

Report on the

Selma City Board of Education

Dallas County, Alabama

October 1, 2017 through September 30, 2018

Filed: January 17, 2020



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of the Selma City Board of Education, Dallas County, Alabama, for the period October 1, 2017 through September 30, 2018.

Sworn to and subscribed before me this
the 14th day of November, 2019.

Sandra J. Munden
Notary Public

Respectfully submitted,

Brent Mims

Brent Mims
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Selma City Board of Education
Dallas County, Alabama
October 1, 2017 through September 30, 2018**

The Selma City Board of Education (the “Board”) is governed by a five-member body elected by the citizens of the City of Selma. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Selma City public schools, preschool through high school.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129, and in compliance with the provisions of the *Code of Alabama 1975*, Section 45-24A-30(h).

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2018.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings, and it is summarized below.

- ◆ 2018-001 relates to the Board’s failure to report post-retirement employment to the Retirement Systems of Alabama as required by the *Code of Alabama 1975*, Section 16-25-26.

An instance on noncompliance relative to federal financial assistance programs was found (Exhibit 17) and it is summarized below.

- ◆ 2018-002 relates to the Board's failure to comply with Board policy and *Uniform Guidance* requirements for procurement transactions.

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Avis Williams, Superintendent; Grindal Harris, Chief School Financial Officer; Board Members: Johnny Moss, Danielle Wooten, Tanya Miles, Brenda Randolph-Obomanu and Phyllis Houser. Also in attendance were representatives from the Department of Examiners of Public Accounts: Emily Tyler, Audit Manager, and Brent Mims, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

Ref. No.	Finding/Noncompliance
2018-001	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-25-26, places certain restrictions on the employment or contract of persons who are retired and receive benefits from the Retirement Systems of Alabama (RSA). The RSA requires participating agencies to file an Employing Agency Annual Certification Post-Retirement Employment form each calendar year. The retiree name, compensation and information about the employment of the retiree are required elements of this form. During the audit period, the Board paid several persons who were retired and received benefits from the RSA. However, the Board did not file the required annual certification form. The Board did not have controls in place to ensure retiree compensation information was submitted to the RSA concerning post-retirement employment. As a result, compensation paid to affected retirees was not reported to RSA.</p> <p><u>Recommendation:</u> The Board should report all payments to retired individuals to RSA as required by the <i>Code of Alabama 1975</i>, Section 16-25-26.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of the Selma City Board of Education,
Superintendent and Chief School Financial Officer
Selma, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Selma City Board of Education, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Selma City Board of Education's basic financial statements, listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

The management of the Selma City Board of Education 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 Selma City Board of Education, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the fiscal year ended September 30, 2018, the Selma City Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, as amended by GASB Statement Number 85, ***Omnibus 2017***. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Contributions – Pension, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the Employer's Contributions – OPEB and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12) 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.

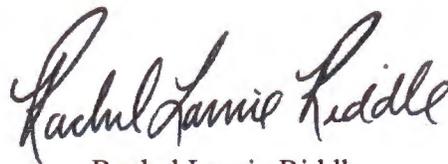
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Selma City Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis, and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, on our consideration of the Selma City Board of Education'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Selma City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Selma City Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 13, 2019

*Management's Discussion and Analysis
(Required Supplementary Information)*

SELMA CITY BOARD OF EDUCATION

Management Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of Selma City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2018. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Selma City Board of Education's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

Financial Highlights

General Fund expenditures and other fund uses exceeded revenues and other fund sources in fiscal year 2018 by (\$443,871.42) still resulting in a surplus ending fund balance of \$806,429.71. Existing Long-Term Liabilities continue to hinder the Board financially. A minimum fund balance equaling one month's operating balance is required by the School Fiscal Accountability Act enacted in 2006. At the end of fiscal year 2018, the one month's operating balance, which according to the State Department of Education calculations, equals \$2,220,409.00.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements – the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Position* presents information on all of the Board's assets and deferred outflows of resources less liabilities and deferred inflows of resources, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds – not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental Funds – Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* – are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general and special revenue funds which have a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

As noted earlier, the Selma City Board of Education has no business-type activities. Consequently, all of the Board's net position is reported as Governmental Activities.

Exhibit 1 Statement of Net Position

	Governmental Activities 09/30/2018	Governmental Activities 09/30/2017
Assets		
Current and Other Assets	\$ 16,589,048.64	\$ 16,441,467.58
Capital Assets	68,313,079.47	69,921,988.06
Total Assets	<u>84,902,128.11</u>	<u>86,363,455.64</u>
Deferred Outflows of Resources	<u>4,967,399.00</u>	<u>5,517,093.12</u>
Liabilities		
Current and Other Liabilities	2,432,962.11	2,512,722.83
Long-Term Liabilities	82,059,210.41	60,948,018.22
Total Liabilities	<u>84,492,172.52</u>	<u>63,460,741.05</u>
Deferred Inflows of Resources	<u>12,468,616.81</u>	<u>5,367,049.88</u>
Net Position		
Invested in Capital Assets	38,620,946.06	39,972,969.84
Restricted	9,533,318.89	8,801,310.31
Unrestricted	(55,245,527.17)	(25,721,522.32)
Total Net Position	<u>\$ (7,091,262.22)</u>	<u>\$ 23,052,757.83</u>

In fiscal year 2015, the Board adopted Governmental Account Standards Board Statement Number 68 (GASB 68), Accounting and Financial Reporting for Pensions. The provisions of GASB Statement Number 68 establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the Board's financial statements.

In fiscal year 2018, the Board adopted Governmental Account Standards Board Statement Number 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement Number 85, *Omnibus 2017*. The provisions of GASB Statement Number 75 establish accounting and financial reporting standards for postemployment benefits other than pensions that are provided to the employees of state and local governmental employers through plans that are administered through trusts. The adoption of this statement has a significant impact on the Board's financial statements.

The Board's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,091,262.22 at the close of the fiscal year. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold.

Restricted net position accounts for \$9,533,318.89 of total net position. Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use that net position for day-to-day operations. The balance of the unrestricted net position was (\$55,245,527.17) primarily due to the addition of pension liabilities with the adoption of GASB Statement Number 68. The Board also implemented GASB Statement Number 75, which established accounting and financial reporting standards for postemployment benefits other than pensions. The implementation of this Statement caused a significant decrease in the Board's net position.

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

**Exhibit 2
Statement of Activities**

	Governmental Activities 09/30/2018	Governmental Activities 09/30/2017
Revenues		
Program Revenues		
Charges for Services	\$ 3,048,657.24	\$ 3,356,056.99
Operating Grants and Contributions	24,987,607.99	26,074,090.44
Capital Grants and Contributions	1,948,920.00	993,898.00
General Revenues		
Property Taxes	3,212,060.01	3,253,687.33
Sales Tax	900,944.12	893,611.06
Alcohol Beverage Tax	11,114.17	106,936.34
Other Taxes	79,275.68	74,131.77
Federal and State Aid Not Restricted to Specific Purposes	440,987.80	399,205.36
Investment Earnings	281,275.72	235,593.00
Gain on Disposition of Capital Assets		
Other General Revenues	682,319.05	1,623,116.17
Total Revenues	35,693,161.78	37,010,326.46
Expenses		
Instructional Services	18,893,932.88	19,918,199.32
Instructional Support Services	5,779,779.37	5,710,059.66
Operation and Maintenance Services	4,094,585.24	3,795,925.08
Auxiliary Services:		
Student Transportation Services	386,542.88	367,161.06
Food Services	2,828,641.92	3,048,540.98
General Administrative Services	2,119,134.46	2,282,989.70
Interest and Fiscal Charges	1,430,174.07	1,439,298.06
Other	1,656,257.01	1,896,115.24
Total Expenses	37,189,047.83	38,458,289.10
Changes in Net Position	(1,495,886.05)	(1,447,962.64)
Net Position – Beginning, as Restated	(5,595,376.17)	24,500,720.47
Net Position – End of Year	\$ (7,091,262.22)	\$23,052,757.83

Program revenues total \$ 29,985,185.23, which mostly consists of operating grants and contributions, is the largest component of total revenues.

- ◆ Operating grants and contributions contribute \$24,987,607.99 of program revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- ◆ Capital grants and contributions totaling \$1,948,920.00 include state capital outlay funds and state fleet renewal funds.
- ◆ Charges for services totaling \$3,048,657.24 include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues totaling \$5,707,976.55, primarily property taxes and sales taxes, are used to provide for expenses not covered by program revenues.

- ◆ Instructional services expense, primarily salaries and benefits for classroom teachers, is the largest expense function of the Board. In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, professional development, and classroom instructional materials, supplies, and equipment.
- ◆ Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, library books, material, supplies, and equipment for instructional support staff, and professional development expenses.
- ◆ Operation and maintenance services includes utilities, security services, janitorial services, salaries and benefits for maintenance department employees, maintenance purchased services and supplies, and the purchase and upkeep of maintenance vehicles. The expense for insurance for Board owned vehicles, other than Student Transportation related vehicles, is also included in Operation and Maintenance services.
- ◆ Student transportation services includes bus drivers, mechanics, and bus aides' salaries and benefits, the purchase and upkeep of the bus fleet and mechanics' vehicles, as well as repair parts, fuel, and insurance for these vehicles.
- ◆ Food services includes salaries and benefits for cooks, cafeteria managers, Child Nutrition Program clerical staff, and the Child Nutrition Director, as well as donated and purchased food, food preparation and service supplies, kitchen and cafeteria equipment, and depreciation of equipment and facilities.
- ◆ General administrative services include salaries and benefits for the superintendent, assistants, clerical and accounting staff, and other personnel that provide system-wide support. Professional development expense, as well as material and supplies for these employees are included in General Administrative services. 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. Indirect cost paid to the Board by federal programs is considered an administrative service to the paying fund.
- ◆ Debt service includes interest and principal payments made toward existing long-term debt and other expense related to the issuance and continuation of debt.
- ◆ Other expenses include the salaries and benefits for extended day personnel, preschool resource personnel, health occupations personnel, testing personnel and summer feeding program personnel, as well as material, supplies, equipment, related depreciation, and other expenses associated with these programs.

Net position decreased by \$1,495,886.05 in fiscal year 2018. Total revenues decreased by \$1,317,164.68 for fiscal year 2018. General revenues increased by \$878,304.48 and program revenues decreased by \$438,860.20. However, net position decreased as a result of total expenditures exceeding total revenues in 2018.

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? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$10,722,034.72. Approximately \$806,429.71 of this amount constitutes unassigned fund balance of the General Fund, which is available as of the end of the fiscal year for spending on future operations.

General Fund – The General Fund is the primary operating fund of the Board. The General Fund balance decreased due to falls in sales taxes, property taxes, and other state generated funding.

Special Revenue Fund – This fund accounts for proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest and the accumulation of resources for principal and interest payments maturing in the future years.

General Fund Budgetary Highlights

The original 2018 fiscal year budget, adopted in September 2017, was based on a “bare bones” approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget figures were amended when revenues or expenditures exceeded 10%. Over the course of the year, the Board revised the annual operating budgets twice. The differences between the original budget and the final amended budget of the Board were relatively minor.

Amendment #1 was necessary to budget additional state and federal awards, to include Federal Programs carryover balances, and to make adjustments in certain line items.

Amendment #2 was approved for adjusting line items, to include late awards, and to correct critical coding errors.

Capital Assets and Debt Administration

Capital Assets – At September 30, 2018, the Board had approximately \$68,313,079.47 invested in capital assets including land, buildings, building improvements, construction in progress costing \$50,000.00 or more; vehicles and equipment costing \$5,000.00 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

Table II: Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 1,029,895.71	\$	\$	\$ 1,029,895.71
Construction in Progress		227,414.13		227,414.13
Total Capital Assets, Not Being Depreciated	1,029,895.71	227,414.13		1,257,309.84
Capital Assets Being Depreciated:				
Buildings	71,832,133.20			71,832,133.20
Building Improvements	9,512,279.53			9,512,279.53
Equipment and Furniture	2,405,817.56	153,066.00		2,558,883.56
Vehicles	831,738.62	200,310.00		1,032,048.62
Total Capital Assets, Being Depreciated	84,581,968.91	353,376.00		84,935,344.91
Less Accumulated Depreciation for:				
Buildings	12,014,022.97	1,730,185.35		13,744,208.32
Buildings Improvements	813,944.08	310,475.86		1,124,419.94
Equipment and Furniture	2,107,861.52	111,249.32		2,219,110.84
Vehicles	754,047.99	37,788.19		791,836.18
Total Accumulated Depreciation	15,689,876.56	2,189,698.72		17,879,575.28
Total Capital Assets Being Depreciated, Net	68,892,092.35	(1,836,322.72)		67,055,769.63
Total Governmental Activities Capital Assets, Net	\$69,921,988.06	\$(1,608,908.59)	\$	\$68,313,079.47

Long-Term Debt – At year-end, the Board had \$29,692,133.41 in warrants, bonds and other long-term debt outstanding. (Additional information on the Board's long-term debt is presented in the notes to the basic financial statements).

Table I: Long-term liability balances and activities for the year ended September 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$29,949,018.22	\$	\$ 256,884.81	\$29,692,133.41	\$218,446.18
Total Bonds and Notes Payable	29,949,018.22		256,884.81	29,692,133.41	218,446.18
Other Liabilities:					
Net Pension Liability	30,999,000.00		3,983,000.00	27,016,000.00	
Net OPEB Liability	29,476,704.00		4,125,627.00	25,351,077.00	
Total Other Liabilities	60,475,704.00		8,108,627.00	52,367,077.00	
Total Governmental Activities					
Long-Term Liabilities	\$90,424,722.22	\$	\$8,365,511.81	\$82,059,210.41	\$218,446.18

Long-term debt activity consists of:

- ◆ Selma City Board of Education participated in the Series 2008-A Capital Improvement Bond Issuance by leveraging \$200,000 of its Public School Fund (PSF) capital funds to receive \$2,720,996.00 for the purpose of assisting with the construction of Selma High School. These bonds were partially refunded in fiscal year 2015 with the issuance of the 2015-B Capital Improvement Pool Refunding Bonds. We have QSCB for \$20,000,000.00 and QZAB for \$2,600,000.00. The Board has met its financial obligation for the Certificate of Participation (\$2M). In fiscal year 2015, the Board issued the School Tax Warrants, Series 2015-A, in the amount of \$5,915,000.00. These are the Bonds and Warrants Payable.

Economic Factors and Next Year's Budget

The following are currently known Selma City economic factors considered in going into the 2018-2019 Fiscal Year.

- ◆ The unemployment rate in Dallas County for February 2019, was 7.3 percent. Dallas County's unemployment rate compares unfavorably to the State's average unemployment rate of 3.8 percent for February 2019.
- ◆ The population in Selma City as of the year 2010 census was 20,756 and by 2017 it had shrunk by 11.5% to 18,370. The ADM has decreased about 17.5% the last 5 years from 3810 to 3142. The decennial census performed by the U. S. Census Bureau is unofficial at this point in time.
- ◆ Selma City Board of Education has weathered the economic recession well with conservative spending and allocation of resources. However, uncertainty exists in the area of state funding in the 2018-2019 fiscal year due to increasing expenditures and fringe benefits. This uncertainty has caused the Board to budget for continued cautious spending for the 2019 fiscal year.

Student Enrollment – The latest student enrollment figure as of the twenty-day report in the 2018-2019 school year was 3,142.10; which was a decrease of approximately 220 students from the previous years’ data.

ADM	Fiscal Year
3,142	2019
3,362	2018
3,551	2017
3,589	2016
3,810	2015

Medical and Retirement Costs – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP).

Year	Retirement Percentage	PEEHIP Per Month
2019 Tier I	12.41%	\$800.00
2019 Tier II	11.35%	\$800.00
2018 Tier I	12.24%	\$800.00
2018 Tier II	11.01%	\$800.00
2017 Tier I	12.01%	\$800.00
2017 Tier II	10.82%	\$800.00
2016 Tier I	11.94%	\$780.00
2016 Tier II	10.84%	\$780.00
2015 Tier I	11.71%	\$780.00
2015 Tier II	11.05%	\$780.00

Contacting the School Board’s Financial Management

This financial report is designed to provide 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 financial information, contact Grindal D. Harris, Chief School Financial Officer at 2194 Broad Street, Selma, AL 36701 or by calling 334 876-4420 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:30 p.m., Central Standard Time.

Basic Financial Statements

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Statement of Net Position
September 30, 2018

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 12,374,415.67
Investments	46,250.41
Ad Valorem Property Taxes Receivable	3,342,018.76
Receivables (Note 4)	750,332.68
Inventories	76,031.12
Capital Assets (Note 5):	
Nondepreciable	1,257,309.84
Depreciable, Net	67,055,769.63
Total Assets	<u>84,902,128.11</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	2,049,294.00
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,113,000.00
Employer OPEB Contribution	805,105.00
Total Deferred Outflows of Resources	<u>4,967,399.00</u>
<u>Liabilities</u>	
Accounts Payable	200,371.32
Unearned Revenue	17,901.99
Salaries and Benefits Payable	2,214,688.80
Long-Term Liabilities (Note 9):	
Portion Due or Payable Within One Year	218,446.18
Portion Due or Payable After One Year	81,840,764.23
Total Liabilities	<u>84,492,172.52</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	3,342,018.76
Revenue Received in Advance - Motor Vehicle Taxes	92,033.05
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	4,537,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	4,497,565.00
Total Deferred Inflows of Resources	<u>12,468,616.81</u>
<u>Net Position</u>	
Net Investment in Capital Assets	38,620,946.06
Restricted for:	
Debt Service	9,129,747.16
Capital Projects	5,859.47
Other Purposes	397,712.26
Unrestricted	<u>(55,245,527.17)</u>
Total Net Position	<u>\$ (7,091,262.22)</u>

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

Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 18,893,932.88	\$ 153,479.94	\$ 15,305,894.83
Instructional Support	5,779,779.37	109,081.94	5,169,201.66
Operation and Maintenance	4,094,585.24	164,661.99	1,498,335.15
Auxiliary Services:			
Student Transportation	386,542.88	56,831.28	249,727.84
Food Service	2,828,641.92	2,395,939.83	143,599.11
General Administrative and Central Support	2,119,134.46	3,394.10	1,354,315.52
Interest and Fiscal Charges	1,430,174.07		
Other Expenses	1,656,257.01	165,268.16	1,266,533.88
Total Governmental Activities	<u>\$ 37,189,047.83</u>	<u>\$ 3,048,657.24</u>	<u>\$ 24,987,607.99</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Sales Tax

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 12)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 1,912,302.00	\$ (1,522,256.11)
17,588.00	(501,495.77)
19,030.00	(2,414,000.10)
	(60,953.76)
	(289,102.98)
	(761,424.84)
	(1,430,174.07)
	(224,454.97)
<u>\$ 1,948,920.00</u>	<u>(7,203,862.60)</u>

3,212,060.01
900,944.12
111,114.17
79,275.68
440,987.80
281,275.72
682,319.05
<u>5,707,976.55</u>
(1,495,886.05)
<u>(5,595,376.17)</u>
<u>\$ (7,091,262.22)</u>

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,700,123.77	\$ 538,685.27
Investments		46,250.41
Ad Valorem Property Taxes Receivable	3,342,018.76	
Receivables (Note 4)	334,873.57	415,459.11
Interfund Receivables	67,065.70	
Inventories		76,031.12
Total Assets	<u>6,444,081.80</u>	<u>1,076,425.91</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	117,099.56	83,271.76
Interfund Payables		67,065.70
Unearned Revenues		17,901.99
Salaries and Benefits Payable	2,086,500.72	128,188.08
Total Liabilities	<u>2,203,600.28</u>	<u>296,427.53</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	3,342,018.76	
Revenue Received in Advance - Motor Vehicle Taxes	92,033.05	
Total Deferred Inflows of Resources	<u>3,434,051.81</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		76,031.12
Restricted:		
Debt Service		
Capital Projects		
Child Nutrition		321,681.14
Assigned to:		
Local Schools		382,286.12
Unassigned	806,429.71	
Total Fund Balances	<u>806,429.71</u>	<u>779,998.38</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,444,081.80</u>	<u>\$ 1,076,425.91</u>

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

Debt Service Fund	Other Governmental Fund	Total Governmental Funds
\$ 9,129,747.16	\$ 5,859.47	\$ 12,374,415.67
		46,250.41
		3,342,018.76
		750,332.68
		67,065.70
		76,031.12
<u>9,129,747.16</u>	<u>5,859.47</u>	<u>16,656,114.34</u>
		200,371.32
		67,065.70
		17,901.99
		<u>2,214,688.80</u>
		<u>2,500,027.81</u>
		3,342,018.76
		<u>92,033.05</u>
		<u>3,434,051.81</u>
		76,031.12
9,129,747.16		9,129,747.16
	5,859.47	5,859.47
		321,681.14
		382,286.12
		806,429.71
<u>9,129,747.16</u>	<u>5,859.47</u>	<u>10,722,034.72</u>
<u>\$ 9,129,747.16</u>	<u>\$ 5,859.47</u>	<u>\$ 16,656,114.34</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2018***

Total Fund Balances - Governmental Funds \$ 10,722,034.72

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

To Cost of Capital Assets is	\$ 86,192,654.75	
Accumulated Depreciation is	<u>(17,879,575.28)</u>	68,313,079.47

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	(374,706.00)
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Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.	(3,692,460.00)
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Long-term liabilities, including net pension and OPEB obligations and warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Current Portion of Long-Term Debt	\$ 218,446.18	
Noncurrent Portion of Long-Term Debt	<u>81,840,764.23</u>	<u>(82,059,210.41)</u>

Total Net Position - Governmental Activities	<u><u>\$ (7,091,262.22)</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 20,450,079.73	\$
Federal	392,720.35	6,318,022.94
Local	5,060,192.57	1,148,287.29
Other	50,562.15	56,011.45
Total Revenues	25,953,554.80	7,522,321.68
<u>Expenditures</u>		
Current:		
Instruction	14,317,961.11	2,278,831.65
Instructional Support	4,614,269.27	1,115,740.00
Operation and Maintenance	3,703,179.20	170,309.62
Auxiliary Services:		
Student Transportation	247,058.16	99,431.32
Food Service		3,083,591.48
General Administrative and Central Support	1,766,190.75	415,993.41
Other	752,673.34	842,763.19
Capital Outlay	342,248.13	48,732.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs/Other Debt Service		
Total Expenditures	25,743,579.96	8,055,392.67
Excess (Deficiency) of Revenues Over Expenditures	209,974.84	(533,070.99)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	376,170.08	
Transfers In	79,481.76	200,000.00
Transfers Out	(1,109,498.10)	(79,481.76)
Total Other Financing Sources (Uses)	(653,846.26)	120,518.24
Net Changes in Fund Balances	(443,871.42)	(412,552.75)
Fund Balances - Beginning of Year	1,250,301.13	1,192,551.13
Fund Balances - End of Year	\$ 806,429.71	\$ 779,998.38

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

Debt Service Fund	Other Governmental Fund	Total Governmental Funds
\$ 1,600,489.23	\$ 346,140.77	\$ 22,396,709.73
		6,710,743.29
270,252.10	5.84	6,478,737.80
	397.36	106,970.96
<u>1,870,741.33</u>	<u>346,543.97</u>	<u>35,693,161.78</u>
		16,596,792.76
		5,730,009.27
	128,150.50	4,001,639.32
		346,489.48
		3,083,591.48
		2,182,184.16
		1,595,436.53
	189,810.00	580,790.13
135,000.00	121,884.81	256,884.81
1,350,820.00	77,472.82	1,428,292.82
1,881.25		1,881.25
<u>1,487,701.25</u>	<u>517,318.13</u>	<u>35,803,992.01</u>
<u>383,040.08</u>	<u>(170,774.16)</u>	<u>(110,830.23)</u>
		376,170.08
909,498.10		1,188,979.86
		<u>(1,188,979.86)</u>
<u>909,498.10</u>		<u>376,170.08</u>
1,292,538.18	(170,774.16)	265,339.85
<u>7,837,208.98</u>	<u>176,633.63</u>	<u>10,456,694.87</u>
<u>\$ 9,129,747.16</u>	<u>\$ 5,859.47</u>	<u>\$ 10,722,034.72</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ 265,339.85

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

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

Capital Outlays	\$ 580,790.13	
Depreciation Expense	<u>(2,189,698.72)</u>	(1,608,908.59)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 256,884.81

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.

Pension Expense, Current Year Increase/(Decrease)	\$ 13,799.12	
OPEB Expense, Current Year Increase/(Decrease)	<u>395,403.00</u>	<u>(409,202.12)</u>

Change in Net Position of Governmental Activities \$ (1,495,886.05)

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a board composed of four members elected from municipal districts and a chairman elected at large 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 of Selma.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor fund in the Other Governmental Fund column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program, in addition to various smaller grants which are required to be spent for the purposes of the applicable federal grants. Also, included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Board reports the following fund type in the Other Governmental Fund column:

Governmental Fund Type

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

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

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 the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit. The Board's investments consisted of certificates of deposit that are reported at fair value. Amounts held and invested by fiscal agents are reported at cost.

2. Receivables

Millage rates for property taxes are levied by the City of Selma and the Dallas County Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the City of Selma and the Dallas County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and amounts due for reimbursements of services provided.

3. Inventories

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

4. Restricted Assets

Included in cash on the balance sheet are certain assets which are restricted. Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are restricted because they are maintained separately, and their use is limited. The Fleet Renewal and Bond Issue Payments funding sources are used to report proceeds that are restricted for use in construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

Notes to the Financial Statements
For the Year Ended September 30, 2018

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$50,000.00	25 – 50 years
Building Improvements	\$50,000.00	5 – 30 years
Equipment and Furniture	\$ 5,000.00	5 – 20 years
Vehicles	\$ 5,000.00	8 – 15 years
Equipment Under Capital Lease	\$ 5,000.00	5 – 20 years

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Warrants payable are reported at gross.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Notes to the Financial Statements

For the Year Ended September 30, 2018

8. Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn ten days of vacation leave per fiscal year. Unused leave days may be carried over to the next year with the Superintendent's approval.

9. Deferred Inflows of Resources

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

10. Net Position/Fund Balances

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

E. Pensions

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

F. Other Postemployment Benefits (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, motor vehicle ad valorem tax revenues are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Special Revenue Fund budgets on a basis of accounting consistent with GAAP 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. All appropriations lapse at fiscal year-end.

Notes to the Financial Statements
For the Year Ended September 30, 2018

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

Note 3 – Deposits and Investments

A. Deposits

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

B. Cash with Fiscal Agent

The Board has deposits totaling \$9,130,279.04 in the Debt Service Fund and Other Governmental Funds which is included in Cash and Cash Equivalents on the financial statements.

Investment	Maturity	Value
Morgan Stanley Institutional Liquidity Funds – Treasury Portfolio	Varies	\$58,626.12
Total		\$58,626.12

Cash with fiscal agent also includes \$1,044,210.53 of QZAB, Series 2011-A funds and \$8,027,442.39 of QSCB Series 2009-D funds that are held by the State of Alabama for future debt payments.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices. The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio is rated AAA-mf by Moody’s Investor Services.

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

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

Note 4 – Receivables

On September 30, 2018, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Total Governmental Funds
Receivables:			
Accounts Receivable	\$ 808.22	\$	\$ 808.22
Intergovernmental	334,065.35	415,459.11	749,524.46
Total Receivables	<u>\$334,873.57</u>	<u>\$415,459.11</u>	<u>\$750,332.68</u>

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 5 – Capital Assets

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

	Balance 10/01/2017	Additions	Retirements	Balance 09/30/2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,029,895.71	\$	\$	\$ 1,029,895.71
Construction in Progress		227,414.13		227,414.13
Total Capital Assets, Not Being Depreciated	1,029,895.71	227,414.13		1,257,309.84
Capital Assets Being Depreciated:				
Buildings	71,832,133.20			71,832,133.20
Building Improvements	9,512,279.53			9,512,279.53
Equipment and Furniture	2,405,817.56	153,066.00		2,558,883.56
Vehicles	831,738.62	200,310.00		1,032,048.62
Total Capital Assets Being Depreciated	84,581,968.91	353,376.00		84,935,344.91
Less Accumulated Depreciation for:				
Buildings	(12,014,022.97)	(1,730,185.35)		(13,744,208.32)
Building Improvements	(813,944.08)	(310,475.86)		(1,124,419.94)
Equipment and Furniture	(2,107,861.52)	(111,249.32)		(2,219,110.84)
Vehicles	(754,047.99)	(37,788.19)		(791,836.18)
Total Accumulated Depreciation	(15,689,876.56)	(2,189,698.72)		(17,879,575.28)
Total Capital Assets Being Depreciated, Net	68,892,092.35	(1,836,322.72)		67,055,769.63
Total Governmental Activities Capital Assets, Net	\$ 69,921,988.06	\$(1,608,908.59)	\$	\$ 68,313,079.47

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$2,045,479.34
Instructional Support	4,580.72
Operation and Maintenance	67,620.43
Auxiliary Services:	
Student Transportation	35,517.04
Food Service	613.31
Other	35,887.88
Total Depreciation Expense – Governmental Activities	\$2,189,698.72

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Title 16, Chapter 25, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

Participating employers' contractually required contribution rate for the year ended September 30, 2018, was 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,049,294.00 for the year ended September 30, 2018.

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

At September 30, 2018, the Board reported a liability of \$27,016,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2017, the Board's proportion was 0.274876%, which was a decrease of 0.011463% from its proportion measured as of September 30, 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2018

For the year ended September 30, 2018, the Board recognized pension expense of \$2,063,000.00. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$1,158,000.00
Changes of assumptions	1,612,000.00	
Net difference between projected and actual earnings on pension plan investments		1,615,000.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions	501,000.00	1,764,000.00
Employer contributions subsequent to the measurement date	2,049,294.00	
Total	\$4,162,294.00	\$4,537,000.00

The \$2,049,294.00 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2019	\$(522,000)
2020	\$ (22,000)
2021	\$(983,000)
2022	\$(824,000)
2023	\$ (73,000)
Thereafter	\$

Notes to the Financial Statements

For the Year Ended September 30, 2018

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2016, and rolled forward in accordance with GASB Statement Number 67 to the measurement date of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.75%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

Post-retirement mortality rates for service requirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%		

Notes to the Financial Statements

For the Year Ended September 30, 2018

F. Discount Rate

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

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

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Board's proportionate share of collective net pension liability	\$37,264	\$27,016	\$18,347
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2017. The auditor's report dated August 20, 2018, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2017, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

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

C. Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

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

At September 30, 2018, the Board reported a liability of \$25,351,077.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the Board's proportion was 0.341317%, which was a decrease of 0.025663% from its proportion measured as of September 30, 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2018

For the year ended September 30, 2018, the Board recognized OPEB expense of \$1,200,508.00, with no special funding situations. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$	\$2,632,200.00
Net difference between projected and actual earnings on OPEB plan investments		134,971.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions		1,730,394.00
Employer contributions subsequent to the measurement date	805,105.00	
Total	\$805,105.00	\$4,497,565.00

The \$805,105.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
September 30, 2019	\$(867,892.00)
2020	\$(867,892.00)
2021	\$(867,892.00)
2022	\$(867,892.00)
2023	\$(834,149.00)
Thereafter	\$(191,848.00)

Notes to the Financial Statements

For the Year Ended September 30, 2018

E. Actuarial Assumptions

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

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.57%
Municipal Bond Index Rate at the Prior Measurement Date	2.93%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2042
Single Equivalent Interest Rate the Measurement Date	4.63%
Single Equivalent Interest Rate the Prior Measurement Date	4.01%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022

(1) Includes 3.00% wage inflation.

(2) Compounded annually, net of investment expense, and includes inflation.

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	
(*) Geometric mean, includes 2.5% inflation		

Notes to the Financial Statements

For the Year Ended September 30, 2018

F. Discount Rate

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

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

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

	1% Decrease 6.75% Decreasing to 4% for Pre-Medicare, 4% for Medicare Eligible, and 1% Optional Plans)	Current Healthcare Trend Rate (7.75% Decreasing to 5% for Pre-Medicare, 5% for Medicare Eligible, and 2% for Optional Plans)	1% Increase 8.75% Decreasing to 6% for Pre-Medicare, 6% for Medicare Eligible, and 3% Optional Plans)
Board's proportionate share of collective net OPEB liability	\$20,467,987	\$25,351,077	\$31,651,601

Notes to the Financial Statements
For the Year Ended September 30, 2018

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.63%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.63%)	Current Rate (4.63%)	1% Increase (5.63%)
Board's proportionate share of the collective net OPEB liability	\$30,644,178	\$25,351,077	\$21,131,815

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Unearned Revenues

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2018, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned Revenues
Supporting Effective Instruction Grant	\$16,826.34
Child Nutrition Program Prepaid Meals	1,075.65
Total Unearned Revenue for Governmental Funds	<u>\$17,901.99</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 9 – Long-Term Debt

On May 5, 2015, the Alabama Public School and College Authority, on behalf of various Boards of Education in the pool, issued \$47,610,000 in Capital Improvement Pool Refunding Bonds Series 2015-B (“Series 2015-B”), with interest rates ranging from 3.00% to 5.00% to partially refund \$29,790,000 of outstanding Capital Improvement Bonds Series 2008-A with interest rates ranging from 3.25% to 4.25%. The Board had 3.2286% participation in the bonds, resulting in the Board’s share of the principal, issuance costs, and premium of \$1,537,133.41, \$8,775.16 and \$300,590.15, respectively. The Alabama Department of Education withholds the required debt service payments from the Board’s Public School Fund allocation.

During the fiscal year 2015, the Board authorized the issuance of the School Tax Warrants, Series 2015-A, dated July 20, 2015, in the amount of \$5,915,000.00 for the purpose of acquiring and constructing certain energy saving improvements to school buildings and related equipment.

During fiscal year 2011, the Board authorized the issuance of its Capital Improvement Pool QZAB Bonds, Series 2011A, dated June 2, 2011 in the amount of \$2,600,000 to evidence the Board’s obligation to repay the Alabama Public School and College Authority for a Special Pool Loan in the amount of \$2,600,000. Pursuant to the Special Pool Loan Agreement, payments shall be made from a pledge of the Public School Fund Capital Purchase Funds that are allocated to the Board. Beginning on May 1, 2012 and ending May 1, 2026, the Selma City Board of Education is required to make fifteen (15) level installment deposits of \$130,248.60 into a sinking fund to provide for the payment of principal at the maturity date, whereupon the Board’s obligation will be satisfied. Any failure to realize the expected return could result in an increase in the required sinking fund deposits. Deposits made into the sinking fund shall remain the property of the Board pledged for repayment of the Special Pool Loan. The interest rates on these bonds are 4.60%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. After paying issuance cost of \$9,700.00, the Board’s net proceeds totaling \$2,590,300.00 was deposited in a Project Account to be used only for qualified purposes with respect to Qualified Zone Academies including the renovation of career tech, band, choir and physical education buildings at Selma High School.

On August 26, 2010, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2010, on behalf of various Boards of Education in the State. The Board had a 12.93% participation in the bonds resulting in the Board’s share of principal, issuance costs and net proceeds. The Board is required to make sinking fund deposits of \$891,288.13 on September 1st of each year for seventeen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board’s allocable share of Public School Capital Outlay Funds.

Notes to the Financial Statements

For the Year Ended September 30, 2018

In the 2008 fiscal year, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2008A, 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 bonds provide funds for the acquisition, construction and renovation of school facilities. These bonds were partially refunded by the Capital Improvement Pool Bonds, Series 2015-B in fiscal year 2015.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2018:

	Debt Outstanding 10/01/2017 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2018	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
Capital Improvement Pool QZAB Bonds, Series 2011A	\$ 2,600,000.00	\$	\$	\$ 2,600,000.00	\$
Qualified School Construction Bonds, Series 2010	20,000,000.00			20,000,000.00	
Capital Improvement Pool Bonds, Series 2008A	121,884.81		(121,884.81)		
School Tax Warrants, Series 2015-A	5,690,000.00		(135,000.00)	5,555,000.00	150,000.00
Capital Improvement Pool Refunding Bonds, Series 2015-B	1,537,133.41			1,537,133.41	68,446.18
Total Bonds/Warrants Payable	29,949,018.22		(256,884.81)	29,692,133.41	218,446.18
Other Liabilities:					
Net Pension Liability	30,999,000.00		(3,983,000.00)	27,016,000.00	
Net OPEB Liability	29,476,704.00		(4,125,627.00)	25,351,077.00	
Total Other Liabilities	60,475,704.00		(8,108,627.00)	52,367,077.00	
Total Governmental Activities Long-Term Liabilities	\$90,424,722.22	\$	\$(8,365,511.81)	\$82,059,210.41	\$218,446.18
(*) Beginning balances were restated due to the implementation of GASB Statement Number 75. See Note 12.					

The payments on the Capital Improvement Pool QZAB Bonds, Series 2011A and the Qualified School Construction Bonds, Series 2010, are made using proceeds from the Public School Funds allocated by the State Department of Education and local revenues. Payments on the Capital Improvement Pool Bonds, Series 2008A, and Capital Improvements Refunding Bonds, Series 2015-B, are made using the Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on the School Tax Warrant, Series 2015-A, are made using the special ad valorem tax levied by the City of Selma.

Notes to the Financial Statements
For the Year Ended September 30, 2018

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

Fiscal Year Ending	Bonds and Warrants Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2019	\$ 218,446.18	\$ 1,423,307.48	\$ 1,641,753.66
2020	285,753.72	1,416,885.18	1,702,638.90
2021	306,888.05	1,407,397.50	1,714,285.55
2022	323,506.67	1,397,303.10	1,720,809.77
2023	345,609.57	1,386,492.76	1,732,102.33
2024-2028	24,713,470.08	5,454,793.20	30,168,263.28
2029-2033	1,983,459.14	2,724,503.78	4,707,962.92
2034-2036	1,515,000.00	124,000.00	1,639,000.00
Totals	<u>\$29,692,133.41</u>	<u>\$15,344,683.00</u>	<u>\$45,026,816.41</u>

Pledged Revenues

The Board pledged to repay the School Tax Warrants, Series 2015-A, from their share of the 3.5 mill county-wide ad valorem tax and the 5 mill county-wide ad valorem tax and from the proceeds of the 3 mill special district tax and 7.4 mill special ad valorem tax. Future revenues of \$8,014,425.00 are pledged to repay the remaining principal and interest on the warrants at September 30, 2018. Proceeds of the pledged ad valorem taxes in the amount of \$2,694,577.57 were received by the Board during the fiscal year ended September 30, 2018, of which \$336,220.00 was used to pay principal and interest due on the bonds. The Series 2015-A School Tax Warrants will mature in fiscal year 2036.

On May 5, 2016, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2015-B, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to partially refund, on a current basis, the Board's Series 2008-A Capital Improvement Pool Bonds. Future revenues in the amount of \$2,005,991.41 are pledged to repay the remaining principal and interest on the bonds at September 30, 2018. Proceeds of the Public School Fund allocation in the amount \$934,377.00 were received by the Board during the fiscal year ended September 30, 2018, of which \$75,187.48 was used to pay interest due on the bonds. The Capital Improvement Pool Bonds, Series 2015-B, will mature in fiscal year 2029.

Notes to the Financial Statements
For the Year Ended September 30, 2018

The Board had participation in the Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011A, issued by the Alabama Public School and College Authority. The Board's sinking fund deposits are pledged to be repaid with the Board's allocation share of Public School Capital Outlay Funds. The proceeds of the bonds were used for renovating several buildings at Selma High School. Future revenues in the amount of \$3,676,400.00 are pledged to repay the principal and interest on the bonds at September 30, 2018. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$934,377.00 were received by the Board during the fiscal year ending September 30, 2018, of which \$8,073.00 was used to pay interest on the bonds. The Qualified Zone Academy Bonds, Series 2011A, will mature in fiscal year 2026.

The Board had participation in the Capital Outlay Pool Qualified Construction Bonds, Series 2010, issued by the Alabama Public School and College Authority. The Board's sinking fund deposits and interest payments are pledged to be repaid with the Board's allocation share of Public School Capital Outlay Funds. The proceeds of the bonds were used to construct a new Selma High School. Future revenues in the amount of \$31,330,000.00 are pledged to repay the principal and interest on the bonds at September 30, 2018. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$934,377.00 were received by the Board during the fiscal year ending September 30, 2018, of which \$148,304.00 was used to pay interest on the bonds. The Capital Outlay Pool Qualified Construction Bonds, Series 2010, will mature in fiscal year 2027.

The Board issued Capital Improvement Pool Bonds, Series 2008-A, which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the construction, acquisition and renovation of school facilities. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$934,377.00 were received by the Board during the fiscal year ending September 30, 2018, of which \$124,170.15 was used to pay principal and interest on the bonds during the fiscal year ended September 30, 2018. The Capital Improvement Pool Bonds, Series 2008A, matured in fiscal year 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 10 – Risk Management

The Board is exposed to various risk 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 state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance is carried through a private carrier. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education, a public entity risk pool. The Alabama Trust for Boards of Education collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2018, were as follows:

	Interfund Receivables	
	General Fund	Totals
Interfund Payables:		
Special Revenue Fund	\$67,065.70	\$67,065.70
Totals	\$67,065.70	\$67,065.70

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

	Transfers Out		
	General Fund	Special Revenue Fund	Total
Transfers In:			
General Fund	\$	\$79,481.76	\$ 79,481.76
Special Revenue Fund	200,000.00		200,000.00
Debt Service Fund	909,498.10		909,498.10
Totals	\$1,109,498.10	\$79,481.76	\$1,188,979.86

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 12 – Restatement

In fiscal year 2018, the Board adopted Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement Number 85, *Omnibus 2017*. The provisions of this Statement establish accounting and financial reporting standards for postemployment benefits other than pensions that are provided to the employees of state and local governmental employers through plans that are administered through trusts. The adoption of this statement has a significant impact on the Board’s financial statements. For fiscal year 2018, the Board made prior period adjustments, due to the adoption of GASB Statement Number 75, which required the restatement of the September 30, 2017, net position in governmental activities.

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

	Total
Governmental Activities Net Position, September 30, 2017, as Previously Reported	\$ 23,052,757.83
<u>Restatement Due to Adoption of GASB Statement Number 75:</u>	
Proportionate Share of Collective Net OPEB Liability	(27,476,704.00)
Employer OPEB Contributions 2017	828,570.00
Governmental Activities Net Position, September 30, 2017, as Restated	<u>\$ (5,595,376.17)</u>

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Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the Collective
Net Pension Liability
For the Year Ended September 30, 2018
(Dollar amounts in thousands)***

	2018	2017
Employer's proportion of the collective net pension liability	0.274876%	0.286339%
Employer's proportionate share of the collective net pension liability	\$ 27,016	\$ 30,999
Employer's covered payroll during the measurement period (*)	\$ 18,213	\$ 18,195
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	148.33%	170.37%
Plan fiduciary net position as a percentage of the total collective pension liability	71.50%	67.93%

(*) Employer's covered payroll during the measurement period is the total covered payroll (See GASB Statement Number 82). For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

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

	2016		2015
	0.298860%		0.286772%
\$	31,278	\$	26,052
\$	18,888	\$	18,196
	165.60%		143.17%
	67.51%		71.01%

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2018
(Dollar amounts in thousands)

	2018	2017
Contractually required contribution	\$ 2,049	\$ 2,152
Contributions in relation to the contractually required contribution	\$ 2,049	\$ 2,152
Contribution deficiency (excess)	\$	\$
Employer's covered payroll	\$ 17,344	\$ 18,213
Contributions as a percentage of covered payroll	11.81%	11.82%

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



2016		2015	
\$	2,152	\$	2,205
\$	2,152	\$	2,205
\$		\$	
\$	18,195	\$	18,888
	11.83%		11.67%

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***Schedule of the Employer's Proportionate Share of the Collective
Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2018
(Dollar amounts in thousands)***

	2018
Employer's proportion of the collective net OPEB liability	0.341317%
Employer's proportionate share of the collective net OPEB liability	\$ 25,351
Employer's covered-employee payroll during the measurement period (*)	\$ 17,596
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	144.07%
Plan fiduciary net position as a percentage of the total collective OPEB liability	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered-employee payroll.
For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

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

Schedule of the Employer's Contributions - OPEB
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2018
(Dollar amounts in thousands)

	2018
Contractually required contribution	\$ 805
Contributions in relation to the contractually required contribution	<u>\$ 805</u>
Contribution deficiency (excess)	\$
Employer's covered-employee payroll	\$ 16,478
Contributions as a percentage of covered-employee payroll	4.89%

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

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2018***

Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Part D (MAPD) plan.

The Health Plan was changed in 2017 to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 20,128,814.00	\$ 20,163,814.00	\$ 20,556,298.97
Federal	54,000.00	54,000.00	286,501.11
Local	4,597,620.00	4,749,120.00	5,048,457.45
Other	50,000.00	45,000.00	50,562.15
Total Revenues	<u>24,830,434.00</u>	<u>25,011,934.00</u>	<u>25,941,819.68</u>
Expenditures			
Current:			
Instruction	14,911,130.00	14,908,420.00	14,493,781.08
Instructional Support	4,277,443.00	4,314,153.00	4,615,712.30
Operation and Maintenance	3,241,525.00	3,313,325.00	3,700,989.52
Auxiliary Services:			
Student Transportation	219,546.00	219,546.00	248,362.78
General Administrative and Central Support	1,821,559.00	1,850,138.58	1,771,669.83
Other	590,437.00	590,437.00	759,144.79
Capital Outlay		235,199.00	342,248.13
Total Expenditures	<u>25,061,640.00</u>	<u>25,431,218.58</u>	<u>25,931,908.43</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(231,206.00)</u>	<u>(419,284.58)</u>	<u>9,911.25</u>
Other Financing Sources (Uses)			
Indirect Cost	425,227.00	444,879.65	376,170.08
Transfers In			79,481.76
Transfers Out	(1,918,225.86)	(1,417,269.57)	(1,109,498.10)
Total Other Financing Sources (Uses)	<u>(1,492,998.86)</u>	<u>(972,389.92)</u>	<u>(653,846.26)</u>
Net Change in Fund Balances	(1,724,204.86)	(1,391,674.50)	(643,935.01)
Fund Balances - Beginning of Year	3,020,327.27	3,628,898.49	3,628,898.49
Fund Balances - End of Year	<u>\$ 1,296,122.41</u>	<u>\$ 2,237,223.99</u>	<u>\$ 2,984,963.48</u>

Explanation of differences:

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

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 20,450,079.73
	392,720.35
11,735.12	5,060,192.57
	50,562.15
<u>11,735.12</u>	<u>25,953,554.80</u>

(175,819.97)	14,317,961.11
(1,443.03)	4,614,269.27
2,189.68	3,703,179.20
(1,304.62)	247,058.16
(5,479.08)	1,766,190.75
(6,471.45)	752,673.34
	342,248.13
<u>(188,328.47)</u>	<u>25,743,579.96</u>

<u>200,063.59</u>	<u>209,974.84</u>
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	376,170.08
	79,481.76
	<u>(1,109,498.10)</u>
	<u>(653,846.26)</u>

200,063.59	(443,871.42)
(2,378,597.36)	1,250,301.13
<u>\$ (2,178,533.77)</u>	<u>\$ 806,429.71</u>

\$ 200,063.59

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2018***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 6,093,783.00	\$ 7,151,051.32	\$ 6,318,022.94
Local	1,165,809.20	1,165,809.20	1,148,287.29
Other	68,000.00	68,000.00	56,011.45
Total Revenues	<u>7,327,592.20</u>	<u>8,384,860.52</u>	<u>7,522,321.68</u>
Expenditures			
Current:			
Instruction	2,125,782.42	2,779,929.23	2,278,831.65
Instructional Support	1,048,824.78	1,254,925.11	1,115,740.00
Operation and Maintenance	153,515.00	200,974.00	170,309.62
Auxiliary Services:			
Student Transportation	63,592.00	82,863.00	99,431.32
Food Service	3,179,361.00	3,179,361.00	3,090,906.76
General Administrative and Central Support	400,739.00	437,758.30	415,993.41
Other	837,120.80	957,851.68	842,763.19
Capital Outlay			
Personal Property		73,500.00	
Real Property			48,732.00
Total Expenditures	<u>7,808,935.00</u>	<u>8,967,162.32</u>	<u>8,062,707.95</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(481,342.80)</u>	<u>(582,301.80)</u>	<u>(540,386.27)</u>
Other Financing Sources (Uses)			
Transfers In	1,007,545.00	506,588.71	200,000.00
Transfers Out			(79,481.76)
Total Other Financing Sources (Uses)	<u>1,007,545.00</u>	<u>506,588.71</u>	<u>120,518.24</u>
Net Change in Fund Balances	526,202.20	(75,713.09)	(419,868.03)
Fund Balances - Beginning of Year		1,328,054.49	1,328,054.49
Fund Balances - End of Year	<u>\$ 526,202.20</u>	<u>\$ 1,252,341.40</u>	<u>\$ 908,186.46</u>

Explanation of differences:

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

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 6,318,022.94
	1,148,287.29
	56,011.45
	<u>7,522,321.68</u>
	2,278,831.65
	1,115,740.00
	170,309.62
	99,431.32
(7,315.28)	3,083,591.48
	415,993.41
	842,763.19
	48,732.00
(7,315.28)	<u>8,055,392.67</u>
7,315.28	(533,070.99)
	200,000.00
	<u>(79,481.76)</u>
	<u>120,518.24</u>
7,315.28	(412,552.75)
(135,503.36)	1,192,551.13
\$ (128,188.08)	<u>\$ 779,998.38</u>

\$ 7,315.28

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies (M)	84.010	N.A.
Special Education Cluster:		
Special Education Grants to States	84.027	N.A.
Special Education Preschool Grants	84.173	N.A.
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Education for Homeless Children and Youth	84.196	N.A.
Rural Education	84.358	N.A.
Supporting Effective Instruction State Grants	84.367	N.A.
Student Support and Academic Enrichment Program	84.424	N.A.
<u>Passed Through Alabama Department of Early Childhood Education</u>		
Preschool Development Grants	84.419	N.A.
Total U. S. Department of Education		
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	N.A.
National School Lunch Program:		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster		
State Administrative Expenses for Child Nutrition	10.560	N.A.
Total U. S. Department of Agriculture		
<u>U. S. Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security Disability Insurance	96.001	N.A.
Total U. S. Social Security Administration		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
N.A.	\$ 2,713,990.83
N.A.	862,235.60
N.A.	37,096.89
	<u>899,332.49</u>
N.A.	79,177.00
N.A.	39,750.00
N.A.	66,053.93
N.A.	344,620.83
N.A.	53,497.31
N.A.	<u>106,219.24</u>
	<u>4,302,641.63</u>
N.A.	545,402.04
N.A.	1,661,622.99
N.A.	144,736.06
	<u>1,806,359.05</u>
	2,351,761.09
N.A.	11,045.14
	<u>2,362,806.23</u>
N.A.	1,540.00
	<u>1,540.00</u>
	\$ 6,666,987.86

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Other Federal Assistance</u> <u>U. S. Department of Defense</u> <u>Direct Program</u>		
Air Force Junior R.O.T.C.	N.A.	N.A.
Total Other Federal Assistance		
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
	\$ 6,666,987.86
N.A.	<u>43,755.43</u>
	<u>43,755.43</u>
	<u>\$ 6,710,743.29</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2018***

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Selma City Board of Education has not elected to use the 10% de minimis indirect cost rate allowed by the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2017 through September 30, 2018

Board Members		Term Expires
Hon. Johnny Moss, III	President	2020
Hon. Brenda Randolph-Obomanu	Vice-President	2020
Hon. Tanya Miles, Ed.D.	Member	2020
Hon. Danielle Wooten	Member	2020
Hon. Phyllis Houser	Member	2020
<u>Administrative Personnel</u>		
Avis Williams, Ed.D.	Superintendent	June 2020
Grindal Harris	Chief School Financial Officer	Indefinite

***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***

Independent Auditor's Report

Members of the Selma City Board of Education,
Superintendent and Chief School Financial Officer
Selma, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Selma City Board of Education, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Selma City Board of Education's basic financial statements and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

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

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

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.

***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***

Compliance and Other Matters

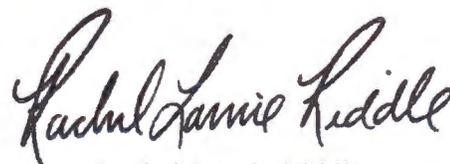
As part of obtaining reasonable assurance about whether the Selma City Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have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

Selma City Board of Education's Response to the Finding

The Selma City Board of Education's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 13, 2019

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Independent Auditor's Report

Members of the Selma City Board of Education,
Superintendent and Chief School Financial Officer
Selma, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Selma City Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Selma City Board of Education's major federal programs for the year ended September 30, 2018. The Selma City Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Selma City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Selma City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Selma City Board of Education's compliance.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, the Selma City Board of Education did not comply with procurement requirements regarding Title I Grants to Local Educational Agencies (CFDA Number 84.010), as described in the finding numbered 2018-002. Compliance with such requirements is necessary, in our opinion, for the Selma City Board of Education to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Selma City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the year ended September 30, 2018.

Unmodified Opinion on the Special Education Cluster

In our opinion, the Selma City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended September 30, 2018.

Other Matters

The Selma City Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Report on Internal Control Over Compliance

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

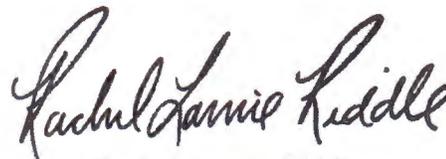
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 that we consider to be a material weakness.

The Selma City Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 13, 2019

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? X Yes _____ No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Qualified – Title I Grants to Local Educational Agencies
Unmodified – Special Education Cluster

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*? X Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2018-002	84.010	U. S. Department of Education, Passed Through Alabama Department of Education; Title I Grants to Local Educational Agencies for 10/01/2017 through 09/30/2018	<u>Finding:</u> Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> specifically the compliance requirements regarding Procurement (Section 200.320), requires small purchase procedures to be used for securing services, supplies or other property for amounts that exceed the micro-purchase threshold (\$10,000.00) but do not exceed the simplified acquisition threshold (\$250,000.00) by obtaining quotations from an adequate number of qualified sources. Sealed bids or competitive proposals are required for purchases of services, supplies or other property that exceed the simplified acquisition threshold.	\$321,411.07

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			<p><u>Finding Continued:</u> The Selma City Board of Education (the “Board”) adopted a policy on September 6, 2016, related to the <i>Uniform Guidance</i> for federal awards that requires obtaining price or rate quotes from two or more qualified sources for procurement transactions that exceed the micro-purchase threshold. The Board expended Title I funds for services and supplies which exceeded the micro-purchase threshold without obtaining quotations from an adequate number of sources. The Board did not have controls in place to ensure compliance with the <i>Uniform Guidance</i>, Section 200.320, or its adopted policy related to the <i>Uniform Guidance</i> for federal awards for these transactions. As a result, the Board, could not ensure that federal funds were expended in the most cost effective manner.</p> <p><u>Recommendations:</u> The Board should ensure compliance with the <i>Uniform Guidance</i>, Section 200.320, and its adopted policy related to the <i>Uniform Guidance</i> for federal awards.</p> <p><u>Views of Responsible Officials of the Board:</u> The Board agreed with the finding.</p>	

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Auditee Response/Corrective Action Plan



December 16, 2019

Ms. Rachel Laurie Riddle
Chief Examiner
P.O. Box 302251
Montgomery, AL 36130-2251

Dear Ms. Riddle:

Corrective Action Plan
For the Year Ended September 30, 2018

As required by the Office of Management and Budget (OMB) Circular Number A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .3159c), the Selma City Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2018.

Finding Ref. No.	Corrective Action Plan Details
2018-002	<i>Findings:</i> Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires the use of specific methods of procurement. The Uniform Guidance, Section 200.320, requires small purchase procedures to be used for securing services, supplies or other property for amounts that exceed the micro-purchase threshold (\$10,000.00) but do not exceed the simplified acquisition threshold (\$250,000.00) by obtaining quotations from an adequate number of qualified sources. Sealed bids or competitive proposals are required for purchases of services, supplies or other property that exceed the simplified acquisition threshold. The Selma City Board of Education (“Board”) adopted a policy on September 6, 2016, related to the Uniform Guidance for Federal Awards that requires obtaining price or rate quotes from two or more qualified sources for procurement transactions that exceed the micro-purchase threshold. The Board expended Title I funds for services and supplies which exceeded the micro-purchase

File: *Corrective Action Plan*



threshold without obtaining quotations from an adequate number of sources. The Board did not have controls in place to ensure compliance with the Uniform Guidance, Section 200.320, or its adopted policy related to the Uniform Guidance for Federal Awards for these transactions. As a result, the Board could not ensure that federal funds were expended in the most cost effective manner.

Corrective action planned: The CSFO is working with the Directors on the Board's policies and procedures to ensure procurement transactions are in compliance with the Uniform Guidance.

Name of Contact Person: Federal Directors

Anticipated Completion Date: January 31, 2020.

Other Matters in Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

Finding Ref. No.	Corrective Action Plan Details
2018-001	<u>Findings:</u> The Code of Alabama 1975, Section 16-25-26, places certain restrictions on the employment or contract of persons who are retired from the Retirement Systems of Alabama (RSA). The RSA requires participating agencies to file an Employing Agency Annual Certification Post-Retirement Employment form each calendar year. The retiree name, compensation and information about the employment of the retiree is a required element of this form. During the audit period, the Board paid several persons who were retired from the RSA. However, the Board did not file the required annual certification form. The Board did not have controls in place to ensure retiree compensation information was submitted to the RSA concerning post-retirement employment. As a result, compensation paid to affected retirees was not reported to RSA.

File: *Corrective Action Plan*



Response: Corrective action planned: The Payroll Manager and Accounts Payable Clerk will work together to ensure we capture all retirees' compensation and report it in a timely manner.

Name of Contact Person: Grindal D. Harris, CSFO

Anticipated Completion Date: January 31, 2020.

Sincerely,

Dr. Avis Williams
Superintendent