

**BESSEMER CITY
BOARD OF EDUCATION,
BESSEMER, ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013
ANNUAL FINANCIAL REPORT**

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bessemer City Board of Education (the "Board"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bessemer City Board of Education, as of September 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3.1 through 3.9 and 43 through be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of federal awards and schedule of state government appropriations are 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 are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

The Principal & Associates

The Principal & Associates, Inc.

Certified Public Accountants

2100 South Bridge Parkway, Suite 650

P.O. Box 360973

Birmingham, Alabama 35236

June 30, 2014

BASIC FINANCIAL STATEMENTS

BESSEMER CITY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Bessemer City Board of Education's (the "Board") provides an overview of the Board's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

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.

Financial Highlights: Significant Items to Note

Our financial statements provided these insights into the results of the year's operations:

- The assets of the Board exceeded its liabilities at the close of the 2013 fiscal year by \$66,072,618.
- General Fund unreserved fund balance was \$9,033,932 which was a \$194,299 (2%) increase from FY2012. The board had 3.4 months of operating fund for the year ended 2013.

OVERVIEW OF THE FINANCIAL STATEMENT

As a result of the implementation of the GASB 34 reporting model, the financial section of this year's annual report for the Board consists of five parts:

- (1) management's discussion and analysis (this section)
- (2) the independent auditors' report
- (3) the basic financial statements
- (4) required supplementary information
- (5) other supplementary information.

The Board's basic financial statements are comprised of three components:

- (1) government-wide financial statements
- (2) fund financial statements
- (3) notes to the basic financial statements.

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

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

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

Operational Maintenance includes utilities, security services, janitorial services and maintenances services.

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

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

Interest and fiscal charges include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance of continuance of debt issues.

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

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

The Statement of Net Assets (Exhibit #1) closely related to a balance sheet. It presents information on all 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 (Exhibit #2) is most closely related to an income statement. It presents information showing 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 the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The new reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental fund financial statements begin in Exhibit #3. 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 display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's major funds are the General Fund and the County Commission Appropriation Fund.

The *Fund Financial Statements* are still measured on the modified-accrual basis of accounting as reported in the 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 is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *Government-wide Financial Statements* which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *Fund Financial Statements* are reconciled in **Exhibit #4 and Exhibit #6** of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

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

After the presentation of the basic financial statements and accompanying notes to the basic financial statements, the reporting model requires additional required supplementary information to be presented following the notes to the basic financial statements. The required supplementary information on Exhibit #7 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Financial Analysis of the Board as a Whole

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to Statement of Activities report when reading the following analysis of net assets.

BESSEMER CITY BOARD OF EDUCATION
Summary of Net Assets
As September 30, 2012 and 2013
(in millions)

	2012 Governmental Activities	2013 Governmental Activities	2013 Percent of Total
Current Assets	\$16.3	\$15.3	18.00
Capital Assets, Net	<u>70.3</u>	<u>71.4</u>	<u>82.00</u>
Total Assets	86.6	86.7	100.00
Current Liabilities	\$ 2.7	\$ 2.0	10.00
Non-current Liabilities	<u>17.4</u>	<u>18.6</u>	<u>90.00</u>
Total Liabilities	20.1	20.6	100.00
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$52.2	\$52.8	80.00
Unrestricted	<u>14.2</u>	<u>13.3</u>	<u>20.00</u>
Total Net Assets	<u>66.4</u>	<u>66.1</u>	<u>100.00</u>

The Board's assets exceeded liabilities by **\$66,072,618** at the close of the fiscal year.

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

BESSEMER CITY BOARD OF EDUCATION
Changes in Net Assets

	Governmental Activities	
	2012	2013
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 3,224,728	\$ 3,306,700
Operating grants and contributions	26,303,535	25,964,009
Capital grants and contributions	1,189,063	1,139,982
General revenues		
Property taxes for General Purposes	8,488,664	9,137,568
Other Taxes	88,627	88,641
Grants and Contributions (Not Restricted for Specific Purpose)	72,077	51,455
Investment Earnings	11,668	28,091
Miscellaneous	<u>1,137,021</u>	<u>1,820,210</u>
Total Revenues	<u>40,515,383</u>	<u>41,536,656</u>
 <u>Expenses</u>		
Instruction Services	21,608,489	22,495,508
Instruction Support Service	6,379,175	6,933,522
Operation & Maintenance	3,613,281	3,738,659
Auxiliary Services:		
Transportation	1,506,446	2,069,808
Food Services	3,137,167	3,588,896
General Administration and Central Support	1,749,613	2,095,000
Interest and Fiscal Charges	1,220,922	754,571
Other	<u>813,601</u>	<u>611,619</u>
Total expenses	<u>40,028,694</u>	<u>42,287,584</u>
 Excess (deficiency) before Extraordinary and Special Item	<u>486,689</u>	<u>(750,928)</u>
 Net assets, beginning	<u>65,966,633</u>	<u>66,524,315*</u>
Restatement	-0-	299,231
 Net assets, ending	<u>\$66,453,322</u>	<u>\$66,072,618</u>

*Restated.

The Board's net assets declined by \$380,704 during the fiscal year 2013.

Government Activities –the cost of services rendered from the Board's governmental activities for the year ended September 30, 2013 was \$42,287,554.

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

Net Cost of Government Activities
Fiscal year Ended September 30, 2013
(In Millions)

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Instructional Services	\$21.60	\$22.5	\$(2.4)	\$(3.5)
Instructional Support Services	6.4	6.9	(1.0)	(1.7)
Operation & Maintenance	3.6	3.7	(2.9)	(2.9)
Auxiliary Services				
Transportation	1.5	2.0	(0.4)	(0.9)
Food Services	3.1	3.6	(0.5)	(0.9)
General Administration and Central Support	1.8	2.1	(0.9)	(1.6)
Interest and Fiscal Charges	1.2	0.8	(1.2)	(0.8)
Other	0.8	0.6	(0.0)	0.4
Total Expenses	<u>\$40.0</u>	<u>\$42.2</u>	<u>\$ (9.3)</u>	<u>\$(11.9)</u>

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of **\$13,361,838**.

General Fund – The general fund is the primary operating fund of the Board which had a \$280,438 (2%) decrease net change in the fund balance for the fiscal year.

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by State law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department required this budget to be submitted by September 15th of each year. The original budget was adopted on September 18, 2012. Over the course of the year, the Board revised the annual budget to include many federal grants and state allocations that were not available at the time of the original budget approval. The original budget was amended and approved by the Board on May 6, 2013.

Capital Assets and Debt Administration

Capital Assets – At September 30, 2013, the Board had approximately \$71,418,970 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date.

Capital Assets

	Governmental Activities September 30,	
	2012	2013
Capital assets not being depreciated:		
Land	\$ 3,298,605	\$ 3,298,605
Construction in Progress	0	0
Total capital assets not being depreciated	3,298,605	3,298,605
Capital assets being depreciated:		
Land improvements	801,775	801,775
Building	66,111,787	80,756,787
Building Improvements	805,172	2,219,704
Equipment and Furniture	2,143,172	2,387,006
Vehicles	2,905,709	2,914,333
Capital Leases (Building)	14,645,000	-0-
Capital Leases (Buses/Equipment)	595,756	1,932,607
Accumulated Depreciation	(20,952,895)	(23,044,068)
Total capital assets being depreciated, net	67,055,477	68,120,365
Total Governmental Activities Capital Assets, net	\$70,354,082	71,481,970
Depreciation expense was charged to governmental functions as follows:		
Instruction		\$1,788,334
Instructional support		29,304
Operation and maintenance		27,566
Auxiliary services:		
Transportation		167,764
Food Service		67,834
General Administrative		10,371
Total governmental activities depreciation expenses		\$2,091,173

Long-Term Debt – At year-end, the Board had \$18,604.001 in long-term liabilities. The following is a summary of long-term debt transactions for the year ended September 30, 2013:

Outstanding Long-Term Debt

Governmental Activities
For the Year Ended September 30, 2013

	Beginning Balance	Net change	Ending Balance	Amounts Due Within One Year
PSCA Capital				
Improvement Pool Warrants, Series 2008	\$3,952,249	\$ (182,880)	\$3,769,414	\$ 189,429
School Tax Warrants, Series 2011	9,985,000		9,985,000	95,000
School Tax Warrants, Series 2012-A	2,299,000	425,000	1,865,000	455,000
School Tax Warrants, Series 2012-B	-0-	1,365,975	1,365,975	137,346
Unamortized premium	390,770	(281,958)	(108,812)	-0-
Total warrants payable	15,836,524	1,039,053	16,875,577	876,775
Capital leases	1,932,607	(204,183)	1,728,424	210,307
Total Long-Term Debt	\$17,769,131	\$1,833,398	\$18,604,001	\$1,087,082

Economic Factors and Next Year's Budget

Because most of the Bessemer Board of Education's funding comes from state (57%), two factors must be taken into consideration: local property tax and student attendance during the first 20 days of the school year after Labor Day. There was a decrease of 86 in the Average Daily Membership (ADM) for the period FY2014 which resulted in a net loss of 6.55 Teachers' Foundation Units for the upcoming school year of 2015.

Student Enrollment - The latest average daily membership (ADM) as of the twenty days after Labor Day Report for the 2013-2014 school years is 4,008 which indicate a decrease in ADM of 86 students.

School Year	ADM	Increase/(Decrease)	Fiscal Year
2013 - 2014	4,094	(86)	2014 - 2015
2012 - 2013	4,094	(317)	2013 - 2014
2011 - 2012	4,411	(144)	2012 - 2013
2010 - 2011	4,555	28	2011 - 2012
2009 - 2010	4,527	147	2010 - 2011
2008 - 2009	4,380	93	2009 - 2010
2007 - 2008	4,287	107	2008 - 2009
2006 - 2007	4,180	(44)	2007 - 2008
2005 - 2006	4,224	68	2006 - 2007
2004 - 2005	4,156	(186)	2005 - 2006

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact Willie Davis, Chief School Financial Officer at 205-432-3030 (email: wdavis@bessk12.org) or Dr. Fred D. Primm, Jr., Superintendent at 205-432-3001 (email: fdprimm@bessk12.org). Our physical address is: 1621 5th Avenue North, Bessemer, AL 35020.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 12,336,044
Receivables	2,880,020
Inventories	54,732
Capital assets not being depreciated:	
Land	3,298,605
Capital assets net of accumulated depreciation:	
Buildings and Improvements	65,155,805
Equipment	<u>2,964,560</u>
Total Assets	<u><u>86,689,766</u></u>
LIABILITIES	
Account payable and other current liabilities	39,584
Accrued payroll and related liabilities	1,869,375
Accrued interest payable	104,188
Noncurrent Liabilities:	
Due within One Year	1,087,082
Due in more than One Year	<u>17,516,919</u>
Total Liabilities	<u>20,617,148</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	52,814,969
Unrestricted	<u>13,257,650</u>
Total Net Position	<u><u>66,072,618</u></u>

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Governmental Activities				
	Program Revenues				Net (Expense) and Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Instructional services	\$ 22,495,508	\$ 456,366	\$ 17,579,797	\$ 952,693	\$ (3,506,652)
Instructional support and services	6,933,522	24,548	5,158,461		(1,750,513)
Operation and maintenance service	3,738,659	31,724	769,060	65,525	(2,872,350)
Student transportation services	2,069,808	63,045	1,072,040	55,794	(878,929)
Food services	3,588,896	2,510,486	202,852		(875,558)
General and administrative service	2,095,000	5,048	415,554	65,970	(1,608,428)
Interest and fiscal charges	754,571				(754,571)
Other	611,619	215,483	766,245		370,109
Total Government Activities	\$ 42,287,584	\$ 3,306,700	\$ 25,964,009	\$ 1,139,982	\$ (11,876,893)
General Revenues					\$ 9,137,568
Property Taxes					88,641
Other Taxes					51,455
Grants and contributions not restricted for specific programs					28,091
Investment Earnings					1,820,210
Other general revenues					11,125,965
Total General Revenues					(750,928)
Change in Net Position					66,524,315
Net Position -Beginning (As Restated)					299,231
Restatement					\$ 66,072,618
Net Position - Ending					

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Food and Nutrition Fund	Debt Services Fund	Bond Issue Payments Fund	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 8,740,183	\$ 567,122	\$ 7	\$ 2,460,368	\$ 568,364	\$ 12,336,044
Receivables						
Accounts	-	-	-			-
Intergovernmental	2,159,330	400,264	-		320,426	2,880,020
Due from other funds	-	-	-			-
Inventory	-	54,732	-		-	54,732
Prepays	-	-	-			-
Total Assets	<u>10,899,513</u>	<u>1,022,118</u>	<u>7</u>	<u>2,460,368</u>	<u>888,790</u>	<u>15,270,796</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and other liabilities	36,950	-	-		2,634	39,584
Accrued payroll and related liabilities	1,778,631	90,744	-		-	1,869,375
Due to other funds	-	-	-			-
Deferred revenue	-	-	-			-
Total Liabilities	<u>1,815,581</u>	<u>90,744</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>1,908,959</u>
Fund Balances						
Nonspendable:						
Inventories	-	54,732	-	-		54,732
Restricted for:						
Special revenue		876,642	-		344,567	1,221,209
Committed to:						
Debt Service			7			7
Capital Projects				2,460,368	541,590	3,001,958
Unassigned (deficit)	9,083,932	-	-			9,083,932
Total Fund Balance	<u>9,083,932</u>	<u>931,374</u>	<u>7</u>	<u>2,460,368</u>	<u>886,157</u>	<u>13,361,838</u>
Total Liabilities and Fund Balances	<u>\$ 10,899,513</u>	<u>\$ 1,022,118</u>	<u>\$ 7</u>	<u>\$ 2,460,368</u>	<u>\$ 888,790</u>	<u>\$ 15,270,796</u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances-governmental funds		\$ 13,361,838
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		71,418,970
Net Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds were:		
Warrants payable	16,875,578	
Capital lease payable	<u>1,728,424</u>	
Total long-term liabilities		(18,604,002)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due		<u>(104,188)</u>
Net assets of governmental activities		<u>\$ 66,072,618</u>

See independent auditors' report and notes to financial statements.

BESSEMER BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Food and Nutrition Fund</u>	<u>Debt Services Fund</u>	<u>Bond Issue Payments Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES:						
State sources	\$ 21,279,168	\$ -	\$ -	\$ 339,168	\$ 800,814	\$ 22,419,150
Federal sources	364,599	2,704,962	-		4,304,964	7,374,525
Local sources	9,267,941	207,619	7		528,892	10,004,459
Other sources	593,445	58,541	-		648,348	1,300,334
Total Revenues	<u>31,505,153</u>	<u>2,971,122</u>	<u>7</u>	<u>339,168</u>	<u>6,283,017</u>	<u>41,098,467</u>
EXPENDITURES:						
Current operations:						
Instructional services	17,933,642	-	-		2,773,531	20,707,173
Instructional support and services	5,613,184	-	-		1,291,034	6,904,218
Operation and maintenance services	3,550,786	31,471	-		128,837	3,711,094
Student transportation services	1,493,576	-	-		408,468	1,902,044
Food		3,521,062	-			3,521,062
General and administrative services	1,688,284	-	-		396,345	2,084,629
Other	277,311	302,503	-		31,805	611,619
Capital Outlay		-	-	723,548	2,432,513	3,156,061
Debt Service:						
Principal	-		425,000	182,880	338,208	946,088
Interest and Fiscal Charges			365,431	156,288	122,437	644,156
Total Expenditures	<u>30,556,783</u>	<u>3,855,036</u>	<u>790,431</u>	<u>1,062,716</u>	<u>7,923,178</u>	<u>44,188,144</u>
Excess of Revenues Over (Under) Expenditures	<u>948,370</u>	<u>(883,914)</u>	<u>(790,424)</u>	<u>(723,548)</u>	<u>(1,640,161)</u>	<u>(3,089,677)</u>
OTHER FINANCING SOURECES (USES)						
Proceeds from debt issuance					1,500,000	1,500,000
Indirect cost	320,592					320,592
Transfers in		948,745	768,252		-	1,716,997
Transfers out	(1,716,997)	-	-		-	(1,716,997)
Other	167,597	(50,000)	-			117,597
Total other financing Sources (Uses)	<u>(1,228,808)</u>	<u>898,745</u>	<u>768,252</u>	<u>-</u>	<u>1,500,000</u>	<u>1,938,189</u>
Net Change in Fund Balances	<u>(280,438)</u>	<u>14,831</u>	<u>(22,172)</u>	<u>(723,548)</u>	<u>(140,161)</u>	<u>(1,151,488)</u>
Fund Balance -Beginning	<u>9,364,370</u>	<u>916,543</u>	<u>22,179</u>	<u>3,183,916</u>	<u>1,026,318</u>	<u>14,513,326</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 9,083,932</u>	<u>\$ 931,374</u>	<u>\$ 7</u>	<u>\$ 2,460,368</u>	<u>\$ 886,157</u>	<u>\$ 13,361,838</u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances-total governmental funds	\$ (1,151,488)
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Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Position.	3,156,061
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Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities	(2,091,173)
--	-------------

Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:

Warrants Payable		741,905
Capital Leases		204,183
		946,088

Total Repayments	946,088
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The issuance of long-term debt(e.g., warrants, bonds, and leases) provides current financial resources to government funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds.	(1,500,000)
--	-------------

Debt discounts/issuance cost are reported in governmental funds as other financing uses/expenditures. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities..

Debt discounts amortization expense	(9,828)
-------------------------------------	---------

Premiums are reported in governmental funds as other financing sources. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities.

Debt premiums amortization expense	3,601
------------------------------------	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest expense	(104,189)
Change in net assets governmental activities	(750,928)

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF COMBINING FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
SEPTEMBER 30, 2013**

	<u>2013</u>
ASSETS	
	<u>\$ 64,723</u>
Cash and cash equivalents	
LIABILITIES	
Accounts payable and other current liabilities	<u>50</u>
NET POSITION	
Held in trust for local Schools non-pulic funds	<u><u>\$ 64,673</u></u>

See independent auditors' report and notes to financial statements.

**BESSEMER BOARD OF EDUCATION
STATEMENT OF CHANGES IN COMBINING FIDUCIARY NET POSITON
LOCAL SCHOOLS NON-PUBLIC FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(SUPPLEMENTAL)**

	<u>2013</u>
ADDITIONS	
Contributions:	
Local sources	\$ 84,148
 DEDUCTIONS	
Instructional services	83,522
Instructional support services	1,033
Operation and maintenance services	-
Student transportation services	275
Food services	-
General administrative services	-
Other	-
Capital Outlays	-
Debt service:	-
Principal	-
Interst and fiscal charges	-
 Total Expenditures	 <u>84,830</u>
 Excess of Revenues (Deficiency)	
Over (Under) Expenditures	(683)
 OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	-
Total other financing sources (uses)	 <u>-</u>
 Net Change in Net Position	 <u>(683)</u>
Net Position-Beginning (Deficits)	<u>65,356</u>
 Net Positon-Ending (Deficits)	 <u><u>64,673</u></u>

See independent auditors' report and notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bessemer City Board of Education (the "Board") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the City. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the City.

Statements No. 14 and 39 of the Governmental Accounting Standards Board establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Bessemer City Board of Education.

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

B. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting-Continued

Fund Financial Statements

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

The Board reports the following major governmental funds:

- (1) The **General Fund** -- This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- (2) The **Bond Issue Payments Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- (3) The **Food and Nutrition Fund** -- The Food and Nutrition Fund accounts for funds received from federal grants and other sources that are earmarked for the school lunch and breakfast programs.

The Board reports the following governmental fund types in the "**Nonmajor Governmental Funds**" column:

- (1) Special Revenue Funds -- Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Special revenue funds consist of the following:

- Regular Basic Grant
- IDEA Part B
- Pre-School Part B Ages 3-5
- IDEA Part B, E, C, & Y
- Title I Part A CR Year
- Title I Part A Carryover
- Title I Part A Improvement School
- Title II Part A
- Title III ESL
- 21st Century

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Special Revenue Funds - continued

- School Activity - Bessemer High School Fund
- School Activity - Bessemer Middle School Fund
- School Activity - Abram Elementary Fund
- School Activity - Hard Elementary Fund
- School Activity - Greenwood Elementary Fund
- School Activity - Jonesboro Elementary Fund
- School Activity - Westhills Elementary Fund
- School Activity - Bessemer Center for Technology
- School Activity - Central Office
- School Activity - ROTC

The **Debt Service Fund** accounts for the accumulation of resources for and the payment of principal and interest on long-term debt.

The **PSF-Capital Outlay Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Projects Fund** accounts for resources used for the costs of constructing or acquiring major capital assets and major improvements.

The Board reports the following **Fiduciary funds** -- The Fiduciary funds are Private Purpose Trust Funds that account for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments.

(1) Non-Public Funds:

- Non-Public School Activity - Bessemer High School Fund
- Non-Public School Activity - Bessemer Middle School Fund
- Non-Public School Activity - Abram Elementary Fund
- Non-Public School Activity - Hard Elementary Fund
- Non-Public School Activity - Greenwood Elementary Fund
- Non-Public School Activity - Jonesboro Elementary Fund
- Non-Public School Activity - Westhills Elementary Fund
- Non-Public School Activity - Bessemer Center for Technology
- Non-Public School Activity - Central Office
- Non-Public School Activity - ROTC

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements: Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (60) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures are generally recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the Board.

Local school activity funds and other funds under the control of school principals use the cash basis of accounting. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (Continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from these estimates.

D. Assets, Liabilities, and Equity Classification

Deposits and Investments

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

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

Receivables

Receivables are reported as *receivables* in the government-wide financial statements and as *accounts receivables*, *intergovernmental receivables* and *other receivables*, in the fund financial statements. Intergovernmental receivables include amounts due from grantors for grants issued for specific programs and local taxes due from the County tax collector.

Property Tax Calendar

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

Inventories and Prepaid Items

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

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of Net Position. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	20 years
Buildings	50,000	50 years
Building Improvements	50,000	7 - 30 years
Equipment and furniture	5,000	5 - 20 years
Equipment Under Capital Lease	5,000	5 - 20 years
Vehicles	5,000	8 - 10 years

(The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated).

Deferred Revenue

Deferred revenue in the government-wide financial statements represent unearned revenues. Deferred revenue in the governmental fund financial statements represent unearned revenues and other revenues for which the "available" criterion has not been met.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums, discounts, and deferred amounts on refunding transactions are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental fund financial statements. In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as other financing sources, but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as another financing use.

Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as another financing source and as an expenditure.

Compensated Absences

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

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

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. The school system provides three additional days of personal leave with pay. If the employee chooses to use any of these additional days, they are required to pay for the cost of the substitute. Professional personnel may receive compensation for the two state funded unused personal leave days at the end of the scholastic year. The employee is required to request, in writing, if they wish to be paid for unused personal leave. Any unused personal leave, as of June 30th, is rolled over to sick leave; therefore, no liability for unpaid personal leave is recorded in the financial statements.

Twelve-month employees are allowed at least two weeks of vacation per year with pay. Vacation is awarded each July 1st, each January 1st employees' unused vacation is capped at the maximum amount of vacation to which they are entitled. Board policy allows up to 10 days of vacation to be carried over to the succeeding year. At September 30, 2013, the Board has accrued a liability for compensated absences as part of the Board's overall payroll liabilities accrual.

Equity Classification

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

- (a) Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;
- (b) Restricted net assets - consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional or enabling legislation;
- (c) Unrestricted net assets - consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification – Continued

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

Implementation of New Accounting Policies

Effective September 30, 2013, the Board implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE 2 RECONCILIATION OF FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

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

B. Deficit Fund Balances in Individual Funds

The Board has no deficit fund balances in individual funds.

Excess of Expenditures Over Appropriations

The General Fund, Debt Service Fund, Bond Issue Payments Fund, Abrams Elementary, Greenwood Elementary, Hard Elementary, Jonesboro Elementary, Bessemer Center for Technology, Capital Projects Transportation Fleet, Capital Projects PSF-Capital Outlay, and Capital Projects Fund #142256 exceeded appropriations. The shortage in the Debt Service Fund requires transfers from the General Fund. The remaining shortages were covered by available fund balances in the funds.

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2013 are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Food Services Fund	Inventory	\$ 54,732
Restricted		
Food Services Fund	Food Services Activity	876,642
Nonmajor Governmental Funds	Special Revenue Activity	344,567
Committed		
Debt Service Fund	To pay long-term debt	7
Bond Issue Payments Fund	For Construction Contracts	2,460,368
Nonmajor Governmental Funds	For Construction Contracts	541,590
Unassigned		
General Fund		9,083,932
Total fund balances		<u><u>\$ 13,361,838</u></u>

NOTE 4 CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Board's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits (in excess of FDIC insurance) may not be returned to it. At September 30, 2013, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$12,400,641 and the bank balance was \$12,503,595.

The Board's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Board's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. The SAFE program is classified as a category (1) credit risk.

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

NOTE 5 RECEIVABLES

Receivables of the Board's individual major funds and non-major funds in the aggregate were as follows at year-end:

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total
Intergovernmental receivable	\$ 2,159,330	400,264	320,426	\$ 2,880,020

The Intergovernmental receivable balance includes \$2,159,330 due from the City of Bessemer based on the settlement of litigation in August of 2011 that was filed in September 2008. The total settlement was for \$4 million payable at \$100,000 per month for the first 28 months and \$33,333 per month thereafter for 36 months.

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

NOTE 6 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2013, was as follows:

	9/30/12			9/30/13
	Beginning			Ending
Government Activities:	Balance	Increases	Decreases	Balance
Capital Assets not being depreciated:				
Land	\$ 3,298,605	\$ -	\$ -	\$ 3,298,605
Total Capital Assets, not being depreciated	3,298,605	-	-	3,298,605
Capital Assets Being Depreciated:				
Land Improvements	801,775	-	-	801,775
Buildings	66,111,787	-	-	66,111,787
Building improvements	805,173	1,414,531	-	2,219,704
Equipment and Furniture	2,143,173	243,833	-	2,387,006
Vehicles	2,905,708	8,625	-	2,914,333
Buildings under capital leases	14,645,000	-	-	14,645,000
Equipment under capital leases	595,756	-	-	595,756
Construction in Progress	-	1,489,072	-	1,489,072
Total Capital Assets, being depreciated	88,008,372	3,156,061	-	91,164,433
Less accumulated depreciation				
Land Improvements	526,216	20,394	-	546,610
Buildings	14,888,722	1,697,360	-	16,586,082
Building improvements	126,823	60,131	-	186,954
Equipment and Furniture	1,391,015	137,640	-	1,528,655
Vehicles	1,262,377	111,715	-	1,374,092
Buildings under capital leases	2,727,954	63,933	-	2,791,887
Equipment under capital leases	29,788	-	-	29,788
Total accumulated depreciation	20,952,895	2,091,173	-	23,044,068
Total Capital Assets being depreciated, net	67,055,477	1,064,888	-	68,120,365
Total governmental activity capital assets, net	\$ 70,354,082	\$ 1,064,888	\$ -	\$ 71,418,970

Depreciation expense was charged to government functions as follows:

GOVERNMENTAL

ACTIVITIES	AMOUNT
Instructional	\$ 1,788,334.76
Instructional support	29,304.07
Operational and maintenance	27,565.59
Food Service	67,833.87
Student transportation	167,764.10
General and Administrative	10,370.77
	<u>\$ 2,091,173</u>

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

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2013 is shown below:

Due to/from other funds:

None.

Interfund Transfers:

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

(a) Transfer to Debt Service Fund from the General fund for retirement of debt

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$ 1,716,997 (a) (b)
Food Services Fund (b)	948,745	-
Debt Service Fund (a)	768,252	
	<u>\$ 1,716,997</u>	<u>\$ 1,716,997</u>

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

NOTE 8 LONG-TERM LIABILITIES

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

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

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

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

As of September 30, 2013, the Board's long-term obligations under the warrants consisted of the following:

	<u>2013</u>
PSCA Capital Improvement Pool Warrants, Series 2008 bearing interest payable semi-annually at 3.25% to 4.25%, annual principal installments through 2028	\$3,769,414
School Tax Warrants, Series 2011 bearing interest payable semi-annually at 2.00% to 3.75%, annual principal installments through 2030	9,985,000
School Tax Warrants, Series 2012-A bearing interest payable semi-annually at 1.80% to 2.50%, annual principal installments through 2017	1,865,000
School Tax Warrants, Series 2012-B bearing interest payable monthly at 1.80% to 2.50%, annual principal installments through 2022	1,365,975
	<u>\$16,985,389</u>

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

LONG-TERM LIABILITIES – (continued)

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

	Balance at September 30, 2012	Additions	Reductions	Balance at September 30, 2013	Due Within One Year
PSCA Capital					
Improvement Pool					
Warrants, Series 2008	\$ 3,952,294	-	\$ 182,880	\$ 3,769,414	\$ 189,429
School Tax Warrants, Series 2011	9,985,000	-		9,985,000	95,000
School Tax Warrants, Series 2012-A	2,290,000	-	425,000	1,865,000	455,000
School Tax Warrants, Series 2012-B		1,500,000	134,025	1,365,975	137,346
Plus unamortized amounts:					
For warrant discount	(176,907)		9,828	(167,079)	
For warrant Premium	60,868		3,601	57,267	
Deferred outflow For warrant issuance	(274,731)	(24,500)	299,231	-	
	<u>15,836,524</u>	<u>1,475,500</u>	<u>1,054,565</u>	<u>16,875,577</u>	<u>876,775</u>
Capital Lease					
Regions Equipment Finance due September 1, 2017	323,167	-	60,593	262,574	63,112
Municipal Asset Management due May 21, 2022	1,609,440	-	143,590	1,465,850	147,195
	<u>1,932,607</u>	<u>-</u>	<u>204,183</u>	<u>1,728,424</u>	<u>210,307</u>
Total Long-Term Debt	<u>\$ 17,769,131</u>	<u>\$ 1,475,500</u>	<u>\$ 1,258,748</u>	<u>\$ 18,604,001</u>	<u>\$ 1,087,082</u>

Payments on the Capital Improvement Pool Warrants, Series 2008 are made by the bonds and warrants fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education.

Payments on the School Tax Warrants, Series 2011, 2012-A and 2012-B are payable out of pledged tax proceeds.

Payments on the obligations of the capital leases will be made by Local Funds, Fleet Renewal Fund and the Lease Purchase Agreement Debt Service Fund.

The Board is obligated under certain leases accounted for as capital leases. These capital leases were obtained to purchase various equipment or vehicles. See capital lease section below.

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

LONG-TERM LIABILITIES – (continued)

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

Warrants			
	Principal	Interest	Total
2014	\$ 876,775	\$ 536,956	\$ 1,413,731
2015	902,589	515,825	1,418,414
2016	923,114	493,672	1,416,786
2017	949,193	470,126	1,419,319
2018	1,135,219	480,388	1,615,607
Thereafter	<u>12,198,499</u>	<u>3,203,565</u>	<u>15,402,064</u>
	<u><u>16,985,389</u></u>	<u><u>5,700,532</u></u>	<u><u>22,685,921</u></u>

Capital Leases			
	Principal	Interest	Total
2014	210,093	46,548	256,641
2015	216,402	40,239	256,641
2016	222,913	33,728	256,641
2017	229,632	27,009	256,641
2018	162,539	21,449	183,988
Thereafter	<u>686,845</u>	<u>43,960</u>	<u>730,805</u>
	<u><u>\$ 1,728,424</u></u>	<u><u>\$ 212,933</u></u>	<u><u>\$ 1,941,357</u></u>

Capital Leases

The Board has entered into capital lease agreements to finance the acquisition of school buses. The net carrying values of assets acquired under capital leases at year-end were as follows:

Vehicles	\$ 2,205,196
Less Accumulated depreciation	<u>(598,870)</u>
Net Total	<u><u>\$ 1,606,326</u></u>

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

LONG-TERM LIABILITIES – (continued)

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

Year Ending September 30,	Governmental Activities
2014	\$ 256,641
2015	256,641
2016	256,641
2017	256,641
2018	183,988
Thereafter	730,805
Total minimum lease payments	1,941,357
Less: amount representing interest	(212,933)
Present value of the minimum lease payments	<u>\$ 1,728,424</u>

The Board has elected to implement the provisions of GASB 65. As a result, debt issuance costs, except prepaid insurance costs, are recognized as an expense in the period incurred. As a result, issuance costs that were previously capitalized related to the Series 2008 and Series 2011 Warrants have been removed from the financial statements. For warrants (bonds) and other long-term debt issued after October 1, 2002, the related debt issuance costs, premiums, and discounts are amortized using the straight-line method over the life of the debt in the government-wide statements.

	9/30/12 Beginning Balance	Increases	Decreases	9/30/13 Ending Balance
Unamortized Warrants payable issuance cost	\$ 274,731	\$ 24,500	\$ 299,231	\$ -
Unamortized Warrant payable discount	176,907		9,828	167,079
Unamortized Warrants payable Premiums	60,868		3,601	57,267
Total	<u>\$ 512,506</u>	<u>\$ 24,500</u>	<u>\$ 312,660</u>	<u>\$ 224,346</u>

In prior years, the Board defeased certain bonds by placing the proceeds of the new bonds in irrevocable trust funds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. As of September 30, 2013, the following bonds outstanding are considered defeased:

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

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

NOTE 9 DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are: (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Teachers' Retirement System was established as of October 1, 1939, under the provisions of Act Number 419 of the Legislature of 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, §§ 16-25-1 through 16-25-113, as amended, and §§ 36-27B1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees of the Board are required to contribute 7.25 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year, the Teachers' Retirement System recommends to the Alabama Legislature, the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

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

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

	Fiscal Year Ended September 30		
	2013	2012	2011
Total Percentage of Covered Payroll	16.45%	15.00%	17.51%
Contributions:			
Percentage Contributed by the Board	10.08%	10.00%	12.51%
Percentage contributed by Employees	5.00%	5.00%	5.00%
Amount Contributed by the Board	\$ 2,069,608	\$ 2,051,621	\$ 2,744,615
Amount contributed by Employees	<u>1,538,691</u>	<u>1,025,810</u>	<u>1,096,968</u>
Total Contributions	<u>\$ 3,608,299</u>	<u>\$ 3,077,431</u>	<u>\$ 3,841,583</u>

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 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:

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

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	Fiscal Year Ending 09/30/13
Individual Coverage - Non-Medicare Eligible	\$ 151.00
Individual Coverage - Medicare Eligible	10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	109.00
Surviving Spouse - Non-Medicare Eligible	679.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	870.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	839.00
Surviving Spouse - Medicare Eligible	318.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	516.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	485.00

For employees that retire other than for disability, 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.

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 of that amount contributed for Board retirees:

Fiscal Year Ended September 30	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employees Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2011	\$ 752.00	\$ 199.00	26.45%	\$ 1,302,123	100%
2012	\$ 714.00	\$ 229.00	32.05%	\$ 1,417,153	100%
2013	\$ 714.00	\$ 216.90	30.38%	\$ 1,507,198	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an "on-behalf payment", resulting in offsetting revenues and expenditures. The amount recognized in the 2013 financial statements for RDS is \$143,873.

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

NOTE 11 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund ("SIF") part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for the state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases of commercial insurance for claims in excess of \$3.5 million.

The Board also purchases automobile liability insurance with coverage of \$300,000 per occurrence, errors and omissions insurance with coverage of up to \$1,000,000 per occurrence and property insurance with coverage of up to \$3.5 million per occurrence from the Alabama Risk Management For Schools Program (ARMS), a public entity risk pool. In addition, the Board has purchased physical damage coverage for school buses and maintenance vehicles.

The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

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

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

NOTE 12 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the general fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.

The Board is involved in certain litigation in the ordinary course of business. Litigation is recorded in the government-wide statements when the related liability is incurred.

NOTE 13 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama on behalf of the Board. Included in these items are the payments from bond issue proceeds (Public School and College Authority). Payments or services from bond issue proceeds from the Public School and College Authority are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

NOTE 14 DONATED FOOD PROGRAM

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$139,592 for 2013. Commodities consumed were approximately \$133,705 for 2013.

NOTE 15 RESTATEMENT

The Board recorded a retroactive restatement as a result of implementing Governmental Accounting Standards Board Statement 65 Items Previously Reported as Assets and Liabilities. The statement establishes that the costs of issuing bonds ("bond issuance costs") other than prepaid insurance, are no longer be capitalized but rather be treated as an expense of the period. Accounting changes adopted to conform to this Statement should be applied retroactively. The Board elected not to restate previously issued financial statements. As a result, the cumulative effect of applying this Statement has been reported as a restatement of unamortized issuance cost in the statement of net position. The amount of the adjustment was \$299,231.

NOTE 16 FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The Board is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

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

NOTE 17 PRIOR PERIOD ADJUSTMENT TO NET POSITION

The beginning net position for September 30, 2012 has been adjusted to properly reflect the balances of capital assets to correct misstatements. To correct these misstatements, the beginning net position of \$66,578,062 as originally reported, has been corrected to \$66,524,315.

	Beginning Net Position as Originally Reported	Prior Period Adjustments	Beginning Net Position Balance as Restated
Statement of Net Position Financial Statements:			
Governmental Activities:			
Correct Prior Period Capital Assets transactions		\$ (53,747)	
 Total Net Position	<u>\$ 66,578,062</u>	<u>\$ (53,747)</u>	<u>\$ 66,524,315</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES:					
State sources	\$21,187,772	\$21,187,772	\$21,279,168	\$ -	\$ 21,279,168
Federal sources	208,300	208,300	364,599	-	364,599
Local sources	9,217,394	9,217,394	9,267,941	-	9,267,941
Other sources	90,000	90,000	593,445	-	593,445
Total Revenues	<u>30,703,466</u>	<u>30,703,466</u>	<u>31,505,153</u>	<u>-</u>	<u>31,505,153</u>
EXPENDITURES:					
Current operations:					
Instructional services	17,692,125	17,692,125	17,953,376 (1)	(19,734)	17,933,642
Instructional support and services	5,761,599	5,761,599	5,545,316 (1)	67,868	5,613,184
Operation and maintenance services	3,094,605	3,094,605	3,544,276 (1)	6,510	3,550,786
Student transportation services	1,197,194	1,197,194	1,490,417 (1)	3,159	1,493,576
Food services	-	-	-	-	-
General and administrative services	1,765,673	1,765,673	1,683,642 (1)	4,642	1,688,284
Other	263,644	263,644	269,049 (1)	8,262	277,311
Capital Outlay	250,000	250,000	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>30,024,840</u>	<u>30,024,840</u>	<u>30,486,076</u>	<u>70,707</u>	<u>30,556,783</u>
Excess of Revenues Over (Under) Expenditures	<u>678,626</u>	<u>678,626</u>	<u>1,019,077</u>	<u>(70,707)</u>	<u>948,370</u>
OTHER FINANCING SOURECES (USES)					
Indirect cost	354,149	354,149	320,592	-	320,592
Transfers out	(1,750,822)	(1,750,822)	(1,716,997)	-	(1,716,997)
Other sources	-	-	117,597	-	117,597
Total other financing Sources (Uses)	<u>(1,396,673)</u>	<u>(1,396,673)</u>	<u>(1,278,808)</u>	<u>-</u>	<u>(1,278,808)</u>
Net Change in Fund Balances	<u>(718,047)</u>	<u>(718,047)</u>	<u>(259,731)</u>	<u>(70,707)</u>	<u>(330,438)</u>
Fund Balance -Beginning	<u>10,547,557</u>	<u>10,547,557</u>	<u>(2)</u>	<u>(1,707,925)</u>	<u>9,364,370</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 9,829,510</u>	<u>\$ 9,829,510</u>	<u>\$ (259,731)</u>	<u>\$ (1,778,632)</u>	<u>\$ 9,033,932</u>

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

- (1) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. \$ 70,707
- (2) The amount reported as "fund balance" on the budgetary basis of accounting is derived from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

See independent auditors' report and notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2013

Special Revenue Funds

	School Activity Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC
ASSETS										
Cash and cash equivalents	\$ 116,283	\$ 42,136	\$ 11,640	\$ 1,030	\$ 67,318	\$ 41,096	\$ 19,315	\$ 41,751	\$ 6,523	\$ 107
Receivables										
Inventory										
Total Assets	<u>116,283</u>	<u>42,136</u>	<u>11,640</u>	<u>1,030</u>	<u>67,318</u>	<u>41,096</u>	<u>19,315</u>	<u>41,751</u>	<u>6,523</u>	<u>107</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Interfund payable										
Accounts payable and Other liabilities	1,755	175	599						105	
Accrued payroll and related liabilities										
Total Liabilities	<u>1,755</u>	<u>175</u>	<u>599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>-</u>

Fund balance

Reserved for Encumbrance	14,340	4,184	1,084		2,215	4,765	(190)	648	951	
Unreserved for Encumbrance	100,188	37,777	9,957	1,030	65,104	36,331	19,506	41,103	5,467	107
Total Fund Equity	<u>114,528</u>	<u>41,961</u>	<u>11,041</u>	<u>1,030</u>	<u>67,318</u>	<u>41,096</u>	<u>19,315</u>	<u>41,751</u>	<u>6,418</u>	<u>107</u>
Total Liabilities and Fund balance	<u>\$ 116,283</u>	<u>\$ 42,136</u>	<u>\$ 11,640</u>	<u>\$ 1,030</u>	<u>\$ 67,318</u>	<u>\$ 41,096</u>	<u>\$ 19,315</u>	<u>\$ 41,751</u>	<u>\$ 6,523</u>	<u>\$ 107</u>

See independent auditors' report and notes to financial statements.

BESEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Special Revenue Funds									
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC
REVENUES:									
State sources									
Federal sources	273,781	69,240	20,370	10,357	70,207	26,287	21,358	24,677	
Other sources	273,781	69,240	20,370	10,357	70,207	26,287	21,358	24,677	-
Total Revenues									
EXPENDITURES:									
Current:									
Instructional services	30,948								
Instructional support services	44,395	45,723	24,341	9,684	67,222	21,878	21,123	73	
Operation and maintenance services									
Auxiliary Services	117,806	404	2,355	329	2,577	2,205	1,058	13,883	
General administrative services	6,642	1,538	754	725	2,855	1,183	1,356	6,393	
Other									
Capital Outlays									
Debt service:									
Principal									
Interest and fiscal charges									
Total Expenditures	199,791	47,665	27,450	10,738	72,653	25,266	23,537	20,349	-
Excess of Revenues (Deficiency)									
Over (Under) Expenditures	73,990	21,576	(7,079)	(381)	(2,446)	1,021	(2,179)	4,328	-
OTHER FINANCING SOURCES (USES)									
Long-term debt issued									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances									
Fund Balances-Beginning (Deficits)	73,990	21,576	(7,079)	(381)	(2,446)	1,021	(2,179)	4,328	-
Prior Period Adjustment	40,538	20,385	18,121	67,699	43,542	18,295	43,929	2,090	107
Fund Balances-Ending (Deficits)	\$ 114,528	\$ 41,961	\$ 11,041	\$ 67,318	\$ 41,096	\$ 19,315	\$ 41,751	\$ 6,418	\$ 107

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2013

<u>Special Revenue Funds</u>										
REGULAR BASIC GRANT	IDEA PART B	Pre-School Part B Ages 3-5	IDEA PART B E, C, & Y	Title I Part A CR Year	Title I Part A CARRYOVER	Title I Part A IMPROVEMENT SCHOOL	Title II Part A	Title III ESL	21st Century	Total Special Revenue Funds
	\$ (53,721) 53,721		\$ (24,793) 24,793	\$ (153,304) 153,304			\$ (40,982) 40,982	\$ (350) 350	\$ (30,825) 30,825	\$ 43,225 303,976
Cash and cash equivalents										
Receivables										
Inventory										
Total Assets										347,201
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Interfund payable										-
Accounts payable and Other liabilities										2,634
Accrued payroll and related liabilities										
Total Liabilities										2,634
Fund balance										
Reserved for Encumbrance				18,639					18,256	64,893
Unreserved for Encumbrance				(18,639)					(18,256)	279,674
Total Fund Equity										344,567
Total Liabilities and Fund balance										\$ 347,201

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	REGULAR BASIC GRANT	IDEA PART B	Pre-School Part B Ages 3-5	IDEA PART B E, C, & Y	Title I Part A CR Year	Title I Part A CARRYOVER	Title I Part A IMPROVEMENT SCHOOL	Title II Part A	Title III ESL	21st Century	Total Special Revenue Funds
REVENUES:											
State sources	99,581	996,721	14,126	118,708	2,001,224	288,735	113,563	406,982	13,499	251,825	\$ 4,304,964
Federal sources											528,892
Local sources											
Other sources											
Total Revenues	<u>99,581</u>	<u>996,721</u>	<u>14,126</u>	<u>118,708</u>	<u>2,001,224</u>	<u>288,735</u>	<u>113,563</u>	<u>406,982</u>	<u>13,499</u>	<u>251,825</u>	<u>4,833,856</u>
EXPENDITURES:											
Current:											
Instructional services					1,869,551	57,148	111,731	395,693	13,281	251,825	2,730,177
Instructional support services	47,030	860,705	10,864		121,544						1,291,034
Operation and maintenance services					9,888						9,888
Auxiliary Services	40,651	106,762	3,050	116,995							408,468
General administrative services	10,293	14,562				231,586					279,464
Other	1,607	14,693	212	1,713	241		1,832	11,289	218		31,805
Capital Outlays											-
Debt service:											
Principal											-
Interest and fiscal charges											-
Total Expenditures	<u>99,581</u>	<u>996,721</u>	<u>14,126</u>	<u>118,708</u>	<u>2,001,224</u>	<u>288,735</u>	<u>113,563</u>	<u>406,982</u>	<u>13,499</u>	<u>251,825</u>	<u>4,750,837</u>
Excess of Revenues (Deficiency)											
Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,019</u>
OTHER FINANCING SOURCES (USES)											
Long-term debt issued											
Transfers in											
Transfers out											
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,019</u>
Fund Balances-Beginning (Deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,548</u>
Prior Period Adjustment											
Fund Balances-Ending (Deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,567</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	Capital Projects 142202	Capital Projects 142256	Capital Projects Local Default Source	Capital Projects Bonds & Warrants	Nonmajor Governmental Funds	Bessemer High School	Bessemer Middle School
ASSETS										
Cash and cash equivalents	\$ (8,988)	\$ 235,759	\$ 27,860		\$ 55,794	\$ -	\$ 214,714	\$ 568,364	\$ 44,543	\$ 5,155
Receivables		16,451						320,426		
Inventory										
Total Assets	<u>(8,988)</u>	<u>252,210</u>	<u>27,860</u>	<u>-</u>	<u>55,794</u>	<u>-</u>	<u>214,714</u>	<u>888,790</u>	<u>44,543</u>	<u>5,155</u>
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Interfund payable								-		
Accounts payable and Other liabilities								-		
Accrued payroll and related liabilities								2,634		
Total Liabilities										
Fund balance										
Reserved for Encumbrance									1,521	783
Unreserved for Encumbrance	(8,988)	252,210	27,860	-	55,794	-	214,714	821,264	-	-
Total Fund Equity	<u>(8,988)</u>	<u>252,210</u>	<u>27,860</u>	<u>-</u>	<u>55,794</u>	<u>-</u>	<u>214,714</u>	<u>886,157</u>	<u>44,543</u>	<u>5,155</u>
Total Liabilities and Fund balance	<u>\$ (8,988)</u>	<u>\$ 252,210</u>	<u>\$ 27,860</u>	<u>\$ -</u>	<u>\$ 55,794</u>	<u>\$ -</u>	<u>\$ 214,714</u>	<u>\$ 888,790</u>	<u>\$ 44,543</u>	<u>\$ 5,155</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest	Capital Projects 142202	Capital Projects 142256	Capital Projects Local Default Source	Capital Projects Bonds & Warrants	Nonmajor Governmental Funds	Bessemer High School	Bessemer Middle School
REVENUES:										
State sources	\$ -	\$ 742,071	\$ 2,949		\$ 55,794			\$ 800,814	\$ -	\$ -
Federal sources								4,304,964		
Local sources	-					648,348		528,892	71,338	4,875
Other sources	-	742,071	2,949	-	55,794	648,348	-	648,348	71,338	4,875
Total Revenues								5,537,998		
EXPENDITURES:										
Current:										
Instructional services	-	43,354						2,773,531	71,211	4,092
Instructional support services	-							1,291,034	455	
Operation and maintenance services		118,948						128,837		
Auxiliary Services	-	92,381					24,500	408,468		
General administrative services								396,345		
Other								31,805		
Capital Outlays		388,379		135,000		648,348	1,260,786	2,432,513		
Debt service:										
Principal		338,208						338,208		
Interest and fiscal charges	15,149	107,288						122,437		
Total Expenditures	15,149	1,088,558	-	135,000	-	648,348	1,285,286	7,923,178	71,666	4,092
Excess of Revenues (Deficiency) Over (Under) Expenditures	(15,149)	(346,488)	2,949	(135,000)	55,794	-	(1,285,286)	(1,640,161)	(328)	783
OTHER FINANCING SOURCES (USES)										
Long-term debt issued							1,500,000	1,500,000		
Transfers in										
Transfers out	-	-	-	-	-	-	1,500,000	1,500,000	-	-
Total other financing sources (uses)										
Net Change in Fund Balances	(15,149)	(346,488)	2,949	(135,000)	55,794	-	214,714	(140,161)	(328)	783
Fund Balances-Beginning (Deficits)	6,161	598,697	24,911	135,000	0	-	-	1,026,318	44,872	4,371
Prior Period Adjustment										
Fund Balances-Ending (Deficits)	\$ (8,988)	\$ 252,210	\$ 27,860	\$ -	\$ 55,794	\$ -	\$ 214,714	\$ 886,157	\$ 44,543	\$ 5,155

See independent auditors' report and notes to financial statements.

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

Fiduciary-Non-Public Funds

	Fiduciary Non-Public Funds						
	<u>Abrams Elementary</u>	<u>Hard Elementary</u>	<u>Jonesboro Elementary</u>	<u>Westhills Elementary</u>	<u>ROTC</u>	<u>Bessemer Center for Technology</u>	<u>Total Non-Public Funds</u>
ASSETS							
Cash and cash equivalents	\$ 2,049	\$ 602	\$ 1,995	\$ 1,453	\$ 4,850	\$ 333	\$ 64,723
Receivables							-
Inventory							-
Total Assets	<u>2,049</u>	<u>602</u>	<u>1,995</u>	<u>1,453</u>	<u>4,850</u>	<u>333</u>	<u>64,723</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Interfund payable							50
Accounts payable and Other liabilities							
Accrued payroll and related liabilities							
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>
Fund balance							
Reserved for Encumbrance	(383)	(153)	214	(437)	767	163	3,098
Unreserved for Encumbrance	-	-	-	-	-	-	61,575
Total Fund Equity	<u>2,049</u>	<u>602</u>	<u>1,995</u>	<u>1,453</u>	<u>4,850</u>	<u>333</u>	<u>64,673</u>
Total Liabilities and Fund balance	<u>\$ 2,049</u>	<u>\$ 602</u>	<u>\$ 1,995</u>	<u>\$ 1,453</u>	<u>\$ 4,850</u>	<u>\$ 333</u>	<u>\$ 64,723</u>

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Fiduciary					Fiduciary-Non-Public Funds	
	Non-Public Funds						
	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Total Non-Public Funds
REVENUES:							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources							
Local sources			1,085	141	2,872	225	84,148
Other sources							
Total Revenues	-	-	1,085	141	2,872	225	84,148
EXPENDITURES:							
Current:							
Instructional services	70		238		4,982	62	83,522
Instructional support services				578			1,033
Operation and maintenance services							-
Auxiliary Services		153			122		275
General administrative services							-
Other							-
Capital Outlays							-
Debt service:							
Principal							-
Interest and fiscal charges							-
Total Expenditures	70	153	238	578	5,104	62	84,830
Excess of Revenues (Deficiency)							
Over (Under) Expenditures	(70)	(153)	847	(437)	(2,232)	163	(683)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued							-
Transfers in							-
Transfers out							-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	(70)	(153)	847	(437)	(2,232)	163	(683)
Fund Balances-Beginning (Deficits)	2,118	755	1,148	1,890	7,083	169	65,356
Prior Period Adjustment							
Fund Balances-Ending (Deficits)	\$ 2,049	\$ 602	\$ 1,995	\$ 1,453	\$ 4,850	\$ 333	\$ 64,673

See independent auditors' report and notes to financial statements.

**FEDERAL AWARDS AND STATE APPROPRIATIONS
SUPPLEMENTAL INFORMATION**



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bessemer City Board of Education ("the Board") as of and for the year ended September 30, 2013, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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.

Compliance and Other Matters

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

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

Purpose of this Report

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

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.



The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

June 30, 2014



"Moving Forward All The Time."

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Bessemer City Board of Education ("the Board") (also known as "Bessemer City Schools") 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 Board's major federal programs for the year ended September 30, 2013. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Board's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performed such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

Opinion on Each Major Federal Program

In our opinion, the Board, complied, in all material respects, with the 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, 2013.

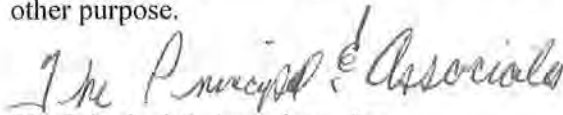
Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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June 30, 2014

BESSEMER CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Description	CFDA Number	Projected Period		Total Grant Award	Accrued (Deferred) Grant Revenue 09/30/12	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Grant Revenue 09/30/13
		From	To						
U.S. Department of Education									
ED-Title I (Part) A	84.010	10/01/12	09/30/13	2,869,894	294,146	2,305,195	2,575,748	2,575,748	564,699
ED- Special Education-Grants to States (IDEA, Part B)	84.027	10/01/12	09/30/13	1,054,560	18,366	861,962	1,036,194	1,036,194	192,598
ED-Special Education-Preschool Grants (IDEA Preschoo	84.173	10/01/12	09/30/13	14,126	-	14,126	14,126	14,126	-
ED- Basic Grant	84.048A	10/01/12	09/30/13	99,581	-	99,581	99,581	99,581	-
ED-Improving Teacher Quality State Grants	84.367	10/01/12	09/30/13	582,068	108,034	453,642	474,034	474,034	128,426
ED-Title II, Recovery Act	84.365	10/01/12	09/30/13	13,499		13,149	13,499	13,499	350
ED-After School Learning Center	84.287	10/01/12	09/30/13	361,522	70,261	282,697	291,261	291,261	78,825
ED-State Improvement Grant	84.323	10/01/12	09/30/13	1,607	-	1,607	1,607	1,607	
Total U.S. Department of Education				4,996,857	490,807	4,031,959	4,506,050	4,506,050	964,898
U.S. Department of Agriculture									
USDA-Commodities	10.550	10/01/12	09/30/13	6,005		6,005	6,005	6,005	
USDA - School Breakfast	10.553	10/01/12	09/30/13	584,926	88,060	584,926	496,866	496,866	
USDA- National School Lunch Program Snacks	10.555	10/01/12	09/30/13	1,609,964	247,887	1,609,964	1,362,077	1,362,077	
USDA- National School Lunch Program	10.555	10/01/12	09/30/13	15,956		15,956	15,956	15,956	
USDA-Summer Food Meals	10.559	10/01/12	09/30/13	246,210		246,210	246,210	246,210	
USDA-Fresh Fruits and Vegetables Program	10.582	10/01/12	09/30/13	79,663	12,933	79,663	66,730	66,730	
Total U.S. Department of Agriculture				2,542,724	348,880	2,542,724	2,193,844	2,193,844	-
U.S. Department of Health and Human Services									
Passed through the Alabama Department of Education	96.001	10/01/12	09/30/13	3,700		3,700	3,700	3,700	
Disability Determination				3,700	-	3,700	3,700	3,700	-
Total U.S. Department of Health and Human Services				\$7,543,281	\$ 839,687	\$ 6,578,383	\$ 6,703,594	\$ 6,703,594	\$ 964,898
Total Expenditures of Federal Awards									

See independent auditors' report and notes to financial statements.

BESSEMER CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF STATE APPROPRIATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Description	Projected Period		Total Appropriation	Cash Received		Revenue Recognized	Expenditures	Encumbrance
	From	To		10/01/12 09/30/13	10/01/12 to 09/30/13			
Foundation Program Fund	10/01/12	09/30/13	19,995,039	19,995,039		19,995,039	19,995,039	
Public School Fund	10/01/12	09/30/13	2,949	2,949		2,949	2,949	
Alabama Reading Initiative Program	10/01/12	09/30/13	307,935	307,935		307,935	307,935	
At Risk Student Program	10/01/12	09/30/13	50,000	50,000		50,000	50,000	
At Risk Student Program-LEA	10/01/12	09/30/13	173,887	173,887		173,887	173,887	
Career Tech Initiative	10/01/12	09/30/13	8,767	8,767		8,767	8,767	
Career Tech O & M	10/01/12	09/30/13	31,280	31,280		31,280	31,280	
School Nurses	10/01/12	09/30/13	185,611	185,611		185,611	185,611	
Exit Exam Failure	10/01/12	09/30/13	26,990	26,990		26,990	26,990	
National Board-Professional Teaching Standards	10/01/12	09/30/13	95,000	95,000		95,000	95,000	
Special Education Catastrophic Fund	10/01/12	09/30/13	52,459	52,459		52,459	52,459	
Technology Coordinators	10/01/12	09/30/13	26,813	26,813		26,813	26,813	
Childrens First Program-LEA	10/01/12	09/30/13	14,822	14,822		14,822	14,822	
Statewide Purchasing	10/01/12	09/30/13	52,536	52,536		52,536	52,536	
English Second Language-LEA	10/01/12	09/30/13	5,979	5,979		5,979	5,979	
Financial Assistance Preschool-LEA	10/01/12	09/30/13	6,341	6,341		6,341	6,341	
Governor's High Hopes	10/01/12	09/30/13	134,000	134,000		134,000	134,000	
Distance Learning	10/01/12	09/30/13	50,000	50,000		50,000	50,000	
Dropout Prevention Pilot	10/01/12	09/30/13	18,950	18,950		18,950	18,950	
Driver Education & Training	10/01/12	09/30/13	2,480	2,480		2,480	2,480	
Gifted Education	10/01/12	09/30/13	5,825	5,825		5,825	5,825	
Tenure Arbitration	10/01/12	09/30/13	150	150		150	150	
Total State Assistance			21,247,813	21,247,813		21,247,813	21,247,813	-

See independent auditors' report and notes to financial statements.

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

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The Bessemer City Board of Education (the "Board"), is an agency of the State of Alabama. All significant operations of the Board are included in the scope of the Circular A-133. The U. S. Department of Education has been designated as the Board's cognizant agency for the "single-audit".

NOTE 2 - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2013.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards has and Schedule of State Government Appropriations has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the grants. Several programs are funded jointly by State appropriations and Federal funds. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances (if any) are reserved in the fund balances of governmental funds. The encumbrances are shown as deductions from the 2013 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of 2013 Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

B. Accrued and Deferred Reimbursement

Various reimbursement procedures are used for Federal awards received by the Board. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2013**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Any material weakness(es) identified?

Yes _____ No X

Any significant deficiencies identified not considered to be material weakness?

Yes X No _____

Any noncompliance material to financial statements noted?

Yes _____ No X

Federal Awards

Internal control over major programs:

Any material weakness (es) identified?

Yes _____ No X

Any significant deficiencies identified not considered to be material weakness?

Yes _____ None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A - I33 Section .510 (a)

Yes _____ No X

Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
10.550	USDA-Commodities
10.553	USDA-School Breakfast
10.555	USDA-National School Lunch Program
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee

Yes _____ No X

Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2013

Section II - Financial statement findings

The following significant deficiencies were disclosed in the financial statements during the audit of the Bessemer City Board of Education:

Finding 13-1 Check Processing

Condition: Checks processed in one check writing cycle out of over a 100 check writing processing cycles of the fiscal year did not include the “check date” on the actual check that was sent to the vendor. This event was the result of a change in accounting software that was new and had some operational issues that management had to work through and at the same time pay vendors on-time.

Criteria: All checks should be processed in a manner that includes the date that the check was written.

Effect: The accountability standards over the accounts payable process is weakened whenever checks are written without the “check date” because the period in which the check was written is not readily identifiable on the face of the check for proper record keeping and support of the period cash disbursements.

Recommendation: All checks processed should include the “check date” prior to releasing the checks to vendors for payment. If the computerized accounts payable system fails to include the date on the check, the accounts payable clerk should manually date the checks prior to the checks being signed.

Corrective Action: Management has taken the corrective action to resolve this issue. In addition to the mitigating controls in place in the Board’s Administrative Office to safeguard the Board’s assets against misappropriation, fraud, theft, or irregularities, the superintendent, management, members of the Board will remain involved in the financial affairs of the Board to provide oversight and independent review functions.

Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2013

Section II - Financial statement findings (Continued)

Finding 13-2 Deferred Charges

Condition: The deferred charges resulting from the issuance cost of long-term debt were overstated by \$299,231.

Criteria: The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of this statement is discontinue the deferring debt issuance cost of long-term debt financing such as school tax warrants and bond issues.

With the exception of prepaid insurance costs, costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt; they should instead be recognized as an expense in the period incurred. These include, but are not limited to, legal costs, costs of printing, insurance costs and various fees such as rating agency fees, trustee fees and administrative fees.

Effect: The net effect was that the assets of the Board were overstated by \$299,231 as of September 30, 2013.

Recommendation

We recommend that management establish a systematic methodology based on established criteria such as keeping current with changes in accounting standards and the implementation of those standards in a timely manner that impact the Board's financial statements in order to prevent the over or under statement of deferred charges resulting from the issuance of long-term debt.

Corrective Action: Management concurs and will update its methodology for accounting for deferred charges as specified by the auditor.

Section III - Federal Award Findings and Questioned Costs

Findings: None

Questioned costs: None