Taxes	0.13	0.15
Investments Earnings	0.01	0.02
Miscellaneous	2.90	1.09
City Council Appropriations/Payments	0.83	0.82
Total General Revenues and Special Items	\$ 7.98	\$ 6.13
Expenses (Net)		
Governmental Activities		
Instruction	\$ 1.42	\$ 1.52
Instructional Support	2.92	1.66
Operation and Maintenance	1.26	1.88
Auxiliary Services – Food Services	(0.07)	(0.02)
Auxiliary Services – Other	0.17	0.29
General Administration and Central Support	0.73	0.88
Capital Outlay	(0.08)	(0.10)
Interest on Long-Term Debt	1.47	0.00
Other	0.04	0.18
Total Expenses	\$ 7.86	\$ 6.29
Increase (Decrease) in Net Assets	\$ 0.12	\$ (0.16)
Net Assets – September 30, 2014 (restated)	(6.38)	14.90
Net Assets – September 30, 2015	\$ (6.26)	\$ 14.74

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2015 was \$7.98 million. It is important to note that not all of these costs were borne by the taxpayers of Alexander City Schools.

- Some of the cost, \$2.52 million, was paid by users who benefited from services provided during the year, such as school lunches.
- State and federal governments subsidized certain programs with grants and contributions totaling \$18.97 million.
- Other general revenue sources, such as interest earnings, capital grants, donations from private sources, City Council appropriations, etc. provided for \$7.98 million in revenues.

Table 3 is a condensed statement taken from the *Statement of Activities* on pages 2 & 3 showing the total cost for providing identified services for seven major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the School Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities
Fiscal Year Ended September 30, 2015
(in millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 16.26	\$ 1.42
Instructional support services	4.09	2.92
Operation and maintenance services	2.12	1.26
Auxiliary services (Transportation & CNP)	2.71	0.09
General administration and central support	1.30	0.73
Capital Outlay	0.00	(0.08)
Interest on Long-term Debt	1.98	1.47
Other	0.89	0.04
Total	\$ 29.35	\$ 7.85

Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the *fund financial statements*, which begins on page 4.

Governmental Funds - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 6 and 9.) At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$3.18 million.

- \$1.93 million of this amount constitutes the unreserved fund of the General Fund.
- \$.36 million of this amount constitutes the unreserved fund of the Child Nutrition Program Fund.
- \$.30 million of this amount constitutes the reserved fund of the Public School Fund-Capital Outlay to be used for capital projects.
- The remaining approximately \$.59 million is allocated to Local School Funds.

General Fund - The general fund is the primary operating fund of the Board. The \$.43 million net change in fund balance (net of salary accrual) this year was due Local revenues.

Child Nutrition Fund - The Child Nutrition Fund allows the Board to separately account for revenues and expenditures for our school lunch program. The positive net change in fund balance from the prior year was due to an increase in paid lunch prices and an increase in the USDA meal reimbursement rate.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the Public School and College Authority (PSCA) Capital Improvement Pool Bonds, Series 1999D ("state leveraged funds") which were recognized as revenue in the year 2000, but are expended as the funds are disbursed by PSCA on building projects. The increase in the fund balance was due to non-spendable revenues for Qualified Zone Academy Bonds and unspent State Fleet Renewal funds.

Other Governmental Funds - This is a combined total of several funds, none of which are considered major funds. This included mostly local school funds. There was a slight increase in fund balance from the prior year.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2015, the Board had approximately \$36.04 million invested in capital assets including land, buildings, equipment costing \$5,000 or more, maintenance vehicles, and school buses. Table 4 provides additional information on these assets

Table 4: Capital Assets (net of accumulated depreciation)
Fiscal Year Ended September 30, 2015
(in millions)

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
Land and Land Improvements	\$.37	\$.39	\$.00
Buildings and Improvements	13.75	14.39	(0.68)
Vehicles	.48	.56	(0.08)
Equipment & Furniture	0.91	0.88	0.02
Construction In Progress	<u>0.05</u>	<u>0.00</u>	<u>0.05</u>
	\$ 15.56	\$ 16.22	\$ (0.69)

Long-Term Debt - At year-end, the Board had \$25.10 million in long-term debt payable, a decrease of \$1.93 million. Table 5 provides a summary of general long-term debt transactions for the year. (Additional information on the Board's long-term debt is presented in the notes to the basic financial statements).

Table 5: Outstanding Long-Term Debt
Fiscal Year Ended September 30, 2015
(in millions)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Net Pension Liability	\$ 22.81	\$ (1.52)	\$ 21.29
Governmental Activities General Obligation Warrants – 1998 Series	\$ 2.34	\$ (0.20)	\$ 2.14
Governmental Activity Long-Term Liabilities	\$ 0.88	\$ (0.21)	\$ 0.67
Governmental Activity Certificate of Participation	<u>\$ 1.00</u>	<u>\$ 0.00</u>	<u>\$ 1.00</u>
	\$ 27.03	\$ (1.93)	\$ 25.10

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original fiscal year 2015 budget was adopted by the Board on September 16, 2014. Over the course of the year, the Board revised the annual operating budget once to include many federal grants that were not available at the time of the original budget.

Economic Factors and Next Year's Budget

The following are currently known Alexander City economic factors considered as we move into the 2015-2016 fiscal year:

- The economic forecast for Alexander City continues to be uncertain. Very few new businesses are opening in our area with employment opportunities to equate to those lost due to the downsizing Russell Corporation in prior years.
- The economy continues to be a question. However, the Tallapoosa County Commission passed a 1% Sales Tax increase to be used for capital purchases and upgrades. It is estimated to generate around \$1.43 million in new revenue. This will allow the school district to implement several capital projects and increase the general fund reserve balance.
- Community support of the school system continues to be strong. The Alexander City Schools Foundation continues to implement plans for additional local funding which will hopefully bring new income into the school system.

Contacting the School Board's Financial Management

The financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have any questions about this report or need additional financial information contact one of the following during the regular work hours Monday – Friday; 7:30 a.m. to 4:00 p.m. central time.

Rhonda A. Blythe, Chief School Finance Officer
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Alexander City Board of Education
Statement of Net Position
September 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 4,408,829
Investments	76,641
Ad Valorem Property Taxes Receivable	2,372,200
Accounts Receivable	1,117,131
Inventories	59,317
Capital Assets:	
Nondepreciable	400,232
Depreciable, Net	15,164,283
Total Assets	<u>23,598,633</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	1,724,952
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	115,000
Total Deferred Outflows of Resources	<u>1,839,952</u>
<u>Liabilities</u>	
Accounts Payable	129,686
Tax Overpayment	36,260
Salaries and Benefits Payable	2,324,793
Unearned Revenue	24,091
Accrued Interest Payable	34,109
Long Term Liabilities:	
Portion Due or Payable Within One Year	412,889
Portion Due or Payable After One Year	24,682,712
Total Liabilities	<u>27,644,540</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue-Property Taxes	2,372,200
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,596,000
Total Deferred Inflows of Resources	<u>3,968,200</u>
<u>Net Position</u>	
Net Investment in Capital Assets	11,683,545
Restricted for:	
Capital Projects	228,557
Food Services	360,306
Debt Service	70,170
Unrestricted	(18,604,685)
Total Net Position	<u>\$ (6,262,107)</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, 2015

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	\$ 16,257,407	\$ 270,950	\$ 14,030,209
Instructional Support	4,089,688	280,210	890,839
Operation and Maintenance	2,117,690	95,890	761,223
Auxiliary Services:			
Food Service	1,684,081	1,610,729	148,241
Transportation	1,022,196	41,124	814,122
General Administration and Central Support	1,295,119	162,373	184,745
Capital Outlay	-	-	-
Other	897,580	56,467	768,534
Interest/Long-Term Debt	1,981,802	-	-
Total Governmental Activities	<u>\$ 29,345,563</u>	<u>\$ 2,517,743</u>	<u>\$ 17,597,913</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, as Restated

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>
\$ 534,146	\$ (1,422,102)
-	(2,918,639)
-	(1,260,577)
-	74,889
-	(166,950)
218,933	(729,068)
77,025	77,025
27,883	(44,696)
<u>512,612</u>	<u>(1,469,190)</u>
<u><u>\$ 1,370,599</u></u>	<u><u>(7,859,308)</u></u>

2,645,023
1,462,984
133,870
826,422
360,000
11,391
120,510
233,000
50,000
2,138,954
-
-
-
<u>7,982,154</u>
122,846
<u>(6,384,953)</u>
<u><u>\$ (6,262,107)</u></u>

Alexander City Board of Education
Balance Sheet
Governmental Funds
September 30, 2015

	<u>General Funds</u>	<u>Child Nutrition Program Fund</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,181,478	\$ 139,595
Investments	-	-
Ad Valorem Property Taxes Receivable	2,372,200	-
Accounts Receivable, Net	98,462	261,199
Due from Other Governments	-	-
Inventories	-	59,317
Other Assets	-	-
Total Assets	<u>6,652,140</u>	<u>460,111</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	21,140	99,805
Deferred Revenue	-	-
Other Payable	2,324,793	-
Total Liabilities	<u>2,345,933</u>	<u>99,805</u>
<u>Deferred Inflow of Resources</u>		
Deferred Property Taxes	2,372,200	-
Total Deferred Inflows of Resources	<u>2,372,200</u>	<u>-</u>
<u>Fund Balances</u>		
Nonspendable	-	59,317
Restricted	250,000	-
Committed	-	-
Assigned	334,488	300,989
Unassigned	1,349,519	-
Total Fund Balance	<u>1,934,007</u>	<u>360,306</u>
Total Liabilities and Fund Balances	<u>\$ 6,652,140</u>	<u>\$ 460,111</u>

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

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 298,727	\$ (210,971)	\$ 4,408,829
-	76,641	76,641
-	-	2,372,200
-	757,470	1,117,131
-	-	-
-	-	59,317
-	-	-
<u>298,727</u>	<u>623,140</u>	<u>8,034,118</u>
-	8,741	129,686
-	24,091	24,091
-	-	2,324,793
<u>-</u>	<u>32,832</u>	<u>2,478,570</u>
-	-	2,372,200
<u>-</u>	<u>-</u>	<u>2,372,200</u>
228,557	-	287,874
-	-	250,000
-	-	-
70,170	590,308	1,295,955
-	-	1,349,519
<u>298,727</u>	<u>590,308</u>	<u>3,183,348</u>
<u>\$ 298,727</u>	<u>\$ 623,140</u>	<u>\$ 8,034,118</u>

**Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2015**

Total Fund Balances-Governmental Funds \$ 3,183,348

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	\$ 411,146	
Building and Improvements	31,112,908	
Equipment and Furniture	4,472,111	
Construction in Progress	47,986	
Less: Accumulated Depreciation	<u>(20,479,636)</u>	
Total Capital Assets		15,564,515

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds.	156,000
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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 :

	<u>Due or Payable Within One Year Current Liabilities</u>	<u>Due or Payable After One Year Noncurrent Liabilities</u>	
Warrants Payable	\$ 191,769	\$ 1,954,570	
Notes Payable	221,120	443,142	
Taxes Payable	36,260	-	
Certificate of Participation	-	1,000,000	
Accrued Interest Payable	34,109	-	
Net Pension Liability	-	21,285,000	
Total Long-Term Liabilities	<u>\$ 483,258</u>	<u>\$24,682,712</u>	<u>(25,165,970)</u>
 Total Net Position Governmental Activities			 <u><u>\$ (6,262,107)</u></u>

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

Alexander City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2015

<u>Revenues</u>	<u>General Fund</u>	<u>Child Nutrition Program Fund</u>
State	\$ 15,392,673	\$ -
Federal	67,132	1,370,787
Local	6,317,002	388,553
Other	168,017	34,297
Total Revenue	<u>21,944,824</u>	<u>1,793,637</u>
<u>Expenditures</u>		
Current		
Instruction	13,926,641	-
Instructional Support	3,570,927	-
Operation and Maintenance	2,003,794	-
Auxiliary Services:		
Food Service	-	1,684,081
Student Transportation Services	994,614	-
General and Administration and		
Central Support	877,327	-
Capital Outlay	-	-
Other Expenditures	572,275	56,700
Debt Service:		
Principal Retirement	-	-
Other	-	-
Interest	-	-
Total Expenditures	<u>21,945,578</u>	<u>1,740,781</u>
Excess(Deficiency) of revenues over Expenditures	(754)	52,856
<u>Other Financing Sources (Uses)</u>		
Transfers In	209,835	-
Indirect Cost	195,945	-
Transfers Out	(167,353)	-
Other Funding Sources	-	-
Total Other Funding Sources(Uses)	<u>238,427</u>	<u>-</u>
Net Changes in Fund Balances	237,673	52,856
Fund Balances-Beginning of Year	<u>1,696,334</u>	<u>307,450</u>
Fund Balances-End of Year	<u>\$ 1,934,007</u>	<u>\$ 360,306</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 808,570	\$ 473,654	\$ 16,674,897
-	1,865,209	3,303,128
7,107	915,272	7,627,934
1,437,498	32,634	1,672,446
<u>2,253,175</u>	<u>3,286,769</u>	<u>29,278,405</u>
-	2,223,669	16,150,310
-	491,819	4,062,746
-	99,945	2,103,739
-	-	1,684,081
-	20,848	1,015,462
254,233	173,764	1,305,324
-	-	-
-	262,734	891,709
1,658,031	-	1,658,031
-	-	-
323,771	-	323,771
<u>2,236,035</u>	<u>3,272,779</u>	<u>29,195,173</u>
17,140	13,990	83,232
218,933	251,224	679,992
-	-	195,945
(218,933)	(242,736)	(629,022)
-	-	-
-	8,488	246,915
17,140	22,478	330,147
<u>281,587</u>	<u>567,830</u>	<u>2,853,201</u>
<u>\$ 298,727</u>	<u>\$ 590,308</u>	<u>\$ 3,183,348</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, 2015

Reconciliation of the Statement of Revenues, Expenditures and Net Changes in Fund Balance-Total Governmental Funds	\$ 330,147
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Amounts reported for governmental activities on the
Statement of Activities are different because:

Governmental funds reports capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$920,224 exceeded capital outlays (\$216,938) in the current period.	(703,286)
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Repayment of debt principal is an expenditure in the Governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.	412,521
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Some expenses, such as interest expense , compensated absences and therefore are not reported as expenditures in the governmental funds.	<u>83,464</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 122,846</u></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, 2015**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 318,557
Investments	2,015
Receivables	-
Total Assets	<u>320,572</u>
 <u>Liabilities</u>	
Account Payable	1,640
Due to Clubs and Class	<u>318,932</u>
Total Liabilities	<u>320,572</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, 2015**

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 it 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, 2015**

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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. 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.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

- **Child Nutrition Program Fund** – This fund is used to account for revenue provided by the National School Lunch Program.
- **Capital Projects Fund** – This fund is used to account for revenue provided by local taxes. These revenues are used for the acquisition and construction of capital projects.

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.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

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 thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position/Fund Balances

1. Deposits and Investments

Cash and Cash equivalents include cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

2. Receivables

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

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 are reported as *Receivables and Due from other governments* in the government-wide financial statements and as *Receivables, Due from other funds and Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

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

4. Restricted Assets

Included in cash on the balance sheet are certain assets which are restricted. 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 restricted because they are maintained separately 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.

**Alexander City Board of Education
Notes to the Financial Statement
For Year Ended September 30, 2015**

D. Assets, Liabilities and Net Position/Fund Balances-(continued)

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

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

6. Long-Term Obligations

In government-wide financial statements, the unmatured principal of long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. The balance sheet does not reflect a liability for long-term debt.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

7. Net Position/Fund Equity

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

- **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets. Any significant unspent related debt proceeds 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** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

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 school system 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
For the Year Ended September 30, 2015**

7. Net Position/Fund Equity (continued)

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 then unassigned amounts.

8. Compensated Absences

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

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

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

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

Professional and support personnel are provided 3 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed 2-4 weeks of vacation per year with pay. Paid vacation time is based on years of service within the Alexander City School System. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statement.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

9. Deferred Outflows of Resources

Deferred outflows of resources are reported in the statement of financial 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.

10. 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 balance by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balance, similar to liabilities.

11. 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.

Note 2 – Deposits and Investments

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 2 – Deposits and Investments (continued)

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.

Note 3– Receivables

On September 30, 2015, 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	\$ 9,776	\$ -	\$ -	\$ 9,776
Advalorem Tax	24,691	-	-	24,691
Intergovernmental	28,333	261,199	-	289,532
Other	<u>35,662</u>	<u>-</u>	<u>814,690</u>	<u>850,352</u>
Total Receivables	<u>\$ 98,462</u>	<u>\$261,199</u>	<u>\$814,690</u>	<u>\$1,174,351</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, 2015, the deferred revenue of \$24,091 reported in the governmental funds was for grant drawdowns prior to meeting all eligibility requirements.

Note 4– Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 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
For the Year Ended September 30, 2015**

Note 4– Defined Benefit Pension Plan (continued)

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.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 4– Defined Benefit Pension Plan (continued)

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

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with 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 \$1,724,952 for the year ended September 30, 2015.

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

At September 30, 2015, the Board reported a liability of \$21,285,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The 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, 2014, the Board's proportion was .234302% which was an increase of .001413% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$1,637,000. At September 30, 2015, 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	\$	\$
Changes in assumptions		
Net difference between projected and Actual earnings on pension plan investments		1,596,000
Changes in proportion and differences between Employer contributions and proportionate Share of contributions	115,000	
Employer contributions subsequent to the Measurement date	<u>1,724,952</u>	
Total	<u>\$1,839,952</u>	<u>\$1,596,000</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 4— Defined Benefit Pension Plan-(continued)

\$1,724,952 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(372,000)
2017	\$(372,000)
2018	\$(372,000)
2019	\$(372,000)
2020	\$ 7
Thereafter	\$

E. Actuarial Assumptions

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

Inflation	3.00%
Investment Rate of Return(*)	8.00%
Projected Salary Increases	3.5%-8.25%

(*) Net of pension plan investment expense

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

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

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 4– Defined Benefit Pension Plan-(continued)

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

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

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

F. Discount Rate

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

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 8%, 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 (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Board's proportionate share of Collective net pension liability	\$28,997,000	\$21,285,000	\$14,749,000

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 4– Defined Benefit Pension Plan-(continued)

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, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 5 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (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/PEEHIP/peehip.html> under the Trust Fund Financials tab.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 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, 2015**

Note 5 – Other Postemployment Benefits (OPEB)-(continued)

Retired Member Rates

Individual Coverage/Non-Medicare Eligible - \$151
 Family Coverage/Both Retired Member and Dependent(s) are Non-Medicare Eligible-\$391
 Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible-\$250
 Individual Coverage/Medicare Eligible Retired Member - \$10
 Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents-\$250
 Family Coverage/Both Retired Member and Dependent are Medicare Eligible - \$109

Surviving Spouse Rates

Surviving Spouse Non-Medicare Eligible - \$700
 Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$934
 Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$907
 Surviving Spouse Medicare Eligible - \$354
 Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$595
 Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$568

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 \$28.00 per month for retired members that smoke.

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:

<u>Fiscal Year Ended September 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Active Health Insurance Premiums Paid By Board	\$780	\$714	\$714
Amount of Premium Attributable to Retirees	\$180.76	\$220.09	\$216.90
Percentage of Active Employee Premiums Attributable to Retirees	23.17%	30.83%	30.38%
Total Amount Paid Attributable to Retirees	\$851,915	\$1,071,559	\$1,103,335
Percentage of Required Amount Contributed	100%	100%	100%

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 5 – Other Postemployment Benefits (OPEB)-(continued)

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 6 – Long – Term Debt

The following is a summary of general long – term debt transactions for the year ended September 30, 2015:

	Principal Balance 10/01/2014*	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amount Due Within One Year
<u>Governmental Activities</u>					
<u>Warrants</u>					
General Obligation					
Warrants 2011 Series	\$ 2,341,997	\$ -	\$ (195,658)	\$ 2,146,339	\$ 191,769
Note Payable	881,125	-	(216,863)	664,262	221,120
Certificate of Participation	<u>1,000,000</u>	-	-	<u>1,000,000</u>	-
Total Bonds/Warrants					
And Notes Payable	<u>4,223,122</u>	=	<u>(412,521)</u>	<u>3,810,601</u>	<u>412,889</u>
Other Liabilities:					
Net Pension Liability	<u>22,812,000</u>	=	<u>(1,527,000)</u>	<u>21,285,000</u>	
Government Activities					
Long-Term Liabilities	<u>\$27,035,122</u>	<u>\$ -</u>	<u>\$(1,939,521)</u>	<u>\$25,095,601</u>	<u>\$412,889</u>

(*) The beginning long-term debt was restated for the Net Pension Liability (See Note 13)

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, 2015**

Note 6 – Long – Term Debt-(continued)

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 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, but there is only a single principle payment due at maturity on May 1, 2026.

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

<u>Fiscal Year Ending</u>	<u>General Obligations Series 2011</u>		<u>Total Principal and Interest Requirements To Maturity</u>	<u>Certificate of Participation</u>
	<u>Principal</u>	<u>Interest</u>		
September 30, 2016	\$ 191,769	\$ 109,484	\$ 301,253	
2017	177,700	126,303	304,003	
2018	159,071	148,220	307,291	
2019	156,053	145,017	301,070	
2020	240,497	62,500	302,997	
2021-2025	<u>1,221,249</u>	<u>68,400</u>	<u>1,289,649</u>	<u>\$1,000,000</u>
Totals	\$ <u>2,146,339</u>	\$ <u>659,924</u>	\$ <u>2,806,263</u>	<u>\$1,000,000</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 6 – Long – Term Debt-(continued)

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

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2016	\$ 175,333	\$ 10,937	\$ 186,270
2017	<u>96,698</u>	<u>4,172</u>	<u>100,870</u>
Totals	\$ <u>272,031</u>	\$ <u>15,109</u>	\$ <u>287,140</u>

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.

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

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2016	\$ 45,089	\$ 11,314	\$ 56,403
2017	45,089	10,085	55,174
2018	45,089	8,800	53,889
2019	45,089	7,543	52,632
2020	45,089	6,286	51,375
2021	45,089	5,042	50,131
2022	45,089	3,771	48,860
2023	45,089	2,514	47,603
2024	<u>45,089</u>	<u>1,257</u>	<u>46,346</u>
Totals	\$ <u>405,801</u>	\$ <u>56,612</u>	\$ <u>462,413</u>

Alexander City Board
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 7 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

<u>Governmental Activities</u>	Balance 9/30/2014	Additions	Disposals/ Retirements	Balance 9/30/2015
Capital Assets, Not Being Depreciated				
Land	\$ 352,246	-	-	\$ 352,246
Construction in Progress	-	47,986	-	47,986
Total Capital Assets, Not Being Depreciated	352,246	-	-	400,232
Capital Assets Being Depreciated				
Land Improvements	58,900	-	-	58,900
Building and Building Improvements	31,112,908	-	-	31,112,908
Equipment and Furniture	4,255,173	216,938	-	4,472,111
Total Capital Assets Being Depreciated	35,426,981	216,938	-	35,643,919
Less Accumulated Depreciation for				
Land Improvements	(20,967)	(3,045)	-	(24,012)
Building and Building Improvements	(16,722,416)	(645,113)	-	(17,367,529)
Equipment and Furniture	(2,816,029)	(272,066)	-	(3,088,095)
Total Accumulated Depreciation	(19,559,412)	(920,224)	-	(20,479,636)
Total Capital Assets, Being Depreciated, Net	15,867,569	(703,286)	-	15,164,283
Total Governmental Activities Capital Assets, Net	\$ 16,219,815	(703,286)	-	\$ 15,564,515

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

<u>Governmental Activities</u>	Current Year Depreciation Expense
Instruction	\$ 324,560
Instructional Support	319,193
Operation and Maintenance	51,561
Auxiliary Services	179,821
General Administration and Central Support	45,089
Total Depreciation Expense	\$ 920,224

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 8– 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. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$ 3.5 million. Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Risk Management for School (ARMS), a public entity risk pool. The ARMS 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.

Note 9 – Pledged Revenues

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.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 10 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2015, were as follows:

follows:		<u>Transfers Out</u>			
		Other			
<u>Transfers In</u>	<u>General Fund</u>	Governmental <u>Funds</u>	Capital <u>Projects</u>	<u>Agency</u>	<u>Total</u>
General Fund	\$ (46,843)	\$ 89,325	\$ -	\$ -	\$ 42,482
Other Governmental Funds	89,325	(242,736)	-	26,357	(127,054)
Agency Funds	-	161,900	-	(77,328)	(84,572)
Total	\$ <u>42,482</u>	\$ <u>8,489</u>	\$ <u>-</u>	\$ <u>(50,971)</u>	\$ <u>-</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.

Note 11 – Tax Overpayment

Revenue Discovery Systems (RDS) is a third party contracted with Tallapoosa County to collect and remit sales and use taxes to the County's respective recipients. RDS has remitted the taxes it collected incorrectly between the Board and Tallapoosa County Board of Education. The Board owes \$36,260 to the Tallapoosa County Board of Education as a result of this error. The following is a schedule of maturity:

<u>Fiscal Year Ending</u>	<u>Tax Payable</u>
September 30, 2016	\$ <u>36,260</u>
Totals	\$ <u>36,260</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2015**

Note 13 – Restatement

In fiscal year 2015, the Alexander City Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Alexander City Board of Education's financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in Governmental Activities. The result is a decrease in net position at October 1, 2014, of \$21,129,000.

The impact of the restatements on net position as previously reported is as follows:

Governmental Activities Net Position, September 30, 2014	\$14,744,047
Net Pension Liability Due to Adoption of GASB Statement 68	<u>(21,129,000)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u><u>\$(6,384,953)</u></u>

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, 2015

	<u>2015</u>
Employer's proportion of the net pension liability	0.234302%
Employer's proportionate share of the net pension liability	\$21,285,000
Employer's covered-employee payroll during the measurement period*	\$14,799,912
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.82%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

* Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

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, 2015**

	<u>2015</u>
Contractually required contribution	\$1,724,952
Contributions in relation to the contractually required contribution	<u>\$1,724,952</u>
Contribution deficiency (excess)	\$0
School District's covered-employee payroll	\$14,928,612
Contributions as a percentage of covered-employee payroll	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, 2015

<u>Revenues</u>	Budgeted Amounts	
	<u>Original</u>	<u>Final</u>
State	\$ 15,287,278	\$ 15,307,580
Federal	62,230	62,230
Local	6,019,858	6,163,420
Other	150,538	150,538
Total Revenues	<u>21,519,904</u>	<u>21,683,768</u>
 <u>Expenditures</u>		
Current:		
Instruction	13,991,245	14,000,553
Instructional Support	3,635,585	3,588,443
Operation and Maintenance	1,908,782	1,932,964
Auxiliary Services	1,044,672	1,042,021
General Administration and		
Central Support	880,637	928,642
Other	305,073	436,403
Capital Outlay	76,941	76,941
Debt Service	-	-
Total Expenditures	<u>21,842,935</u>	<u>22,005,967</u>
Excess(Deficiency) of Revenues		
Over Expenditures	<u>(323,031)</u>	<u>(322,199)</u>
 <u>Other Financing Services(Uses)</u>		
Other Sources	363,329	364,486
Other Uses	<u>(144,750)</u>	<u>(159,378)</u>
Total Other Financing		
Sources(Uses)	218,579	205,108
Net Changes on Fund balances	(104,452)	(117,091)
Fund Balances at Beginning of Year	<u>3,929,306</u>	<u>3,929,306</u>
Fund Balances at End of Year	<u>\$ 3,824,854</u>	<u>\$ 3,812,215</u>

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

Budget to GAAP

Differences Over (Under)	Actual Amounts GAAP Basis
\$ -	\$ 15,392,673
-	67,132
-	6,317,002
-	168,017
-	21,944,824
165,768	13,926,641
53,640	3,570,927
13,951	2,003,794
18,786	994,614
-	-
8,532	877,327
33,420	572,275
-	-
-	-
294,097	21,945,578
294,097	(754)
-	405,780
-	(167,353)
-	238,427
294,097	237,673
1,644,778	1,696,334
\$ 1,938,875	\$ 1,934,007

Alexander City Board of Education
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Federal	\$ 1,356,569	\$ 1,357,067	\$ 1,370,787
Local	334,475	334,475	388,553
Other	45,000	45,000	34,297
Total Revenues	<u>1,736,044</u>	<u>1,736,542</u>	<u>1,793,637</u>
<u>Expenditures</u>			
Current			
Auxiliary Services:			
Food Services	1,726,556	1,775,595	1,740,781
Other	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>1,726,556</u>	<u>1,775,595</u>	<u>1,740,781</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>9,488</u>	<u>(39,053)</u>	<u>52,856</u>
<u>Other Financing Services (Uses)</u>			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	9,488	(39,053)	52,856
Fund Balances - Beginning of Year	<u>307,450</u>	<u>307,450</u>	<u>307,450</u>
Fund Balances - End of Year	<u>\$ 316,938</u>	<u>\$ 268,397</u>	<u>\$ 360,306</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, 2015

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 county 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.

Supplementary Information

Alexander City Board of Education
Schedule of Expenditures of Federal Awards
For Fiscal year Ended September 30, 2015

	<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	CLB – 102	\$ 775,891	\$ 693,283
Individual W/Diabilities (IDEA-Discretionary)	84.027	CLB – 102	9,632	-
Individual W/Disabilities (IDEA-Pre-School Part B)	84.173	CLB – 102	19,046	19,046
Vocational Education	84.048A	CLB – 102	77,228	77,159
Impact Aid	84.041	NA	595	595
Title I – Part A	84.010	CLB – 102	826,508	804,091
Title II – Improving Teacher Quality	84.367	CLB – 102	212,598	162,116
Title VI - Rural Ed	84.358	CLB – 102	69,844	64,295
Title III – English Language Acq	84.365	CLB – 102	14,195	9,402
Title IV - School Safety Planning	84.184	CLB – 102	500	500
Dependent Care	93.575	CLB – 102	10,600	9,658
HHS - Disability Determination	96.001	CLB – 102	3,500	3,500
ROTC	12.357	CLB – 102	63,038	63,038
ARC - Home Instruction Parents Preschool	84.310	CLB – 102	60,000	25,657
Total US Dept. of Education			<u>2,143,175</u>	<u>1,932,340</u>
US Dept. of Agriculture				
Passed Through State Dept. of Education				
USDA Fresh Fruits and Vegetable Programs	10.582		42,742	42,742
Food Donation Program	10.565		75,683	75,683
Child and Adult Care Program	10.558		29,815	29,815
National School Lunch Program	10.555		1,222,548	1,222,548
Total US Dept. of Agriculture			<u>1,370,788</u>	<u>1,370,788</u>
Total Expenditures of Federal Awards			<u>\$ 3,513,963</u>	<u>\$ 3,303,128</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, 2015**

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards 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 OMB Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

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, 2015, 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 27, 2016.

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.

A handwritten signature in black ink that reads "Dianne Naler CPA PC". The signature is fluid and cursive, with the letters "CPA PC" being more distinct and larger than the first name.

Dianne Naler CPA, PC
Alexander City, Alabama
June 27, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A – 133

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 Circular A – 133 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, 2015. 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 requirements of laws, regulations, contracts and grants 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 *OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.


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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Dianne Naler CPA, PC
Alexander City, Alabama
June 27, 2016

**Alexander City Board Of Education
Schedule of Findings and Questioned Cost
Year Ended September 30, 2015**

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 ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Noncompliance material to financial
statements noted?

☐ Yes ☒ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ 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 Circular A-133,
Section .510(a)?

☐ Yes ☒ No

Identification of major programs:
CFDA Number(s)

Name of Federal Program Cluster

10.555

National School Lunch Program

84.367

Title II, Improving Teacher Quality

**Alexander City Board of Education
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee? X Yes No

Section III – Federal Award Findings and Questioned Costs

No matters were reported